

DOCKET NO. P-2020-3020914

Hearing Date: August 21, 2020

EXHIBITS

Office of Consumer Advocate

- Exh. 1 - 8/3/2020 Twin Lakes Notice to Customers
- Exh. 3 - Class A and B Water Company PUC Annual Report for Aqua Pennsylvania
- Exh. 4 - Direct Testimony of Stacy L. Sherwood, R-2019-3010958
- Exh. 5 - Surrebuttal Testimony of Stacy L. Sherwood, R-2019-3010958
- Exh. 6 - Direct Testimony of Terry Fought, R-2019-3010958
- Exh. 7 - Surrebuttal Testimony of Terry Fought, R-2019-3010958
- Exh. 8 - 10/17/2019 Public Input Hearings Transcripts, R-2019-3010958

Twin Lakes Utilities

- Exh. 1 - 7/16/2020 Petition for a Commission Order Authorizing the Acquisition of Twin Lakes Pursuant to Section 529 of the Public Utility Code

**John J. Gallagher**

**Attorney at Law**

711 Forrest Road, Harrisburg, PA 17112

Tel. (717) 599-5839

✉ jgallagher@jglawpa.com

August 3, 2020

**VIA ELECTRONIC DELIVERY**

Honorable Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Twin Lakes Utilities, Inc.  
Section 529 Petition  
Docket No. P 2020-3020914**

Dear Secretary Chiavetta:

On behalf of Twin Lakes Water Utilities, Inc., please find enclosed the Formal Notice to the customers of Twin Lakes Utilities Inc. of the filing of the above-captioned Section 529 Petition.

Copies of this document have been served on the parties listed in the attached Certificate of Service.

Sincerely,



John J. Gallagher

Enclosures

cc: Certificate of Service

OCA Exh. 1  
P-2020-3020914  
8-21-20  
Harrisburg JS

**OCA Exhibit 1 -- Notice to Twin Lakes Customers**  
**NOTICE OF FILING OF A SECTION 529 PETITION BY TWIN LAKES UTILITIES, INC.**

To Our Customers:

Twin Lakes Utilities, Inc. (“Twin Lakes”) has filed a Petition with the Pennsylvania Public Utility Commission (“PUC” or “the Commission”) requesting the issuance of a Commission Order that authorizes the acquisition of Twin Lakes by a capable public utility pursuant to Section 529 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §529 (“Section 529”). This notice describes Twin Lakes’ request and what actions you can take.

Pursuant to Section 529, “The Commission may order a capable public utility to acquire a small water or sewer utility if the Commission, after a notice and an opportunity to be heard determines...that the small water or sewer utility cannot reasonably be expected to furnish and maintain adequate, efficient, safe and reasonable service and facilities in the future.”

In its Petition, Twin Lakes states that it no longer has the adequate financial capability or support to furnish and maintain adequate, efficient, safe and reasonable service and facilities to its customers. In addition, the current contract system operator for Twin Lakes’ system, has terminated its service agreement with Twin Lakes that will end at 12:01 am on September 1, 2020. Twin Lakes has issued a Request For Proposals (“RFP”) for a replacement system operator. Absent Twin Lakes’ ability to secure a new operator through this RFP process, effective September 1, 2020 Twin Lakes will not have the operational capability or support to furnish and maintain adequate, efficient, safe and reasonable service and facilities for the Twin Lakes water system. As a result, Twin Lakes will have no possible means to ensure water quality or distribute water of any quality to its customers. Therefore, to protect the public health, Twin Lakes will cease water service at 12:01 am on September 1, 2020.

The PUC has issued the following docket number for Twin Lakes’ Petition: Docket No. P-2020-3020914. You may examine the material filed with the PUC which explains Twin Lakes’ request and the reasons for it. A copy of this material is kept at Twin Lakes’ office and is available on the PUC’s website at <http://www.puc.pa.gov//pcdocs/1670647.pdf>. As a customer of Twin Lakes you are entitled to receive notice of the filing of Twin Lakes’ Petition pursuant to Section 529 and the Commission’s initiation of Docket No. P-2020-3020914 and an opportunity to participate in it.

The state agency that approves an acquisition pursuant to Section 529 is the PUC. The PUC will examine Twin Lakes’ request and can investigate and/or holds hearings on the request. The PUC may grant all, some, or none of Twin Lakes’ request.

Should you wish to participate, there are three ways to do so:

1) You can contact the Pennsylvania Office of Consumer Advocate (OCA) with questions, concerns and comments. The OCA is an active party representing the interests of residential customers. The telephone number for the OCA is (717) 783-5048 or toll-free (800) 684-6560. You can also find information about the case on the OCA’s website: [www.oca.state.pa.us](http://www.oca.state.pa.us).

2) You can file a formal Petition To Intervene asking the PUC to allow you to be a party. The petition must state who you are, why you want to be a party and what your specific concerns are. Petitions should include the docket number (P-2020-3020914) and be sent to the Secretary, P.O. Box 3265, Harrisburg, PA 17105-3265 with a copy to Administrative Law Judge Joel H. Cheskis, PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. Petitions must be received by the Secretary by **close of business October 1, 2020**. Twin Lakes has the right to file a responsive pleading to any petition you file. If you have questions, please call the OCA.

**OCA Exhibit 1 -- Notice to Twin Lakes Customers**

3) You can attend or be a witness at a public input hearing, if one is held, where you will have the opportunity to present your view to Judge Cheskis. All testimony given “under oath” becomes part of the case record. If no public input hearings are held, you still have the right to attend any hearings that are held in the case: however, you will not be permitted to testify unless you have requested and been granted permission to intervene or be called by a party as a witness.

Twin Lakes Utilities, Inc.

OCA Exhibit 1 -- Notice to Twin Lakes Customers

APPENDIX A

Christine J. McDermott  
137 Ottawa Trail  
Shohola, PA 18458

Shane Quill  
170 Twin Lakes Drive  
Shohola, PA 18458

Daniel Mishiyev  
91 Celery Avenue  
New Hampton, NY 10958

Nathaniel Baird  
180 Twin Lakes Drive  
Shohola, PA 18458

Allen Estok  
P.O. Box 1111  
Milford, PA 18337

Steven Statsinger  
Gerasimos Xenatos  
245 E. 19<sup>th</sup> Street, Apt. 12B  
New York, NY 10003

John & Heidi Kazmierczak  
114 Shawnee Road  
Shohola, PA 18458

Elizabeth Kelly  
12 Woodrow Drive  
Yonkers, NY 10710

Mark Deblock  
107 Susan Lane  
Shohola, PA 18458

John & Donna Hersca  
110 Sagamore Road  
Shohola, PA 18458

Dorothy Huber  
105 Rock Place  
Shohola, PA 18458

John Weber  
3 Brockton Square  
Jackson, NJ 08527

Alfred Champy  
100 Beach Pl.  
Shohola, PA 18458

John Rupke  
W142 N 800 Thorndell Dr.  
Menomonee Falls, WI 53051

Eric Sletner  
111 Allyson Lane  
Shohola, PA 18458

Tiffany Upright  
130 Twin Lakes Drive  
Shohloa, PA 18458

Barbara Benedix  
106 Beach Road  
Shohola, PA 18458

Stephen Shay  
112 Twin Lakes Drive  
Shohola, PA 18458

Kevin Dowd  
108 Lake View Drive  
Shohola, PA 18458

Ciro Matrecano  
100 Susan Lane  
Shohola, PA 18458

**OCA Exhibit 1 -- Notice to Twin Lakes Customers**

Robert Gilbert  
105 Cheyenne Road  
Shohola, PA 18458

Marita Wilson  
108 N. Hill View  
Shohola, PA 18458

Anthony Ciuffreda  
5 Headquarters Road  
White House Station, NJ 08889

Jasmine Hogan  
104 Beach Place  
Shohola, PA 18458

Eric Estok  
122 Samantha Lane  
Shohola, PA 18458

Stephanie Gerlardi  
158 Twin Lakes Drive  
Shohola, PA 18458

John & Donna Egan  
P.O. Box 142  
Margaretville, NY 12455

John Weissleder  
63 Hamlin Road  
Mahopac, NY 10541

Amy & Dennis Hollenbeck  
116 Twin Lakes Drive  
Shohola, PA 18458

Eugene Delamarter  
144 Twin Lakes Drive  
Shohola, PA 18458

Charles Vichers  
103 Susan Lane  
Shohola, PA 18458

Julia Wheatley  
1487 Franklin Road  
Langhorne, PA 19047

Paul Mutzek  
104 Sagamore Road  
Shohola, PA 18458

Thomas Beals  
344 Dongan Hills Ave.  
Staten Island, NY 10305

Edward & Stephanie Decker  
145 Twin Lakes Drive  
Shohola, PA 18458

Glenn Pontier  
8 Old Minisink Ford Rd.  
Barryville, NY 12719

Helen Miller  
110 Ottawa Trail  
Shohola, PA 18458

Suzanne Cestare  
182 Twin Lakes Drive  
Shohola, PA 18458

Patricia Simons  
19 Gedney Place  
White Plains, NY 10605

Michael Rogers  
P.O. Box 955  
Milford, PA 18337

## OCA Exhibit 1 -- Notice to Twin Lakes Customers

Patricia Parachinni  
107 Josephine Lane  
Shohola, PA 18458

Kellyann Musco  
124 Twin Lakes Drive  
Shohola, PA 18458

Chinere Edwards  
110 Allyson Lane  
Shohola, PA 18458

Katherine Blasch & Marc Poudrier  
114 Brooke Lane  
Shohola, PA 18458

Kenneth Winham  
104 Dylan Lane  
Shohola, PA 18458

Patricia McCusker  
114 Kenny Lane  
Shohola, PA 18458

Devin Giampaolo  
103 Warpath  
Shohola, PA 18458

Brigette Willis  
146 Twin Lakes Drive  
Shohola, PA 18458

Tim Brown  
P.O. Box 700  
Milford, PA 18337

Shaun Gray  
P.O. Box 133  
Callicoon, NY 12723

Tyler Germann  
236 Springbrook Road  
Shohola, PA 18458

Richard & Helen Watkins  
110 Shawnee Road  
Shohola, PA 18458

Frank & Shuko Kashimba  
111 Shawnee Road  
Shohola, PA 18458

Eric Charles  
112 Josephine Lane  
Shohola, PA 18458

Joseph Weidner  
131 Twin Lakes Drive  
Shohola, PA 18458

Ada Cortes DeSandtis  
119 John Lane  
Shohola, PA 18458

Michael Newmark  
502 W Hartford St./Unit 1  
Milford, PA 18337

Michele Castellanos  
107 John Lane  
Shohola, PA 18458

David Susney  
150 Twin Lakes Drive  
Shohola, PA 18458

Douglas Guest  
106 Sagamore Road  
Shohola, PA 18458

**OCA Exhibit 1 -- Notice to Twin Lakes Customers**

Pamela Sanchez  
103 Circle Drive  
Shohola, PA 18458

Cassandra Martin  
102 Beach Road  
Shohola, PA 18458

William & Eric Seibert  
25 Campbell Street  
Red Bank, NJ 07701

Mary Riker  
119 Brooke Lane  
Shohola, PA 18458

Chelsea Shatt  
111 Dylan Lane  
Shohola, PA 18458

Joey Burke  
113 Brooke Lane  
Shohola, PA 18458

Dimitriy Baranov  
116 Samantha Lane  
Shohola, PA 18458

Anderw Zilber  
110 Twin Lakes Drive  
Shohola, PA 18458

Renee White  
112 Samantha Lane  
Shohola, PA 18458

300 Twin Lakes  
101 Stewart Street, Ste. 800  
Seattle, WA 98101

Wayne & Dellres King  
P.O. Box 1313  
Milford, PA 18337

Dan Driscoll  
100 Dylan Lane  
Shohola, PA 18458

Joanne Geng  
128 Ottawa Trail  
Shohola, PA 18458

Timothy Kelly  
116 Josephine Lane  
Shohola, PA 18458

Frederick & Chris Miller  
118 Sagamore Road  
Shohola, PA 18458

Nadeen & Michael Manzoni  
117 Allyson Lane  
Shohola, PA 18458

Jeremy Monz  
118 Samantha Lane  
Shohola, PA 18458

Andres Figueroa  
104 Rock Place  
Shohola, PA 18458

Matt & Lisa Amoscato  
1 Eos Road  
Rocky Point, NY 11778

Charles Dellert  
130 Ottawa Trail  
Shohola, PA 18458

**OCA Exhibit 1 -- Notice to Twin Lakes Customers**

Frank Perez  
307 Pine Run Road  
Doylestown, PA 18901

Karen Haycox  
374 7<sup>th</sup> Street, Unite 403  
Jersey City, NJ 07302

Gloria Decker  
112 Ottawa Trail  
Shohola, PA 18458

Fred Guensch  
102 Brooke Lane  
Shohola, PA 18458

Michele Dennington  
103 Brooke Lane  
Shohola, PA 18458

Joseph Piciullo  
56 Danbury Street  
Bayshore, NY 11706-5818

Kelly Mapes  
113 Josephine Lane  
Shohola, PA 18458

Donald Dechert  
23 Boiling Springs Avenue  
East Rutherford, NJ 07073-1401

Roger Roa  
100 Brooke Lane  
Shohola, PA 18458

Tami DeFrancesco  
120 Kyra Lane  
Shohola, PA 18458

Neil Joyce  
P.O. Box 1507  
Milford, PA 18337

Johnathan McElhamey  
115 Jacob Weber Road  
Shohola, PA 18458

Roger Blanchard  
4715 Steuben Road  
Nazareth, PA 18064

Gary Smith  
115 Josephine Lane  
Shohola, PA 18458

Emilio & Celeste Ortiz  
120 Twin Lakes Drive  
Shohola, PA 18458

Thomas Fuller & Jerry Reisig  
255 Fieldston Terrace, Apt. 2E  
Bronx, NY 10471

Kathleen Grady  
5014 Beaumont Avenue  
Philadelphia, PA 19143

John & Janet Heekin  
300 E. 74<sup>th</sup> Street  
New York, NY 10021

William & Judith Holdorff  
108 Sagamore Road  
Shohola, PA 18458

Grzegorz Nieczaj  
113 Allyson Lane  
Shohola, PA 18458

**OCA Exhibit 1 -- Notice to Twin Lakes Customers**

Michele Daddario  
178 Twin Lakes Drive  
Shohola, PA 18458

Richard Ziemba  
117 Josephine Lane  
Shohola, PA 18458

Dana Derosé  
102 Kyra Lane  
Shohola, PA 18458

Dorrel & Erica Harvey  
115 Dylan Lane  
Shohola, PA 18458

Neil & Helen Miller  
106 Chippewa Road  
Shohola, PA 18458

Carla Zellmer  
104 Cherokee Road  
Shohola, PA 18458

Lisa Celenza  
116 Sagamore Road  
Shohola, PA 18458

Alexander DiMarzio  
2311 Marietta Avenue  
Lancaster, PA 17603

Virginia Pfeiffer  
424 W. 22<sup>nd</sup> Street, Apt. 4  
New York, NY 10011-2566

Barry Schlegel  
115 Kyra Lane  
Shohola, PA 18458

Leah Meola  
525 La Cresta Drive  
Red Oak, TX 75154

John Troyan  
115 Brooke Lane  
Shohola, PA 18458

Keith Decker  
104 Samantha Lane  
Shohola, PA 18458

Karen Watkins  
109 Shawnee Road  
Shohola, PA 18458

Nicolai Grib  
1900 Quentin Road, Apt. F2  
Brooklyn, NY 11229

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

**VIA FIRST CLASS MAIL**

Honorable Joel E Cheskis  
Office of Administrative Law Judge  
PA Public Utility Commission  
P.O. Box 3265  
Harrisburg PA 17102

Scott Granger, Esquire  
Pennsylvania Public Utility Commission  
Bureau of Investigation & Enforcement  
400 North Street  
Harrisburg, PA 17105-3265

Christine Maloni Hoover  
Office of Consumer Advocate  
555 Walnut St.,  
Forum Place 5<sup>th</sup> Floor  
Harrisburg, PA 17101

Mr. Sean Kemether  
Chairman of the Board  
Sagamore Estates Property Owners  
111 John Lane  
Shohola, PA 18458

Customers of Twin Lakes Utilities, Inc.  
(Individually listed in Appendix A, attached).



Dated: August 3, 2020

John J. Gallagher, Esquire  
Counsel for Twin Lakes  
Utilities, Inc.  
711 Forrest Road  
Harrisburg, PA 17112  
[jgallagher@jglawpa.com](mailto:jgallagher@jglawpa.com)

**CLASS "A" AND "B" WATER COMPANY  
PUC ANNUAL REPORT  
OF**

Utility Code  
210104

Company:

Aqua Pennsylvania, Inc

Address:

762 W. Lancaster Ave. Bryn Mawr, PA 19010

Address

City

State

Zip

**TO THE  
PENNSYLVANIA  
PUBLIC UTILITY COMMISSION**

*For the Year Ended December 31, 2019*

Telephone Number 610-525-1400

Fax Number 833-208-0100

E-Mail [fmmancini@aquaamerica.com](mailto:fmmancini@aquaamerica.com)

Web Site Address [www.aquaamerica.com](http://www.aquaamerica.com)

Officer to whom correspondence  
concerning this report should be addressed:

William C. Packer

First Name

Last Name

Vice President/Controller

Title

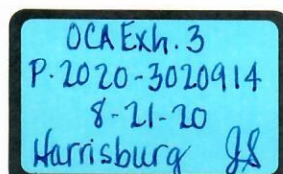
762 W. Lancaster Ave. Bryn Mawr, PA 19010

Address

City

State

Zip



Aqua Pennsylvania, Inc

For the Year Ended December 31, 2019

Company

**610. Territory Served**

Report below the number of customers at the end of the year in respondent's distribution system in which service is furnished, setting forth by counties the number of customers and average number of customers during the year.

| County Code                                      | Name of Pennsylvania County<br>(a) | Number Of Customers At End Of Year<br>(b) | Average Number Of Customers During Year<br>(c) |
|--|------------------------------------|---|--|
| 01   | Adams                              | 207                                       | 201  |
| 02   | Allegheny                          |   |  |
| 03   | Armstrong                          |   |  |
| 04   | Beaver                             |   |  |
| 05   | Bedford                            |   |  |
| 06   | Berks                              | 1,839                                     | 1,778  |
| 07   | Blair                              |   |  |
| 08   | Bradford                           | 4,955                                     | 4,957  |
| 09   | Bucks                              | 30,906                                    | 32,940   |
| 10   | Butler                             |   |  |
| 11   | Cambria                            |   |  |
| 12   | Cameron                            |   |  |
| 13   | Carbon                             | 1   | 1  |
| 14   | Centre                             |   |  |
| 15   | Chester                            | 73,782                                    | 72,890   |
| 16   | Clarion                            |   |  |
| 17   | Clearfield                         | 2,144                                     | 3,298  |
| 18   | Clinton                            |   |  |
| 19   | Columbia                           | 716                                       | 718  |
| 20   | Crawford                           | 1,140                                     | 1,151  |
| 21   | Cumberland                         | 321                                       | 321  |
| 22   | Dauphin                            |   |  |
| 23   | Delaware                           | 152,016                                   | 151,430  |
| 24   | Elk                                |   |  |
| 25   | Erie                               |   |  |
| 26   | Fayette                            |   |  |
| 27   | Forest                             | 2,227                                     | 2,286  |
| 28   | Franklin                           |   |  |
| 29   | Fulton                             |   |  |
| 30   | Greene                             |   |  |
| 31   | Huntingdon                         |   |  |
| 32   | Indiana                            |   |  |
| 33   | Jefferson                          |   |  |
| 34   | Juniata                            | 50  | 50   |
| 35   | Lackawanna                         | 873                                       | 1,076  |
| 36   | Lancaster                          |   |  |
| 37   | Lawrence                           | 707                                       | 708  |
| 38   | Lebanon                            |   |  |
| 39   | Lehigh                             | 419                                       | 418  |
| 40   | Luzerne                            | 5,390                                     | 5,373  |
| 41   | Lycoming                           |   |  |
| 42   | McKean                             | 436                                       | 440  |
| 43   | Mercer                             | 19,894                                    | 19,943   |
| 44   | Mifflin                            |   |  |
| 45   | Monroe                             | 1,354                                     | 1,355  |
| 46   | Montgomery                         | 113,655                                   | 108,605  |
| 47   | Montour                            |   |  |
| 48   | Northampton                        | 76  | 76   |
| 49   | Northumberland                     | 15,717                                    | 15,789   |
| 50   | Perry                              |   |  |
| 51   | Philadelphia                       |   |  |
| 52   | Pike                               | 4,697                                     | 4,910  |
| 53   | Potter                             |   |  |
| 54   | Schuylkill                         | 1,652                                     | 1,658  |
| 55   | Snyder                             | 1,344                                     | 1,325  |
| 56   | Somerset                           |   |  |
| 57   | Sullivan                           | 2   | 2  |
| 58   | Susquehanna                        | 104                                       | 104  |
| 59   | Tioga                              |   |  |
| 60   | Union                              | 1   | 2  |
| 61   | Venango                            | 357                                       | 358  |
| 62   | Warren                             | 305                                       | 305  |
| 63   | Washington                         |   |  |
| 64   | Wayne                              | 5,160                                     | 4,458  |
| 65   | Westmoreland                       |   |  |
| 66   | Wyoming                            | 705                                       | 701  |
| 67   | York                               |   |  |
| Totals   |                                    | 443,152                                   | 439,627  |
| Total Population of Territory Served (Estimated) |                                    | 1,400,000                                 |  |

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY )  
COMMISSION )  
v. )  
TWIN LAKES UTILITIES, INC. )  
)  
)

Docket No. R-2019-3010958

DIRECT TESTIMONY  
OF  
STACY L. SHERWOOD  
ON BEHALF OF THE  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

November 1, 2019

## TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| I. INTRODUCTION .....                        | 1           |
| II. ACQUISITION ADJUSTMENT .....             | 3           |
| III. LEGAL EXPENSE.....                      | 5           |
| IV. MAINTENANCE SUPPLIES .....               | 6           |
| V. PURCHASED POWER AND CHEMICAL EXPENSE..... | 6           |
| VI. BAD DEBT EXPENSE .....                   | 7           |
| VII. RATE CASE EXPENSE .....                 | 8           |
| VIII. CASH WORKING CAPITAL.....              | 9           |
| IX. INCOME TAXES.....                        | 9           |
| X. RATE AFFORDABILITY .....                  | 10          |
| APPENDIX A                                   |             |
| APPENDIX B                                   |             |

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Stacy L. Sherwood. I am an Economist with Exeter Associates, Inc.  
4 (“Exeter”). Our offices are located at 10480 Little Patuxent Parkway, Suite 300,  
5 Columbia, Maryland 21044. Exeter is a firm of consulting economists specializing in  
6 issues pertaining to public utilities.

7 Q. PLEASE DESCRIBE YOUR QUALIFICATIONS, WORK EXPERIENCE,  
8 AND EDUCATIONAL BACKGROUND.

9 A. I have ten years of experience in the energy sector, related specifically to the review  
10 and development of energy efficiency and demand response programs and policies for  
11 the use of advanced technologies for pollution prevention and energy efficiency. In  
12 addition, I have three years of experience addressing utility revenue requirement. With  
13 Exeter, I have provided technical support and analysis to state and federal clients on  
14 energy efficiency, distributed resources, demand response, and renewable energy. I  
15 have also participated in water rate cases in Rhode Island, Pennsylvania, and New  
16 Jersey. I hold a Bachelor’s Degree in Accounting, Business, and Economics from  
17 McDaniel College. My resume is provided in Appendix A.

18 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY  
19 PROCEEDINGS ON UTILITY ISSUES?

20 A. Yes. I have provided testimony on energy efficiency programs and utility revenue  
21 requirement. I have testified on behalf of the Pennsylvania Office of Consumer  
22 Advocate (“OCA”) before the Pennsylvania Public Utility Commission; on behalf of  
23 the Township of Wyckoff, the Borough of Glen Rock, and the Borough of Midland  
24 Park, all located in New Jersey, before the Village of Ridgewood, New Jersey Council;

1 on behalf of the Rhode Island Division of Public Utilities and Carriers before the Rhode  
2 Island Public Utilities Commission; and as a member of Staff before the Maryland  
3 Public Service Commission. A list of the cases in which I have testified is provided in  
4 Appendix A of this testimony.

5 Q. ON WHOSE BEHALF ARE YOU APPEARING?

6 A. I am presenting testimony on behalf of the Pennsylvania OCA.

7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A. Exeter was retained by the OCA to assist in the evaluation of the water service rate  
9 filing submitted by Twin Lakes Utilities, Inc. (“TLU” or “Company”) to the  
10 Pennsylvania Public Utility Commission (“PA PUC” or “Commission”) on July 19,  
11 2019. This testimony presents my findings and recommendations with regard to the  
12 overall revenue increase that TLU has supported.

13 Q. HAVE YOU PREPARED SCHEDULES TO ACCOMPANY YOUR  
14 TESTIMONY?

15 A. Yes. I have prepared Schedules SLS-1 through SLS-12. Schedule SLS-1 provides a  
16 summary of my recommended total rate base and revenue requirement calculated with  
17 a zero return on equity, based on OCA’s position that TLU is not providing safe and  
18 adequate service. Schedule SLS-2 provides a summary of my recommended  
19 adjustments. Schedules SLS-3 through SLS-11 detail my individual recommended  
20 adjustments. Schedule SLS-12 provides the revenue requirement reflecting OCA  
21 witness Aaron Rothschild’s recommended rate of return. The schedules are provided  
22 in Appendix B.

23 Q. WHAT TIME PERIODS HAVE YOU UTILIZED IN MAKING YOUR  
24 DETERMINATION OF TLU’S REVENUE REQUIREMENTS?

1 A. Consistent with TLU's filing, I have utilized a historic test year ("HTY") that  
2 corresponds to the 12-month period ended March 31, 2019. This time period serves as  
3 the basis for determining TLU's revenue requirements and the revenue increase  
4 necessary to recover those requirements.

5 Q. WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE  
6 APPROPRIATE INCREASE IN REVENUES IN THIS PROCEEDING?

7 A. After accounting for OCA's adjustments to the Company's operating income and  
8 applying an overall cost of capital of 3.50 percent (equivalent to the return on long-  
9 term debt as calculated by OCA witness Rothschild in OCA Statement 2), I have  
10 calculated the overall revenue requirement increase to be \$134,631 in this proceeding,  
11 as shown on Schedule SLS-1. I am recommending that the return on equity be 0 percent  
12 due to inadequate service provided by TLU, which is discussed further in Section X of  
13 my testimony. That recommendation is \$77,162 less than the increase of \$211,793 that  
14 TLU has requested in this proceeding.

15 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

16 A. In the remainder of my testimony, I document and explain each of the six revenue  
17 requirement adjustments that I am recommending the Commission approve. My  
18 discussion of these adjustments is organized into sections corresponding to the issue  
19 being addressed.

20 **II. ACQUISITION ADJUSTMENT**

21 Q. WHAT IS THE LEVEL OF UTILITY PLANT PROPOSED BY THE  
22 COMPANY?

1 A. The Company has proposed a level of plant of \$1,535,467. This includes \$1,481,061  
2 of utility plant in service and \$54,406 for an acquisition adjustment.<sup>1</sup>

3 Q. DO YOU AGREE WITH THE COMPANY'S INCLUSION OF AN  
4 ACQUISITION ADJUSTMENT TO CALCULATE ITS UTILITY PLANT?

5 A. No, I do not. The acquisition adjustment should be determined in the first case  
6 following the acquisition and should have Commission approval.<sup>2</sup> 66 Pa. C.S. 1327.  
7 As stated by the Company, "there is no docket number or order available specifying  
8 approval of the acquisition adjustment."<sup>3</sup> Without Commission approval, the Company  
9 should not be including an acquisition adjustment as part of its utility plant. In addition,  
10 this acquisition adjustment is higher than that provided in the Company's 2011 rate  
11 case of \$19,684.<sup>4</sup>

12 Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING THE  
13 ACQUISITION ADJUSTMENT?

14 A. Yes, I do. If the Company had a Commission-approved acquisition adjustment, the  
15 acquisition adjustment should be amortized over a period of time.<sup>5</sup> The typical time  
16 period to amortize an acquisition adjustment is 20 years. Therefore, that would indicate  
17 that the acquisition adjustment should have been amortized over the last 10 years (the  
18 Company was acquired on November 3, 2009) and should have been reduced to  
19 approximately \$9,840 at this point in time.<sup>6</sup>

---

<sup>1</sup> Company response to OCA-III-3. Per Company response to I&E-RB-14-D, the Company is not including the \$611,375 of Construction Work In Progress as part of the utility plant in rate base.

<sup>2</sup> 52 Pa. Code § 69.721 ("After the approval of an acquisition . . . an acquiring utility may request the inclusion of the value of the used and useful assets of the acquired system in its rate base. A request will be considered during the acquiring utility's next filed rate case proceeding.").

<sup>3</sup> Company response to OCA-I-6.

<sup>4</sup> See Docket No. R-2011-2246415.

<sup>5</sup> 66 Pa. C.S. § 1327(e).

<sup>6</sup> The Company's acquisition case is located at Docket No. A-2008-2050092. The first rate case following acquisition is located at R-2011-2246415.

1 Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT TO UTILITY  
2 PLANT?

3 A. The Company has not provided evidence of Commission approval. I recommend that  
4 the acquisition adjustment in its entirety be removed from rate base. This adjustment is  
5 reflected in Schedule SLS-3.

6 **III. LEGAL EXPENSE**

7 Q. WHAT ARE THE COMPANY'S REQUESTED LEGAL EXPENSES?

8 A. For the test year, the Company projects the legal expenses to be \$1,001, which is 155  
9 percent (\$608) more than those expenses for the 12-month period ended March 31,  
10 2018.<sup>7</sup>

11 Q. DO YOU AGREE WITH THE COMPANY'S FORECAST FOR LEGAL  
12 EXPENSE?

13 A. No, I do not. The majority of the increase in the test year expenses is related to outside  
14 counsel expenses that were not experienced in the prior two 12-month periods ended  
15 2017 and 2018.<sup>8</sup> Based upon the historical expenses, the outside counsel services costs  
16 captured in the test year appear to be a one-time expense that is not reoccurring.  
17 Therefore, I recommend excluding that cost from revenue requirement.

18 Q. WHAT IS YOUR ADJUSTMENT TO LEGAL?

19 A. I am adjusting the Legal expense by \$596. This adjustment is reflected in Schedule  
20 SLS-4.

---

<sup>7</sup> Company's Initial Filing, Schedule D.

<sup>8</sup> Company response to OCA-I-12.

1 **IV. MAINTENANCE SUPPLIES**

2 Q. WHAT IS THE COMPANY'S REQUESTED EXPENSE FOR  
3 MAINTENANCE SUPPLIES?

4 A. For the test year, the Company is claiming \$9,509 in maintenance supplies expense,  
5 with no adjustments. This is an increase of 2,111 percent (\$9,079) compared to the 12-  
6 month period ended March 31, 2018.<sup>9</sup>

7 Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR  
8 MAINTENANCE EXPENSE?

9 A. No, I do not. The Company's test year includes costs of \$9,509 related to two main  
10 breaks, which were not experienced during the 12-month period ended March 31,  
11 2018.<sup>10</sup> The test year expense is also 2.5 times higher than for the 12-month period  
12 ended March 31, 2017. Maintenance expenses can vary annually; therefore, I  
13 recommend normalizing the maintenance supplies expense over three years, the 12-  
14 month periods ended 2017-2019.

15 Q. WHAT IS YOUR ADJUSTMENT TO MAINTENANCE SUPPLIES?

16 A. I am adjusting the maintenance supplies expense by \$5,010. This adjustment is  
17 reflected in Schedule SLS-5.

18 **V. PURCHASED POWER AND CHEMICAL EXPENSE**

19 Q. WHAT ARE THE COMPANY'S REQUESTED EXPENSES FOR  
20 PURCHASED POWER AND CHEMICALS?

21 A. For the test year, the Company claims total purchased power expense of \$10,524, and  
22 total chemical expense of \$3,003.

---

<sup>9</sup> Company's Initial Filing, Schedule D.

<sup>10</sup> Company response to I&E-RE-7-D.

1 Q. DO YOU AGREE WITH THE COMPANY'S CLAIMS FOR PURCHASED  
2 POWER AND CHEMICAL EXPENSE?

3 A. No, I do not. While the test year expenses were incurred, I do not agree that ratepayers  
4 are responsible for the entire cost due to the Company's extremely high levels of  
5 unaccounted-for-water. As noted by OCA witness Fought in OCA Statement 3, in  
6 2018, the unaccounted-for-water was 80.2 percent. The Commission's policy states  
7 that "Levels of unaccounted-for-water should be kept within reasonable amounts.  
8 Levels above 20 percent have been considered by the Commission to be excessive."<sup>11</sup>  
9 The cost of treating and pumping water into the system is paid for by ratepayers.  
10 Unaccounted-for-water of 80.2 percent indicates that customers are paying for water  
11 loss that is 60.2 percent over the amount identified in regulations. For ratemaking  
12 purposes, it is unreasonable to expect ratepayers to bear the expenses of treating and  
13 pumping the excess unaccounted-for-water. Therefore, I propose to remove the  
14 purchased water and the chemical expense associated with water treatment above the  
15 levels found reasonable under the Commission's regulations from the revenue  
16 requirement.

17 Q. WHAT ARE YOUR ADJUSTMENTS TO PURCHASED POWER AND  
18 CHEMICAL EXPENSE?

19 A. I am adjusting purchased power by \$6,335 and the chemical expense by \$1,808. These  
20 adjustments are reflected in Schedule SLS-6.

21 **VI. BAD DEBT EXPENSE**

22 Q. WHAT IS THE COMPANY'S REQUESTED BAD DEBT EXPENSE?

---

<sup>11</sup> 52 Pa. Code § 65.20 (4).

1 A. For the test year, TLU increased the 2019 bad debt expense from the 12-month period  
2 ended March 31, 2018 by \$11,712, for a total of \$19,095. The Company calculated this  
3 expense based upon the Company's proposed increase in revenues.

4 Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR BAD DEBT  
5 EXPENSE?

6 A. No, I do not. Within the last five years, the highest level of bad debt expense was  
7 \$7,384. During the same time frame, the average bad debt was \$3,827. The Company's  
8 level of bad debt expense does not seem reasonable and is not supported by the  
9 historical expense. The Company increased its rates in 2016 when it experienced an  
10 increase in bad debt expense from prior years; however, in 2017 and 2018, the bad debt  
11 expense declined to \$2,400 annually. I recommend that the bad debt expense be the  
12 equivalent to the normalized bad debt expense for 2017 through 2019. The average  
13 during this time period was \$4,061.

14 Q. WHAT IS YOUR ADJUSTMENT TO BAD DEBT EXPENSE?

15 A. I am adjusting the bad debt expense by \$15,034. This adjustment is reflected in  
16 Schedule SLS-7.

17 **VII. RATE CASE EXPENSE**

18 Q. DO YOU AGREE WITH THE COMPANY'S POSITION TO AMORTIZE  
19 THE RATE CASE EXPENSE OVER 18 MONTHS?

20 A. No, I do not. First, the rate case expense should be normalized, not amortized, which  
21 is consistent with Commission precedent. Second, based upon the Company's last three  
22 rate case filings, including this proceeding, the average time between rate case filings

1 is 48.5 months.<sup>12</sup> If TLU recognizes the entirety of its projected rate case expense of  
2 \$86,000, this would result in an annual expense of \$21,500 over the four-year period.<sup>13</sup>

3 Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT TO THE  
4 COMPANY'S RATE CASE EXPENSE?

5 A. By changing the normalization period, I am recommending an adjustment of \$35,833.  
6 This adjustment is reflected in SLS-8. In addition, the Company should update its rate  
7 case expense in its rebuttal testimony to reflect amounts spent to date and to reflect a  
8 projection of costs through the end of this case.

9 **VIII. CASH WORKING CAPITAL**

10 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO THE COMPANY'S CLAIM  
11 FOR CASH WORKING CAPITAL.

12 A. TLU states that it calculated its cash working capital based upon 12.5 percent, or one-  
13 eighth of the operations and maintenance ("O&M") expense, for a proposed cash  
14 working capital of \$17,175.<sup>14</sup> It is unclear which expenses were excluded from the  
15 Company's calculation, as I was unable to replicate the adjustment. I am proposing a  
16 cash working capital using the methodology of 12.5 percent of O&M expenses,  
17 excluding bad debt expense, depreciation expense, and taxes, which is shown on  
18 Schedule SLS-9. As a result, I have adjusted the cash working capital to \$11,885,  
19 accounting for my recommended adjusted O&M expenses.

20 **IX. INCOME TAXES**

21 Q. PLEASE EXPLAIN THE COMPANY'S CLAIM FOR INCOME TAXES.

---

<sup>12</sup> Company response to I&E-RE-1-D.

<sup>13</sup> Company response to I&E-RE-2-D.

<sup>14</sup> Company response to OCA-III-3.

1 A. The Company has forecasted \$19,119 in federal income taxes and \$10,105 in state  
2 income taxes.

3 Q. WHAT ADJUSTMENTS DO YOU RECOMMEND TO THE COMPANY'S  
4 FEDERAL INCOME TAXES?

5 A. I have adjusted the Company's federal income tax claim based upon the level of rate  
6 base and expenses I have recommended on behalf of the OCA. I utilized the tax rate of  
7 21 percent claimed by the Company in I&E-RE-11-D.

8 For the state income taxes, I am recommending that none be claimed as part of  
9 the Company's revenue requirement. In response to I&E-RE-16-D, the Company  
10 indicated that as of March 31, 2019, it has \$72,087 in a carry-forward net operating  
11 loss that will be applied to future state income taxes. Net operating losses generated  
12 from 1998 and onward can be carried forward for up to 20 years. Therefore, it is  
13 unlikely that any state income taxes will be paid by the Company and therefore should  
14 not be collected from ratepayers.

15 Q. WHAT IS YOUR ADJUSTMENT TO INCOME TAXES?

16 A. I have adjusted federal income taxes by \$9,924 and state income taxes by \$10,105.  
17 These adjustments are reflected in SLS-10.

## 18 X. RATE AFFORDABILITY

19 Q. BRIEFLY DESCRIBE THE CUSTOMERS SERVED AND THE RATES  
20 PROPOSED BY TWIN LAKES IN THIS PROCEEDING.

21 A. Twin Lakes serves 114 residential customers in Shohola Township, Pike County,  
22 Pennsylvania. The population of Shohola is 2,475,<sup>15</sup> of which 330 are served by Twin  
23 Lakes. Customers served by Twin Lakes are currently assessed a monthly customer  
24 charge of \$60.41 and a consumption charge of \$14.60 per 1,000 gallons. Twin Lakes

---

<sup>15</sup> As of the 2010 Census.

1 is proposing to increase the monthly customer charge to \$158.61, or 263 percent, and  
 2 the consumption charge to \$38.33 per 1,000 gallons, or 263 percent. For an average  
 3 customer using 2,400 gallons per month, the monthly bill will increase from \$95 to  
 4 \$251, or by \$155. For a customer with no usage during a particular month, the monthly  
 5 bill would increase from \$60.41 to \$158.61, or by about \$98 per month. For a customer  
 6 using 5,000 gallons per month, the monthly bill would increase from \$133 to \$350, or  
 7 by \$217 per month.

8 Q. HOW DO THE RATES PROPOSED BY TWIN LAKES COMPARE TO  
 9 THE RATES ASSESSED BY OTHER WATER UTILITIES IN THE  
 10 COMMONWEALTH?

11 A. Table 1 below compares the rates assessed by the major Pennsylvania jurisdictional  
 12 water companies to residential customers with those proposed by Twin Lakes in this  
 13 proceeding. As shown in Table 1, the rates proposed by Twin Lakes in this proceeding  
 14 are significantly in excess of the rates assessed by the major water utilities in the  
 15 Commonwealth.  
 16

| <b>Table 1</b><br><b>Comparison of Residential Rates of</b><br><b>Major Pennsylvania Water Utilities</b>               |                         |  |
|--|-------------------------|--|
| Company  | Monthly Customer Charge | Consumption Charge (1,000 gallons)             |
| Aqua Pennsylvania, Inc. <sup>[1]</sup>   | \$18.00                 | \$10.949 <sup>[2]</sup> /12.608 <sup>[3]</sup> |
| Pennsylvania American Water Company  | 16.50                   | 12.217   |
| Suez Water Pennsylvania, Inc.  | 14.50                   | 9.0510   |
| York Water Company   | 16.25                   | 5.012 <sup>[4]</sup> /8.111 <sup>[5]</sup>     |
| <b>Twin Lakes Utilities, Inc. (proposed)</b>   | <b>158.61</b>           | <b>38.33</b>                                   |
| [1] Rate Zone 1.<br>[2] Up to 2,000 gallons.<br>[3] Over 2,000 gallons.<br>[4] Gravity System.<br>[5] Repumped System. |                         |  |

1 Q. WHAT SHOULD THE COMMISSION CONSIDER WHEN EVALUATING  
2 THE REASONABLENESS OF THE RATES PRODUCED IN SETTING  
3 THE REVENUE REQUIREMENT IN THIS PROCEEDING?

4 A. In determining an appropriate revenue requirement, consideration should be given to  
5 whether the revenues produce rates that are just and reasonable, not only from the  
6 Company's perspective, but also from the ratepayers' perspective. In this case, there  
7 are three issues to consider in determining just and reasonable rates. These three issues  
8 are gradualism/rate shock, affordability, and adequacy of service.<sup>16</sup> Each of these  
9 components is important to determining reasonable rates in this case. OCA counsel  
10 has advised me that the OCA will brief the legal issues related to the adequacy of  
11 service provided by Twin Lakes. As I subsequently explain, increasing rates by an  
12 average of 263 percent, as the Company has proposed, will result in rate shock that  
13 violates the important ratemaking principle of gradualism and it is likely that the  
14 average \$155 monthly increase may not be affordable for some customers.

15 Q. PLEASE EXPLAIN WHY THE AVOIDANCE OF RATE SHOCK IS AN  
16 ESSENTIAL COMPONENT OF JUST AND REASONABLE RATES.

17 A. In this case, the Company has proposed to increase the average bill of customers using  
18 2,400 gallons per month from \$95 per month to \$251 per month, or by 264 percent. If  
19 permitted, this large increase would cause significant rate shock. Therefore, the  
20 Commission should consider the rate shock that would occur if Twin Lakes were  
21 allowed the increase it has proposed in this proceeding.

22 Even under my calculated revenue increase with OCA Witness Rothschild's  
23 full cost of capital, the Company would receive an increase of 251 percent which would  
24 be an increase of about \$152 per month for each customer, which is reflected in

---

<sup>16</sup> OCA witness Fought addresses issues related to the quality of service provided by Twin Lakes.

1 Schedule SLS-12. Although it is less than the Company’s proposal, even this would  
2 be a significant increase inconsistent with the concept of gradualism causing rate shock,  
3 and may be unaffordable for some customers. Even with my proposed revenue  
4 requirement reflecting a 0 percent return on equity shown on Schedule SLS-1, there is  
5 a significant increase inconsistent with the concept of gradualism causing rate shock,  
6 and may be unaffordable for some customers. The 0 percent return on equity would  
7 increase the average customer’s bill to \$192 per month, which is 201 percent higher  
8 than current rates.

9 Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT THE PROPOSED  
10 RATE INCREASE ASIDE FROM RATE SHOCK?

11 A. Yes. The proposed rates may be unaffordable. The proposed rate of \$250 per month  
12 for the average customer using 2,400 gallons per month, would represent more than 7  
13 percent of Median Household Income (“MHI”) in Shohola Township.<sup>17</sup>

14 Under the OCA’s full cost of capital revenue requirement, the resulting expense for  
15 the average customer using 2,400 gallons per month would be approximately \$243.

16 Those rates would represent 7.0 percent of MHI in Shohola Township. Under the  
17 OCA’s revenue requirement reflecting a 0 percent return on equity, the resulting rates  
18

---

<sup>17</sup> According to the United States Census Bureau, MHI for households in Shohola Township is \$41,593. Proposed rates of \$3,000 per year (\$250 X 12 months) divided by the MHI equals 7.213 percent. The United States Environmental Protection Agency (“EPA”) Report “Guidance: Coordinating CSO Long-Term Planning with Water Quality Standards Reviews” states that ...“Based on the data across many federal and state programs, the EPA found that affording an annual ... bill of ...greater than 2 percent may be difficult for the consumer” (Referring to percentage of Median Household Income.) United States Environmental Protection Agency. (“Guidance: Coordinating CSO Long-Term Planning with Water Quality Standards Reviews.” Pp. 31-32. Web. July 2001. In determining affordability of water rates, the Pennsylvania Infrastructure Investment Authority (“Pennvest”) uses Adjusted Median Household Income, or AMHI (AMHI is MHI adjusted for inflation) and calculates affordable rates as being between 1 percent and 2 percent of AMHI, “based on the socioeconomic condition of the community.” United States Environmental Protection Agency. National Service Center for environmental Publications. “Information for States on Developing Affordability Criteria for Drinking Water.” Appendix-24. Web. February 1998.

1 for the average customer using 2,400 gallons per month would be approximately \$192.  
2 Those rates would represent 5.5 percent of MHI in Shohola Township.

3 Q. EVEN WITH AN INCREASE IN RATES APPROVED BY THE  
4 COMMISSION IN THIS PROCEEDING ARE THERE LIKELY TO BE  
5 FURTHER RATE INCREASES PROPOSED IN THE NEAR FUTURE?

6 A. Yes. As discussed in the Direct Testimony of Mr. Robert K Fullagar (Statement No.  
7 3), TLU is planning over \$3,100,000 in capital improvements which are not currently  
8 reflected in rates.<sup>18</sup> Reflecting these capital improvements in rate base would increase  
9 the Company's current rate base by approximately 331 percent, and increase TLU cost  
10 of service by approximately an additional 173 percent, based upon OCA witness  
11 Rothschild's recommended return on equity.

12  
13 Q. DO YOU SEE THIS AS A SUSTAINABLE PATH FOR THE CUSTOMERS  
14 OF TWIN LAKES OR THE COMPANY?

15 A. No. It is becoming clear that Twin Lakes under the ownership of Middlesex will not  
16 be able to provide adequate service at reasonable rates for this small customer base.  
17 Steps should be taken to arrange for a more economical way of providing service. For  
18 example, under Section 529 of the Public Utility Code, the Commission can order a  
19 capable public utility to acquire a small water utility such as TLU if the Commission  
20 determines that six criteria are met. One of those criteria is that "the small water or  
21 sewer utility cannot reasonably be expected to furnish and maintain adequate, efficient,  
22 safe and reasonable service and facilities in the future." As previously indicated, the  
23 rates proposed by TLU in this proceeding and the rates likely to be approved by the

---

<sup>18</sup> In the PENNVEST application filed by Twin Lakes on July 18, 2019, the Company requested \$4,825,000 for system upgrades. The increase in the Company's rate base and cost of service provided herein was derived using Mr. Fullagar's estimated \$3,100,000 in planned capital improvements.

1 Commission in this proceeding are unreasonable compared to the rates of other water  
2 utilities in the Commonwealth, may be unaffordable for some customers, and are likely  
3 to increase further in the near future.

4 Q. PLEASE SUMMARIZE YOUR RECOMMENDATION IN THIS CASE.

5 A. Including all adjustments outlined above, I calculate an increase of \$201,084 in this  
6 case (reflected in schedule SLS-12). However, due to the inadequate service being  
7 provided by Twin Lakes, I have been advised by Counsel that a reduced revenue  
8 requirement of \$134,631 should be the maximum revenue requirement approved in this  
9 case (reflected in schedule SLS-1).

10

11 Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

12 A. Yes, it does. However, I reserve the right to supplement my testimony based upon new  
13 information.

## STACY L. SHERWOOD

Ms. Sherwood is an Economist at Exeter Associates, Inc. At Exeter, Ms. Sherwood develops utility service assessments, provides bill and rate analysis, and assesses and evaluates the effectiveness of energy conservation and efficiency programs and smart meter implementation plans. She also conducts analysis on renewable energy initiatives and life-cycle cost analysis of renewable energy projects. Prior to joining Exeter, Ms. Sherwood worked on energy efficiency with the State of Maryland.

### Education

B.A. (Economics, Business, and Accounting) – McDaniel College, 2009

### Previous Employment

|           |  |
|-----------|--|
| 2013-2015 | Assistant Director<br>Maryland Public Service Commission<br>Baltimore, Maryland      |
| 2011-2013 | Regulatory Economist II<br>Maryland Public Service Commission<br>Baltimore, Maryland |
| 2009-2011 | Regulatory Economist I<br>Maryland Public Service Commission<br>Baltimore, Maryland  |

### Professional Experience

Ms. Sherwood's work at Exeter is primarily related to energy efficiency, renewable energy, automated metering infrastructure, cost recovery, and revenue requirements. Ms. Sherwood has successfully worked with utilities, state energy offices, attorney general's offices, consumer advocates, and commission staffs. Ms. Sherwood provides ongoing support to the Arkansas Office of the Attorney General and the Pennsylvania Office of Consumer Advocates regarding their respective states' utility energy efficiency programs, including analysis of utility energy efficiency plans and proposed plan amendments; analysis of issues raised during stakeholder meetings; review of riders and surcharges related to cost-recovery; and provide recommendations on technical and policy-related matters. She has contributed to several publications issued by the Maryland Power Plant Research Program regarding electricity in Maryland, including load forecasting, analysis of policy impacts, and inclusion of renewable resources. Additionally, Ms. Sherwood has worked with the Department of Defense to study the demand response potential at various Army Garrisons throughout the United States by conducting on-site visits and performing analysis of electric bills.

At the Maryland Public Service Commission, Ms. Sherwood performed analysis on the EmPOWER Maryland energy efficiency and demand response programs, the Exelon Customer Investment Fund, and served as lead analyst for the EmPOWER Maryland limited income programs implemented by the Maryland Department of Housing and Community Development. For those initiatives, she developed reporting templates and guidelines; oversaw evaluation, measurement, and verification of program results; and recommended and ensured compliance with policies. Additionally, Ms. Sherwood assisted with the development of regulations proposed before the Commission to implement the 2013 Maryland Offshore Wind Energy Act.

#### Publications and Consulting Reports

*Fort Riley Assessment of Utility Contracts and Costs*, on behalf of the U.S. Army Installation Management Command and Army Commercial Utilities Program, April 2019 (with Steven Estomin of Exeter Associates, Inc.).

*Sierra Army Depot Assessment of Utility Contracts and Costs*, on behalf of the U.S. Army Installation Management Command and Army Commercial Utilities Program, March 2019 (with Steven Estomin of Exeter Associates, Inc.).

*Fort Riley Assessment of Demand Response Opportunities*, on behalf of the U.S. Army Office Chief of Staff for Installation Management, January 2018 (with Christina Mudd of Exeter Associates, Inc. and Jim Clark of Clark Energy, Inc.).

*Fort Gordon Assessment of Demand Response Opportunities*, on behalf of the U.S. Army Office Chief of Staff for Installation Management, June 2017 (with Christina Mudd of Exeter Associates, Inc. and Jim Clark of Clark Energy, Inc.).

*Cumulative Environmental Impact Report*, on behalf of the Power Plant Research Program, Maryland Department of Natural Resources, December 2016 (with Steven Estomin, Kevin Porter, Rebecca Widiss, and Nicholas DiSanti of Exeter Associates, Inc.; Environmental Resources Management, Inc.; Versar, Inc.; Metametrics, Inc.; Spectrum Environmental Services, Inc.; and RGM Incorporated).

*Long-Term Electricity Report for Maryland*, on behalf of the Power Plant Research Program, Maryland Department of Natural Resources, December 2016 (with Steven Estomin, Kevin Porter, Rebecca Widiss, Nicholas DiSanti, Cali Clark, and Laura Miller of Exeter Associates, Inc.).

*Fort Stewart Assessment of Demand Response Opportunities*, on behalf of the U.S. Army Office Chief of Staff for Installation Management, September 2016 (with Christina Mudd and Felipe Salcedo of Exeter Associates, Inc. and Jim Clark of Clark Energy, Inc.).

*Edwards Air Force Base Feasibility of a Geothermal Project*, on behalf of the U.S. Air Force Civil Engineer Center, April 2016 (with Christina Mudd and Kevin Porter of Exeter Associates, Inc.).

Expert Testimony

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3010955  
*Pennsylvania Public Utility Commission v. City of Lancaster – Sewer Fund*, October 2019, for the Pennsylvania Office of Consumer Advocate. Participate in mediation regarding reasonableness of the overall revenue increase. (On-going.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3008208  
*Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, October 2019, for the Pennsylvania Office of Consumer Advocate. Participate in mediation regarding reasonableness of the overall revenue increase. (On-going.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3008209  
*Pennsylvania Public Utility Commission v. Valley Energy, Inc.*, October 2019, for the Pennsylvania Office of Consumer Advocate. Participate in mediation regarding reasonableness of the overall revenue increase. (On-going.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3008212,  
*Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA*, October 2019, for the Pennsylvania Office of Consumer Advocate. Participate in mediation regarding reasonableness of the overall revenue increase. (On-going.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3009559,  
*Pennsylvania Public Utility Commission v. Eaton Sewer & Water Company, Inc. – Wastewater Division*, August 2019, for the Pennsylvania Office of Consumer Advocate. Participate in mediation regarding reasonableness of the overall revenue increase.

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3009567,  
*Pennsylvania Public Utility Commission v. Eaton Sewer & Water Company, Inc. – Water Division*, August 2019, for the Pennsylvania Office of Consumer Advocate. Participate in mediation regarding reasonableness of the overall revenue increase.

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3008947,  
*Pennsylvania Public Utility Commission v. Community Utilities of Pennsylvania Inc. Water Division*, July 2019, for the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of the overall revenue increase. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3008948, *Pennsylvania Public Utility Commission v. Community Utilities of Pennsylvania Inc. Wastewater Division*, July 2019, for the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of the overall revenue increase. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2019-3006904, *Pennsylvania Public Utility Commission v. The Newtown Artesian Water Company (Supplement No. 136 to Tariff Water – Pa. P.U.C. No. 9)*, March 2019, for the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of the overall revenue increase. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2018-3006814, *Pennsylvania Public Utility Commission v. UGI Utilities, Inc – Gas Division (Utility Code 123100, Filed Tariff Gas- Pa. P.U.C. Nos. 7 and 7S)*, January 2019, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of its proposed consolidated natural gas energy efficiency plan. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. M-2018-3004144, *Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase III of its Energy Efficiency and Conservation Plan*, August 2018, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of proposed Plan. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. R-2018-3001307, *Pennsylvania Public Utility Commission v. Hidden Valley Utility Services, L.P. – Wastewater (General Rate Increase Filed Pursuant to 66 PS. CS 1308, Including Answers to 52 PA. Code 53.52)*, April 2018, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding the reasonableness of the overall revenue increase.

Before the Pennsylvania Public Utilities Commission, Docket No. R-2018-3001306, *Pennsylvania Public Utility Commission v. Hidden Valley Utility Services, L.P. – Water (General Rate Increase Filed Pursuant to 66 PS. CS 1308, Including Answers to 52 PA. Code 53.52)*, April 2018, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding the reasonableness of the overall revenue increase.

Before the Pennsylvania Public Utilities Commission, Docket No. P-2015-2497267, *Petition of Duquesne Light Company for Approval of its Smart Meter Procurement and Installation Plan*, February 2016, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding the inclusion of additional costs related to the Plan's implementation.

Before the Pennsylvania Public Utilities Commission, Docket No. M-2015-2477174, *Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase II of its Energy Efficiency and Conservation Plan*, February 2016, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of proposed Plan. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. M-2015-2515642, *Petition of PPL Electric Utilities for Approval of its Energy Efficiency and Conservation Phase II Plan*, January 2016, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of the proposed Plan and its compliance with Pennsylvania Act 129. (Case settled prior to cross-examination.)

Before the Pennsylvania Public Utilities Commission, Docket No. M-2015-2515375, *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation Phase II Plan*, January 2016, on behalf of the Pennsylvania Office of Consumer Advocate. Testified regarding reasonableness of the proposed Plan and its compliance with Pennsylvania Act 129. (Case settled prior to cross-examination.)

Before the Public Utilities Commission of Rhode Island, Docket No. 4595, *Newport Water Division – Rate Application to Collect Additional Revenues of \$1,304,595 for a Total Cost of Service of \$20,151,440*, December 2015, on behalf of the Division of Public Utilities and Carriers. Testified regarding reasonableness of the overall rate revenue increase.

Before the Maryland Public Service Commission, Case No. 9311, *In the Matter of the Application of Potomac Electric Power Company for an Increase in its Retail Rates For the Distribution of Electric Energy*, April 2013, on behalf of the Maryland Public Service Commission Staff. Testified regarding the inclusion of advanced metering infrastructure meters and energy advisor and engineer positions in rates.

**APPENDIX B**

**OCA STATEMENT 1**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY )  
COMMISSION )  
v. ) Docket No. R-2019-3010958  
TWIN LAKES UTILITIES, INC. )  
)  
)**

**SCHEDULES ACCOMPANYING THE  
DIRECT TESTIMONY  
OF  
STACY L. SHERWOOD  
ON BEHALF OF THE  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

**November 1, 2019**

Twin Lakes Utilities, Inc  
Summary of Operating Income  
For the Rate Year Ending March 31, 2019

| Line No. | Company Amounts at Present Rates       | OCA Adjustments | Amounts After OCA Adjustments | Pro Forma Changes in Revenues | Amount After Change in Revenues |
|----------|--|-----------------|-------------------------------|-------------------------------|---------------------------------|
| 1        | <b>Operating Revenues</b>              |                 |                               |                               |                                 |
| 2        | <u>Metered Sales</u>                   |                 |                               |                               |                                 |
| 3        | \$ 130,279                             |                 | \$ 130,279                    |                               | \$ 130,279                      |
| 4        | <u>Non-Metered Sales</u>               |                 |                               |                               |                                 |
| 5        | 3,235                                  |                 | 3,235                         |                               | 3,235                           |
| 6        | <u>\$ 133,514</u>                      |                 | <u>\$ 133,514</u>             | \$ 134,631                    | <u>\$ 268,145</u>               |
| 7        |  |                 |                               |                               |                                 |
| 8        | <b>Operating Expenses</b>              |                 |                               |                               |                                 |
| 9        | \$ 8,023                               |                 | \$ 8,023                      |                               | \$ 8,023                        |
| 10       | 35                                     |                 | 35                            |                               | 35                              |
| 11       | -                                      |                 | -                             |                               | -                               |
| 12       | 9,509                                  | \$ (5,010)      | 4,499                         |                               | 4,499                           |
| 13       | -                                      |                 | -                             |                               | -                               |
| 14       | 10,524                                 | (6,335)         | 4,189                         |                               | 4,189                           |
| 15       | 1,001                                  | (596)           | 405                           |                               | 405                             |
| 16       | 26,185                                 | (\$213)         | 25,972                        |                               | 25,972                          |
| 17       | 8,221                                  |                 | 8,221                         |                               | 8,221                           |
| 18       | 15,902                                 |                 | 15,902                        |                               | 15,902                          |
| 19       | 3,003                                  | (1,808)         | 1,195                         |                               | 1,195                           |
| 20       | -                                      |                 | -                             |                               | -                               |
| 21       | 4,925                                  |                 | 4,925                         |                               | 4,925                           |
| 22       | -                                      |                 | -                             |                               | -                               |
| 23       | -                                      |                 | -                             |                               | -                               |
| 24       | 57,333                                 |                 | 57,333                        |                               | 57,333                          |
| 25       | 31,134                                 |                 | 31,134                        |                               | 31,134                          |
| 26       | 19,095                                 | (15,034)        | 4,061                         |                               | 4,061                           |
| 27       |  |                 |                               |                               |                                 |
| 28       | \$ 194,890                             |                 | \$ 165,894                    |                               | \$ 165,894                      |
| 29       | Operating Income Before Taxes          | (61,376)        | (32,380)                      |                               | 102,251                         |
| 30       | <u>Taxes</u>                           |                 |                               |                               |                                 |
| 31       | 19,119                                 | \$ (9,924)      | 9,195                         |                               | 9,195                           |
| 32       | 10,105                                 | (10,105)        | 0                             |                               | 0                               |
| 33       | 3,500                                  |                 | 3,500                         |                               | 3,500                           |
| 34       |  |                 |                               |                               |                                 |
| 35       | <u>\$ (94,100)</u>                     |                 | <u>\$ (45,075)</u>            |                               | <u>\$ 89,556</u>                |
| 36       |  |                 |                               |                               |                                 |
| 37       | <b>Non-Operating Income/Deductions</b> |                 |                               |                               |                                 |
| 38       | \$ -                                   |                 | \$ -                          |                               | \$ -                            |
| 39       | 45,770                                 |                 | 45,770                        |                               | 45,770                          |
| 40       |  |                 |                               |                               |                                 |
| 41       | <u>\$ (139,870)</u>                    |                 | <u>\$ (90,845)</u>            |                               | <u>\$ 43,786</u>                |
| 42       |  |                 |                               |                               |                                 |
| 43       | <u>\$ 1,307,711</u>                    | \$ (56,685)     | <u>\$ 1,251,026</u>           |                               | <u>\$ 1,251,026</u>             |
| 44       |  |                 |                               |                               |                                 |
| 45       | <u>-10.70%</u>                         |                 | <u>-7.26%</u>                 |                               | <u>3.50%</u>                    |

## Twin Lakes Utilities, Inc

Summary of Operating Income  
For the Rate Year Ending March 31, 2019

| Line<br>No. |                                       | Amount            |
|-------------|---------------------------------------|-------------------|
| 1           | Rate base                             | \$ 1,251,026      |
| 2           | Required Rate of Return               | <u>3.50%</u> (1)  |
| 3           |                                       |                   |
| 4           | Net Operating Income Required         | \$ 43,785.90      |
| 5           | Net Operating Income at Present Rates | <u>(90,845)</u>   |
| 6           |                                       |                   |
| 7           | Required Change in Company Revenue    | <u>\$ 134,631</u> |

Notes

(1) Based upon the return on long-term debt in the Direct Testimony of OCA witness Aaron Rothschild

Twin Lakes Utilities, Inc

Summary of Adjustments  
For the Rate Year Ending March 31, 2019

| Line No. | Operating Revenues     | O&M Expenses | Depreciation & Amortization | Taxes Other Than Income | Operating Income Before Taxes |
|----------|------------------------|--------------|-----------------------------|-------------------------|-------------------------------|
| 1        | \$ 133,514             | \$ 163,756   | \$ 31,134                   | \$ 3,500                | \$ (64,876)                   |
| 2        |                        |              |                             |                         |                               |
| 3        | <u>OCA Adjustments</u> |              |                             |                         |                               |
| 4        |                        | \$ (213)     |                             |                         |                               |
| 5        |                        | (596)        |                             |                         |                               |
| 6        |                        | (5,010)      |                             |                         |                               |
| 7        |                        | (6,335)      |                             |                         |                               |
| 8        |                        | (1,808)      |                             |                         |                               |
| 9        |                        | (15,034)     |                             |                         |                               |
| 10       |                        |              |                             |                         |                               |
| 11       | \$ -                   | \$ (28,996)  | \$ -                        | \$ -                    | \$ (28,996)                   |
| 12       |                        |              |                             |                         |                               |
| 13       | \$ 133,514             | \$ 134,760   | \$ 31,134                   | \$ 3,500                | \$ (35,880)                   |

Twin Lakes Utilities, Inc

Adjustment of Rate Base  
For the Rate Year Ending March 31, 2019

| Line<br>No. |                                      | Company<br>Proforma Rate<br>Base | OCA<br>Adjustment to<br>Rate Base | OCA<br>Recommended<br>Rate Base |
|-------------|--------------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| 1           | Utility Plant in Service             | \$ 1,481,061                     | \$ -                              | \$ 1,481,061                    |
| 2           | Utility Plant Acquisition Adjustment | 54,406                           | (54,406)                          | -                               |
| 3           | Less: Accumulated Depreciation       | 219,884                          | -                                 | 219,884                         |
| 4           | Subtotal                             | <u>\$ 1,315,583</u>              | <u>\$ (54,406)</u>                | <u>\$ 1,261,177</u>             |
| 5           |                                      |                                  |                                   |                                 |
| 6           | <u>Deduct</u>                        |                                  |                                   |                                 |
| 7           | Deferred Income Taxes                | 25,047                           | -                                 | 25,047                          |
| 8           |                                      |                                  |                                   |                                 |
| 9           | <u>Add</u>                           |                                  |                                   |                                 |
| 10          | Working Capital Allowance            | 17,175                           | (2,279)                           | 14,896                          |
| 11          |                                      |                                  |                                   |                                 |
| 12          | Rate Base                            | <u><u>\$ 1,307,711</u></u>       | <u><u>\$ (56,685)</u></u>         | <u><u>\$ 1,251,026</u></u>      |

Twin Lakes Utilities, Inc

Adjustment of General Overhead Allocation - Management Fees  
 For the Rate Year Ending March 31, 2019

| Line No. | 2018   |                               | 2017                 |                               | 2016                 |                               | Twin Lakes Utilities |
|----------|--|-------------------------------|----------------------|-------------------------------|----------------------|-------------------------------|----------------------|
|          | Twin Lakes Utilities                         | Total Middlesex Water Company | Twin Lakes Utilities | Total Middlesex Water Company | Twin Lakes Utilities | Total Middlesex Water Company |                      |
| 1        | \$ 1,918,702                                 | (1) \$ 491,358,479            | (1) \$ 1,891,222     | (1) \$ 452,881,024            | (1) \$ 1,289,008     | (1) \$ 421,922,071            |                      |
| 2        | 54,406                                       | 54,406                        | 54,406               | 54,406                        | 54,406               | 54,406                        |                      |
| 3        | <u>\$ 1,864,296</u>                          | <u>\$ 491,304,073</u>         | <u>\$ 1,836,816</u>  | <u>\$ 452,826,618</u>         | <u>\$ 1,234,602</u>  | <u>\$ 421,867,665</u>         |                      |
| 4        |  |                               |                      |                               |                      |                               |                      |
| 5        | Adjusted Twin Lakes Percentage of Net Assets | 0.3795%                       | 0.4056%              |                               | 0.2927%              |                               | 0.3592%              |
| 6        |  |                               |                      |                               |                      |                               |                      |
| 7        |  |                               |                      |                               |                      |                               |                      |
| 8        | Three-Year Average of Factors                |                               |                      |                               |                      |                               |                      |
| 9        | Subsidiary Revenues                          | 0.1018%                       | 0.1011%              |                               | 0.0803%              |                               | 0.0944%              |
| 10       | Subsidiary Net Assets                        | 0.3795%                       | 0.4056%              |                               | 0.2927%              |                               | 0.3592%              |
| 11       | Middlesex Payroll Charge to Subsidiaries     | 0.0947%                       | 0.1017%              |                               | 0.0929%              |                               | 0.0964%              |
| 12       | OCA Recommended 3 Year Average Factor        |                               |                      |                               |                      |                               | 0.1834%              |
| 13       | Company Recommended 3 Year Average Factor    |                               |                      |                               |                      |                               | 0.1874%              |
| 14       | Difference                                   |                               |                      |                               |                      |                               | -0.0040%             |
| 15       | 2019 Middlesex Costs to be Allocated         |                               |                      |                               |                      |                               | \$5,282,879 (1)      |
| 16       | OCA Adjustment to Management Fees            |                               |                      |                               |                      |                               | <u>(\$213)</u>       |

Notes

(1) Company response to OCA Set I-2

Twin Lakes Utilities, Inc

Adjustment of Legal  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |  |    |                   |
|---------------------|--|----|-------------------|
| 1                   | Company Proforma Legal Expense           | \$ | 1,001             |
| 2                   | Less: Test Year Outside Counsel Services |    | <u>(596)</u>      |
| 3                   | OCA Recommended Legal Expense            | \$ | <u><u>405</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Maintenance Supplies  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |                             |    |                       |
|---------------------------|-----------------------------|----|-----------------------|
| 1                         | Maintenance Supplies        |    |                       |
| 2                         | Year Ended 3/31/2017        | \$ | 3,558                 |
| 3                         | Year Ended 3/31/2018        |    | 430                   |
| 4                         | Year Ended 3/31/2019        |    | <u>9,509</u>          |
| 5                         | Normalize 3-Year Expense    | \$ | <u>4,499</u>          |
| 6                         |                             |    |                       |
| 7                         | Twin Lakes Proforma Expense |    | <u>9,509</u>          |
| 8                         | OCA Adjustment              | \$ | <u><u>(5,010)</u></u> |

Twin Lakes Utilities, Inc

Adjustments of Purchased Power and Chemical Expense  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |                                     | <u>Purchased<br/>Power</u> | <u>Chemical<br/>Expense</u> |
|---------------------|-------------------------------------|----------------------------|-----------------------------|
| 1                   | Company Proforma Expense            | \$ 10,524                  | \$ 3,003                    |
|                     | Unaccounted-for-Water Percent Above |                            |                             |
| 2                   | Commission Allowed Level            | 60.2%                      | 60.2%                       |
| 3                   | OCA Recommended Adjustment          | \$ 6,335                   | \$ 1,808                    |
| 4                   |                                     |                            |                             |
| 5                   | Less: Company Proforma              | 10,524                     | 3,003                       |
| 6                   | OCA Recommended Expense             | <u>\$ 4,189</u>            | <u>\$ 1,195</u>             |

Twin Lakes Utilities, Inc

Adjustment of Bad Debt  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |                             |    |                        |
|---------------------------|-----------------------------|----|------------------------|
| 1                         | Bad Debt Expense            |    |                        |
| 2                         | Year Ended 3/31/2017        | \$ | 2,400                  |
| 3                         | Year Ended 3/31/2018        |    | 2,400                  |
| 4                         | Year Ended 3/31/2019        |    | <u>7,384</u>           |
| 5                         | Normalize 3-Year Expense    | \$ | 4,061                  |
| 6                         |                             |    |                        |
| 7                         | Twin Lakes Proforma Expense |    | <u>19,095</u>          |
| 8                         | OCA Adjustment              | \$ | <u><u>(15,034)</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Rate Case Expense  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |                                   |    |                        |
|---------------------------|-----------------------------------|----|------------------------|
| 1                         | Company Claimed Rate Case Expense | \$ | 86,000                 |
| 2                         | Years to Normalize                |    | <u>4</u>               |
| 3                         | Normalized Expense                | \$ | <u>21,500</u>          |
| 4                         |                                   |    |                        |
| 5                         | Twin Lakes Proforma Expense       |    | <u>57,333</u>          |
| 6                         | OCA Adjustment                    | \$ | <u><u>(35,833)</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Cash Working Capital  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |  |    |                       |
|---------------------------|--|----|-----------------------|
| 1                         | Company's Projected O&M                | \$ | 148,161               |
| 2                         | Less: OCA Adjustments to O&M           |    | <u>(28,996)</u>       |
| 3                         | OCA Adjusted O&M                       |    | 119,165               |
| 4                         | CWC Percentage                         |    | <u>12.50%</u>         |
| 5                         | Total Cash Working Capital             | \$ | <u><u>14,896</u></u>  |
| 6                         |  |    |                       |
| 7                         | Company's Cash Working Capital Expense |    | <u>17,175</u>         |
| 8                         | OCA Adjustment                         | \$ | <u><u>(2,279)</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Income Taxes  
 For the Rate Year Ending March 31, 2019

| Line No. |  | Per Company      | Per OCA          | OCA Adjustments    |
|----------|--|------------------|------------------|--------------------|
| 1        | Net Income Before Federal & State Income | \$ 101,148       | \$ 43,786        |                    |
| 2        | PA State Income Tax Rate                 | 9.99%            | 0%               |                    |
| 3        | State Income Tax                         | <u>\$ 10,105</u> | <u>\$ -</u>      | <u>\$ (10,105)</u> |
| 4        |  |                  |                  |                    |
| 5        | Less: State Income Tax                   | <u>\$ 10,105</u> | <u>\$ -</u>      |                    |
| 6        | Federal Taxable Income                   | <u>\$ 91,043</u> | <u>\$ 43,786</u> |                    |
| 7        | Federal Income Rate                      | 21%              | 21%              |                    |
| 8        | Federal Income Tax                       | <u>\$ 19,119</u> | <u>\$ 9,195</u>  | <u>\$ (9,924)</u>  |

Twin Lakes Utilities, Inc

Summary of Operating Income  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |                                       | <u>Amount</u>     |
|---------------------|---------------------------------------|-------------------|
| 1                   | Rate base                             | \$ 1,251,026      |
| 2                   | Required Rate of Return               | <u>7.89%</u> (1)  |
| 3                   |                                       |                   |
| 4                   | Net Operating Income Required         | \$ 98,705.92      |
| 5                   | Net Operating Income at Present Rates | <u>(102,378)</u>  |
| 6                   |                                       |                   |
| 7                   | Required Change in Company Revenue    | <u>\$ 201,084</u> |
| 8                   |                                       |                   |
| 9                   | Company Total Test Year Revenue       | <u>133,514</u>    |
| 10                  | OCA Proposed Revenue                  | <u>\$ 334,598</u> |

Notes

(1) Direct Testimony of OCA witness Aaron Rothschild


BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
v. : Docket No. R-2019-3010958  
Twin Lakes Utilities, Inc. :

VERIFICATION

I, Stacy L. Sherwood, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 1, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:



Stacy L. Sherwood

Consultant Address: Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044-3575

DATED: November 1, 2019  
\*280125

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

|                                   |   |                                  |
|-----------------------------------|---|----------------------------------|
| <b>PENNSYLVANIA PUBLIC</b>        | ) |                                  |
| <b>UTILITY</b>                    | ) |                                  |
| <b>COMMISSION</b>                 | ) | <b>DOCKET NO. R-2019-3010958</b> |
| <b>v.</b>                         | ) |                                  |
| <b>TWIN LAKES UTILITIES, INC.</b> | ) |                                  |
|                                   | ) |                                  |

**SURREBUTTAL TESTIMONY OF**

**STACY L. SHERWOOD**

**ON BEHALF OF THE  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

**December 10, 2019**

1 **I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS  
3 ADDRESS?

4 A. My name is Stacy L. Sherwood. I am an Economist with Exeter Associates, Inc.  
5 (“Exeter”). Our offices are located at 10480 Little Patuxent Parkway, Suite 300,  
6 Columbia, Maryland 21044. Exeter is a firm of consulting economists specializing in  
7 issues pertaining to public utilities.

8 Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS  
9 PROCEEDING?

10 A. Yes. I previously submitted direct testimony on behalf of the Pennsylvania Office of  
11 Consumer Advocate (“OCA”). My qualifications and experience are set forth in that  
12 testimony.

13 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

14 A. The purpose of my surrebuttal testimony is to respond to certain arguments presented  
15 in the rebuttal testimonies submitted by Company witnesses Michele L. Tilley and  
16 Robert K. Fullagar related to my direct testimony filed in this case.

17 Q. PLEASE DISCUSS THE OCA’S REVISED POSITION FOR THIS CASE.

18 A. I have reviewed the rebuttal positions of the Company and responded accordingly.  
19 The only revision I have to my position is to my direct testimony position to reflect  
20 corrections identified in Section II of this testimony. This position is reflected in  
21 Schedules SLS-1 C and SLS-3 C.

22 **II. CORRECTIONS TO DIRECT TESTIMONY**

23 Q. DO YOU HAVE ANY CORRECTIONS THAT YOU WOULD LIKE TO  
24 MAKE TO YOUR DIRECT TESTIMONY?

1 A. Yes. In further review of my testimony, I noted that while I had calculated an  
2 adjustment to rate case expense in the amount of \$35,833 on Schedule SLS-9, I had  
3 inadvertently excluded the adjustment in Schedule SLS-1 and Schedule SLS-2.  
4 Subsequently, this impacted the calculation of cash working capital on Schedule SLS-  
5 10 and income taxes on Schedule SLS-11. I have provided corrected schedules to the  
6 Company previously and am including those schedules marked with a C, along with  
7 all of my schedules as part of this testimony.

8 Q. WITNESS TILLEY INDICATED THAT THE CASH WORKING  
9 CAPITAL INCLUDED THE BAD DEBT EXPENSE. DID YOU MEAN TO  
10 INCLUDE BAD DEBT EXPENSE AS PART OF THAT CALCULATION?

11 A. No, I did not. My reasons for excluding the bad debt expense are discussed below. As  
12 a result, I have removed the bad debt expense from the cash working capital (“CWC”)  
13 calculation. Combined with the adjustment for the rate case expense, the net impact to  
14 the CWC adjustment was a decrease of \$4,879, compared to my direct testimony  
15 position of a recommended decrease of \$2,279.

16 Q. WHAT WAS THE IMPACT OF THESE CORRECTIONS ON YOUR  
17 RECOMMENDATION?

18 A. Ultimately, these corrections have lowered my recommendation for the required  
19 increase in Company revenue from \$134,631 to \$98,707. The schedules that have been  
20 impacted include Schedule SLS-1, SLS-2, SLS-3, SLS-10, SLS-11, and SLS-12.  
21 These schedules are reflected as Schedule SLS-1 C, SLS-2 C, SLS-3 C, SLS-10 C,  
22 SLS-11 C, and SLS-12 C and are provided in Appendix A of this testimony.

1 **III. ACQUISITION ADJUSTMENT**

2 Q. WHAT WAS THE COMPANY'S REASONING FOR BEING UNABLE  
3 TO PROVIDE A DOCKET NUMBER FOR THE APPROVAL OF THE  
4 CLAIMED ACQUISITION ADJUSTMENT?

5 Witness Tilley stated that the Company's prior two rate cases were resolved through  
6 Joint Petition of Settlement and there is no specific ruling by the Commission on this  
7 issue.

8 Q. DOES THIS RATIONALE CHANGE YOUR OPINION OF THE  
9 MATTER?

10 A. No. The acquisition could have been agreed upon in the Joint Petition of Settlement  
11 and been approved by the Commission in the first docket. An acquisition adjustment  
12 would not have been established in the second rate case as the Commission requires  
13 for acquisition adjustments to be determined and approved in the first rate case  
14 following an acquisition.

15 Additionally, even if the Commission had approved the acquisition adjustment,  
16 the Company's treatment of the acquisition adjustment has not followed the statute of  
17 66 Pa. C.S. § 1327(a)(9), which requires the asset to be amortized over a reasonable  
18 period of time with corresponding reductions in rate base.

19 **IV. CASH WORKING CAPITAL**

20 Q. WHY DID THE COMPANY OPPOSE YOUR ADJUSTMENT TO CASH  
21 WORKING CAPITAL?

22 A. The Company did not agree with my exclusion of bad debt expense and depreciation  
23 expense from the calculation of CWC.

1 Q. WHY DID YOU EXCLUDE BAD DEBT EXPENSE AND  
2 DEPRECIATION EXPENSE FROM THE CWC?

3 A. CWC allows for the company to earn a return on the capital that is required to fund  
4 the day-to-day operating costs in advance of receiving revenues. Both bad debt  
5 expense and depreciation expense are considered non-cash items, and therefore,  
6 should not be included in the calculation of CWC.

7 Q. IS THERE COMMISSION PRECEDENT EXCLUDING BAD DEBT  
8 EXPENSE AND DEPRECIATION EXPENSE WHEN CALCULATING  
9 CWC?

10 A. Yes. The PA PUC's *A Guide to Utility Ratemaking* ("*Guide*") states that the PUC has  
11 accepted two common approaches for calculating CWC. The first is for utilities that  
12 commission a lead/lag study and the second is for smaller utilities, such as Twin  
13 Lakes.<sup>1</sup> For smaller utilities, the Commission has accepted the one-eighth method,  
14 which is what Twin Lakes has proposed in this case. The *Guide* defines this CWC  
15 calculation as the average net lag (45 days) "multiplied by the total operating and  
16 maintenance expense, less purchased gas, water, or electric (depending on utility filing  
17 type); non-cash items such as depreciation and uncollectibles; and taxes, since the  
18 taxes are collected prior to payments being made."<sup>2</sup>

19 Q. IS THE CALCULATION THAT YOU HAVE PROPOSED FOR THIS  
20 PROCEEDING CONSISTENT WITH THE *GUIDE*?

21 A. Yes. By excluding bad debt expense and depreciation expense, I have calculated the  
22 Company's CWC consistent with the approach accepted by the Commission for  
23 smaller utilities.

---

<sup>1</sup> James H. Cawley and Norman J. Kennard, *A Guide to Utility Ratemaking*, 2018 Edition, prepared for the Pennsylvania Public Utilities Commission, © 1983,

[http://www.puc.pa.gov/General/publications\\_reports/pdf/Ratemaking\\_Guide2018.pdf](http://www.puc.pa.gov/General/publications_reports/pdf/Ratemaking_Guide2018.pdf).

<sup>2</sup> *Ibid.*, p. 123.

1 **V. BAD DEBT EXPENSE**

2 Q. PLEASE SUMMARIZE THE ISSUE THE COMPANY HAS WITH YOUR  
3 BAD DEBT EXPENSE ADJUSTMENT.

4 A. The Company's issue with my bad debt expense adjustment is that I have based my  
5 recommendation of \$4,061 upon the historical level of bad debt expense experienced  
6 by the Company in the last three years rather than the Company's proposed bad debt  
7 expense of \$19,095. Witness Tilley states that higher rates will result in a higher level  
8 of bad debt expense.

9 Q. DO YOU AGREE WITH WITNESS TILLEY'S STATEMENT?

10 A. While I do agree that there can be a correlation between higher rates resulting in an  
11 increase in the amount of the bad debt expense, there are other factors that should be  
12 considered as well, such as increased rates might lead to increased efficiency, or  
13 reduced usage.

14 Additionally, Ms. Tilley's assumption, that bad debt expense will increase  
15 when rates increase, has not proven to be true in terms of the Company's historical bad  
16 debt expense. The Company's last rate increase occurred in 2016, after which the level  
17 of bad debt expense was \$2,400 at year ended March 31, 2017 and at year ended March  
18 31, 2018.<sup>3</sup> The Company did not experience an increase in bad debt expense until year  
19 ended March 31, 2019, at which point the level of bad debt expense increased to \$7,384.  
20 The level of bad debt expense the Company is proposing, \$19,095, is 259 percent more  
21 than the highest bad debt expense it has reported in the last three years.<sup>4</sup> The historical  
22 bad debt expense indicates that it is unlikely that the Company will experience such a  
23 significant increase in bad debt expense even with the increase in rates. I do not believe

---

<sup>3</sup> Company response to I&E-RE-9.

<sup>4</sup> Ibid.

1 that the Company’s methodology provides a reasonable reflection of the level of bad  
2 debt expense that it may incur as the result of a rate increase.

3 **VI. RATE CASE EXPENSE**

4 Q. DID THE COMPANY ACCEPT YOUR ADJUSTMENT TO RATE CASE  
5 EXPENSE?

6 A. No, it did not. The reasons the Company did not accept my adjustment is two-fold.  
7 First, witness Tilley stated that the average frequency between rate cases should also  
8 factor in the number of months between the Company’s acquisition and its first filed  
9 rate case. Second, the Company believes that the normalization period should take  
10 into consideration that the Company will need to come back more frequently due to  
11 its projected level of planned investment in utility plant.

12 Q. DO YOU AGREE WITH WITNESS TILLEY’S ARGUMENT?

13 A. No, I do not. First, in Popowsky v. PUC (Popowsky), the Commonwealth Court  
14 determined that the recovery period for the rate case expense was at the discretion of  
15 the PUC.<sup>5</sup> The Commission precedent is that the normalization period is to be “based  
16 upon historic filing frequency.”<sup>6</sup> Specifically, the Court in Popowsky considered the  
17 “time period in **between** rate filings” to determine the frequency of the utility rate  
18 filings.<sup>7</sup> Therefore, since the acquisition of the system does not constitute a rate case,  
19 the time between the Company’s acquisition of Twin Lakes and its first rate case  
20 should not be used in determining the recovery period of its rate case expense.

21 In reference to the Company’s second point that the Company will need to come  
22 back more frequently due to the projected level of planned investment I would note that

---

<sup>5</sup> Popowsky v. PUC, 674 A.2d 1149, 1154 (Cmwlth. Ct. 1996).

<sup>6</sup> James H. Cawley and Norman J. Kennard, *A Guide to Utility Ratemaking*, 2018 Edition, prepared for the Pennsylvania Public Utilities Commission, © 1983,  
[http://www.puc.pa.gov/General/publications\\_reports/pdf/Ratemaking\\_Guide2018.pdf](http://www.puc.pa.gov/General/publications_reports/pdf/Ratemaking_Guide2018.pdf), p 112.

<sup>7</sup> Popowsky v. PUC, 674 A.2d 1149, 1154 (Cmwlth. Ct. 1996) (emphasis added).

1 in the prior rate case, the Company had planned investments, along with proposed step  
2 increases in rates as the Company completed the various planned investments. The  
3 Company was unable to implement the step increases because those planned  
4 investments were not realized. Whether the planned investments in plant will be  
5 realized are not known and measurable.

6 There is Commission precedent to utilize the average period between rate cases  
7 to determine the normalization of the rate case expense, as I have done to calculate the  
8 normalization period in this case. I maintain my recommendation to utilize a 4-year  
9 normalization period for rate case expense.

#### 10 **VII. ADEQUATE SERVICE**

11 Q. YOU ARGUED THAT THE COMPANY SHOULD RECEIVE ZERO  
12 PERCENT RETURN ON EQUITY DUE TO THE COMPANY'S FAILURE  
13 TO PROVIDE ADEQUATE SERVICE. WHAT WAS THE COMPANY'S  
14 ARGUMENT AGAINST THIS?

15 A. Witness Tilley argues that "the [Pennsylvania] Public Utility Code requires a public  
16 utility to furnish and maintain – not improve service and facilities."<sup>8</sup> Further, witness  
17 Tilley argues that the Company has made the necessary improvements to maintain  
18 safe and reasonable service and that the level of service provided over the last ten  
19 years would not have been possible under prior ownership.

20 Q. DO YOU AGREE WITH WITNESS TILLEY'S ARGUMENT THAT THE  
21 COMPANY HAS PROVIDED ADEQUATE SERVICE?

22 A. No, I do not. As witness Tilley cites in Section 1501 of the PA Public Utility Code,  
23 the utility is required to maintain "adequate, efficient, safe and reasonable service and

---

<sup>8</sup> Rebuttal testimony of Michele L. Tilley, p. 9, lines 27-29.

1 facilities” as well as make improvements to the service and facilities for convenience.<sup>9</sup>  
2 Witness Fullagar indicates in his rebuttal testimony that the Company has to continue  
3 to experience significantly high levels of unaccounted-for-water in order to maintain  
4 system pressure due to the presence of leaks, which in turn requires more significant  
5 investment in power and chemical expenses. The method of operation is not  
6 considered efficient, which is required under Section 1501, especially as the level of  
7 unaccounted-for-water is above the 20 percent level that the Commission deems  
8 excessive. Furthermore, ratepayers funding operations that require and/or result in 80  
9 percent of the water being unaccounted for is not reasonable or adequate. It is my  
10 understanding that counsel for OCA will brief the issue of adequacy of service.

11 Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

12 A. Yes, it does.

---

<sup>9</sup> Ibid, p. 9, lines 23-27.

Twin Lakes Utilities, Inc

Summary of Operating Income  
For the Rate Year Ending March 31, 2019

| Line No. | Company Amounts at Present Rates       | OCA Adjustments | Amounts After OCA Adjustments | Pro Forma Changes in Revenues | Amount After Change in Revenues |
|----------|--|-----------------|-------------------------------|-------------------------------|---------------------------------|
| 1        | <b>Operating Revenues</b>              |                 |                               |                               |                                 |
| 2        | <u>Metered Sales</u>                   |                 |                               |                               |                                 |
| 3        | \$ 130,279                             |                 | \$ 130,279                    |                               | \$ 130,279                      |
| 4        | <u>Non-Metered Sales</u>               |                 |                               |                               |                                 |
| 5        | 3,235                                  |                 | 3,235                         |                               | 3,235                           |
| 6        | <u>\$ 133,514</u>                      |                 | <u>\$ 133,514</u>             | \$ 98,688                     | <u>\$ 232,202</u>               |
| 7        |  |                 |                               |                               |                                 |
| 8        | <b>Operating Expenses</b>              |                 |                               |                               |                                 |
| 9        | \$ 8,023                               |                 | \$ 8,023                      |                               | \$ 8,023                        |
| 10       | 35                                     |                 | 35                            |                               | 35                              |
| 11       | -                                      |                 | -                             |                               | -                               |
| 12       | 9,509                                  | \$ (5,010)      | 4,499                         |                               | 4,499                           |
| 13       | -                                      |                 | -                             |                               | -                               |
| 14       | 10,524                                 | (6,335)         | 4,189                         |                               | 4,189                           |
| 15       | 1,001                                  | (596)           | 405                           |                               | 405                             |
| 16       | 26,185                                 | (\$213)         | 25,972                        |                               | 25,972                          |
| 17       | 8,221                                  |                 | 8,221                         |                               | 8,221                           |
| 18       | 15,902                                 |                 | 15,902                        |                               | 15,902                          |
| 19       | 3,003                                  | (1,808)         | 1,195                         |                               | 1,195                           |
| 20       | -                                      |                 | -                             |                               | -                               |
| 21       | 4,925                                  |                 | 4,925                         |                               | 4,925                           |
| 22       | -                                      |                 | -                             |                               | -                               |
| 23       | -                                      |                 | -                             |                               | -                               |
| 24       | 57,333                                 | \$ (35,833)     | 21,500                        |                               | 21,500                          |
| 25       | 31,134                                 |                 | 31,134                        |                               | 31,134                          |
| 26       | 19,095                                 | (15,034)        | 4,061                         |                               | 4,061                           |
| 27       |  |                 |                               |                               |                                 |
| 28       | \$ 194,890                             |                 | \$ 130,061                    |                               | \$ 130,061                      |
| 29       |  |                 |                               |                               |                                 |
| 30       | Operating Income Before Taxes          | (61,376)        | 3,453                         |                               | 102,141                         |
| 31       |  |                 |                               |                               |                                 |
| 32       | <u>Taxes</u>                           |                 |                               |                               |                                 |
| 33       | \$ 19,119                              | \$ (9,943)      | \$ 9,176                      |                               | \$ 9,176                        |
| 34       | 10,105                                 | (10,105)        | 0                             |                               | 0                               |
| 35       | 3,500                                  |                 | 3,500                         |                               | 3,500                           |
| 36       |  |                 |                               |                               |                                 |
| 37       | <u>\$ (94,100)</u>                     |                 | <u>\$ (9,223)</u>             |                               | <u>\$ 89,465</u>                |
| 38       |  |                 |                               |                               |                                 |
| 39       | <b>Non-Operating Income/Deductions</b> |                 |                               |                               |                                 |
| 40       | \$ -                                   |                 | \$ -                          |                               | \$ -                            |
| 41       | 45,770                                 |                 | 45,770                        |                               | 45,770                          |
| 42       |  |                 |                               |                               |                                 |
| 43       | <u>\$ (139,870)</u>                    |                 | <u>\$ (54,993)</u>            |                               | <u>\$ 43,695</u>                |
| 44       |  |                 |                               |                               |                                 |
| 45       | <u>\$ 1,307,711</u>                    | \$ (59,285)     | <u>\$ 1,248,426</u>           |                               | <u>\$ 1,248,426</u>             |
| 46       |  |                 |                               |                               |                                 |
| 47       | <u>-10.70%</u>                         |                 | <u>-4.40%</u>                 |                               | <u>3.50%</u>                    |

## Twin Lakes Utilities, Inc

Summary of Operating Income  
For the Rate Year Ending March 31, 2019

| Line<br>No. |                                       | Amount       |
|-------------|---------------------------------------|--------------|
| 1           | Rate base                             | \$ 1,248,426 |
| 2           | Required Rate of Return               | 3.50% (1)    |
| 3           |                                       |              |
| 4           | Net Operating Income Required         | \$ 43,694.90 |
| 5           | Net Operating Income at Present Rates | (54,993)     |
| 6           |                                       |              |
| 7           | Required Change in Company Revenue    | \$ 98,688    |

Notes

(1) Based upon the return on long-term debt in the Direct Testimony of OCA witness Aaron Rothschild

Twin Lakes Utilities, Inc  
Summary of Adjustments  
For the Rate Year Ending March 31, 2019

| Line<br>No. | Operating<br>Revenues  | O&M<br>Expenses  | Depreciation<br>&<br>Amortization | Taxes Other<br>Than Income | Operating<br>Income Before<br>Taxes |
|-------------|------------------------|------------------|-----------------------------------|----------------------------|-------------------------------------|
| 1           | \$ 133,514             | \$ 163,756       | \$ 31,134                         | \$ 3,500                   | \$ (64,876)                         |
| 2           |                        |                  |                                   |                            |                                     |
| 3           | <u>OCA Adjustments</u> |                  |                                   |                            |                                     |
| 4           |                        | \$ (213)         |                                   |                            |                                     |
| 5           |                        | (596)            |                                   |                            |                                     |
| 6           |                        | (5,010)          |                                   |                            |                                     |
| 7           |                        | (6,335)          |                                   |                            |                                     |
| 8           |                        | (1,808)          |                                   |                            |                                     |
| 9           |                        | (15,034)         |                                   |                            |                                     |
| 10          |                        | (35,833)         |                                   |                            |                                     |
| 11          |                        |                  |                                   |                            |                                     |
| 12          | \$ -                   | \$ (64,829)      | \$ -                              | \$ -                       | \$ (64,829)                         |
| 13          |                        |                  |                                   |                            |                                     |
| 14          | <u>\$ 133,514</u>      | <u>\$ 98,927</u> | <u>\$ 31,134</u>                  | <u>\$ 3,500</u>            | <u>\$ (47)</u>                      |

Twin Lakes Utilities, Inc

Adjustment of Rate Base  
For the Rate Year Ending March 31, 2019

| Line<br>No. |                                      | Company<br>Proforma Rate<br>Base | OCA<br>Adjustment to<br>Rate Base | OCA<br>Recommended<br>Rate Base |
|-------------|--------------------------------------|----------------------------------|-----------------------------------|---------------------------------|
| 1           | Utility Plant in Service             | \$ 1,481,061                     | \$ -                              | \$ 1,481,061                    |
| 2           | Utility Plant Acquisition Adjustment | 54,406                           | (54,406)                          | -                               |
| 3           | Less: Accumulated Depreciation       | 219,884                          | -                                 | 219,884                         |
| 4           | Subtotal                             | <u>\$ 1,315,583</u>              | <u>\$ (54,406)</u>                | <u>\$ 1,261,177</u>             |
| 5           |                                      |                                  |                                   |                                 |
| 6           | <u>Deduct</u>                        |                                  |                                   |                                 |
| 7           | Deferred Income Taxes                | 25,047                           | -                                 | 25,047                          |
| 8           |                                      |                                  |                                   |                                 |
| 9           | <u>Add</u>                           |                                  |                                   |                                 |
| 10          | Working Capital Allowance            | 17,175                           | (4,879)                           | 12,296                          |
| 11          |                                      |                                  |                                   |                                 |
| 12          | Rate Base                            | <u><u>\$ 1,307,711</u></u>       | <u><u>\$ (59,285)</u></u>         | <u><u>\$ 1,248,426</u></u>      |

Twin Lakes Utilities, Inc

Adjustment of General Overhead Allocation - Management Fees  
For the Rate Year Ending March 31, 2019

| Line No. | 2018   |                               | 2017                 |                               | 2016                 |                               | Twin Lakes Utilities |
|----------|--|-------------------------------|----------------------|-------------------------------|----------------------|-------------------------------|----------------------|
|          | Twin Lakes Utilities                         | Total Middlesex Water Company | Twin Lakes Utilities | Total Middlesex Water Company | Twin Lakes Utilities | Total Middlesex Water Company |                      |
| 1        | \$ 1,918,702                                 | (1) \$ 491,358,479            | (1) \$ 1,891,222     | (1) \$ 452,881,024            | (1) \$ 1,289,008     | (1) \$ 421,922,071            | (1)                  |
| 2        | 54,406                                       | 54,406                        | 54,406               | 54,406                        | 54,406               | 54,406                        |                      |
| 3        | <u>\$ 1,864,296</u>                          | <u>\$ 491,304,073</u>         | <u>\$ 1,836,816</u>  | <u>\$ 452,826,618</u>         | <u>\$ 1,234,602</u>  | <u>\$ 421,867,665</u>         |                      |
| 4        |  |                               |                      |                               |                      |                               |                      |
| 5        | Adjusted Twin Lakes Percentage of Net Assets | 0.3795%                       | 0.4056%              |                               | 0.2927%              |                               | <u>0.3592%</u>       |
| 6        |  |                               |                      |                               |                      |                               |                      |
| 7        |  |                               |                      |                               |                      |                               |                      |
| 8        | <u>Three-Year Average of Factors</u>         |                               |                      |                               |                      |                               |                      |
| 9        | Subsidiary Revenues                          | 0.1018%                       | 0.1011%              |                               | 0.0803%              |                               | 0.0944%              |
| 10       | Subsidiary Net Assets                        | 0.3795%                       | 0.4056%              |                               | 0.2927%              |                               | 0.3592%              |
| 11       | Middlesex Payroll Charge to Subsidiaries     | 0.0947%                       | 0.1017%              |                               | 0.0929%              |                               | <u>0.0964%</u>       |
| 12       | OCA Recommended 3 Year Average Factor        |                               |                      |                               |                      |                               | 0.1834%              |
| 13       | Company Recommended 3 Year Average Factor    |                               |                      |                               |                      |                               | <u>0.1874%</u>       |
| 14       | Difference                                   |                               |                      |                               |                      |                               | -0.0040%             |
| 15       | 2019 Middlesex Costs to be Allocated         |                               |                      |                               |                      |                               | <u>\$5,282,879</u>   |
| 16       | OCA Adjustment to Management Fees            |                               |                      |                               |                      |                               | <u>(\$213)</u>       |

Notes

(1) Company response to OCA Set I-2

Twin Lakes Utilities, Inc

Adjustment of Legal  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |  |    |              |
|---------------------|--|----|--------------|
| 1                   | Company Proforma Legal Expense           | \$ | 1,001        |
| 2                   | Less: Test Year Outside Counsel Services |    | <u>(596)</u> |
| 3                   | OCA Recommended Legal Expense            | \$ | <u>405</u>   |

Twin Lakes Utilities, Inc

Adjustment of Maintenance Supplies  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |                             |    |                       |
|---------------------|-----------------------------|----|-----------------------|
| 1                   | Maintenance Supplies        |    |                       |
| 2                   | Year Ended 3/31/2017        | \$ | 3,558                 |
| 3                   | Year Ended 3/31/2018        |    | 430                   |
| 4                   | Year Ended 3/31/2019        |    | <u>9,509</u>          |
| 5                   | Normalize 3-Year Expense    | \$ | <u>4,499</u>          |
| 6                   |                             |    |                       |
| 7                   | Twin Lakes Proforma Expense |    | <u>9,509</u>          |
| 8                   | OCA Adjustment              | \$ | <u><u>(5,010)</u></u> |

Twin Lakes Utilities, Inc

Adjustments of Purchased Power and Chemical Expense  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |                                     | <u>Purchased<br/>Power</u> | <u>Chemical<br/>Expense</u> |
|---------------------|-------------------------------------|----------------------------|-----------------------------|
| 1                   | Company Proforma Expense            | \$ 10,524                  | \$ 3,003                    |
|                     | Unaccounted-for-Water Percent Above |                            |                             |
| 2                   | Commission Allowed Level            | 60.2%                      | 60.2%                       |
| 3                   | OCA Recommended Adjustment          | \$ 6,335                   | \$ 1,808                    |
| 4                   |                                     |                            |                             |
| 5                   | Less: Company Proforma              | 10,524                     | 3,003                       |
| 6                   | OCA Recommended Expense             | <u>\$ 4,189</u>            | <u>\$ 1,195</u>             |

Twin Lakes Utilities, Inc

Adjustment of Bad Debt  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |                             |    |                        |
|---------------------------|-----------------------------|----|------------------------|
| 1                         | Bad Debt Expense            |    |                        |
| 2                         | Year Ended 3/31/2017        | \$ | 2,400                  |
| 3                         | Year Ended 3/31/2018        |    | 2,400                  |
| 4                         | Year Ended 3/31/2019        |    | <u>7,384</u>           |
| 5                         | Normalize 3-Year Expense    | \$ | 4,061                  |
| 6                         |                             |    |                        |
| 7                         | Twin Lakes Proforma Expense |    | <u>19,095</u>          |
| 8                         | OCA Adjustment              | \$ | <u><u>(15,034)</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Rate Case Expense  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |                                   |    |                        |
|---------------------------|-----------------------------------|----|------------------------|
| 1                         | Company Claimed Rate Case Expense | \$ | 86,000                 |
| 2                         | Years to Normalize                |    | <u>4</u>               |
| 3                         | Normalized Expense                | \$ | <u>21,500</u>          |
| 4                         |                                   |    |                        |
| 5                         | Twin Lakes Proforma Expense       |    | <u>57,333</u>          |
| 6                         | OCA Adjustment                    | \$ | <u><u>(35,833)</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Cash Working Capital  
For the Rate Year Ending March 31, 2019

| <u>Line</u><br><u>No.</u> |  |    |                       |
|---------------------------|--|----|-----------------------|
| 1                         | Company's Projected O&M                | \$ | 148,161               |
| 2                         | Less: OCA Adjustments to O&M           |    | <u>(49,796)</u>       |
| 3                         | OCA Adjusted O&M                       |    | 98,365                |
| 4                         | CWC Percentage                         |    | <u>12.50%</u>         |
| 5                         | Total Cash Working Capital             | \$ | <u><u>12,296</u></u>  |
| 6                         |  |    |                       |
| 7                         | Company's Cash Working Capital Expense |    | <u>17,175</u>         |
| 8                         | OCA Adjustment                         | \$ | <u><u>(4,879)</u></u> |

Twin Lakes Utilities, Inc

Adjustment of Income Taxes  
 For the Rate Year Ending March 31, 2019

| Line<br>No. |  | Per Company      | Per OCA            | OCA<br>Adjustments |
|-------------|--|------------------|--------------------|--------------------|
| 1           | Net Income Before Federal & State Income | \$ 101,148       | \$ 52,871          |                    |
| 2           | PA State Income Tax Rate                 | 9.99%            | 0%                 |                    |
| 3           | State Income Tax                         | <u>\$ 10,105</u> | <u>\$ -</u>        | <u>\$ (10,105)</u> |
| 4           |  |                  |                    |                    |
| 5           | Less: State Income Tax                   | <u>\$ 10,105</u> | <u>\$ -</u>        |                    |
| 6           | Federal Taxable Income                   | <u>\$ 91,043</u> | <u>\$ 43,695</u>   |                    |
| 7           | Federal Income Rate                      | 21%              | 21%                |                    |
| 8           | Federal Income Tax                       | <u>\$ 19,119</u> | <u>\$ 9,175.95</u> | <u>\$ (9,943)</u>  |

Twin Lakes Utilities, Inc

Summary of Operating Income  
For the Rate Year Ending March 31, 2019

| <u>Line<br/>No.</u> |                                       | <u>Amount</u>     |
|---------------------|---------------------------------------|-------------------|
| 1                   | Rate base                             | \$ 1,248,426      |
| 2                   | Required Rate of Return               | <u>7.89%</u> (1)  |
| 3                   |                                       |                   |
| 4                   | Net Operating Income Required         | \$ 98,500.79      |
| 5                   | Net Operating Income at Present Rates | <u>(54,993)</u>   |
| 6                   |                                       |                   |
| 7                   | Required Change in Company Revenue    | <u>\$ 153,494</u> |
| 8                   |                                       |                   |
| 9                   | Company Total Test Year Revenue       | <u>133,514</u>    |
| 10                  | OCA Proposed Revenue                  | <u>\$ 287,008</u> |

Notes

(1) Direct Testimony of OCA witness Aaron Rothschild

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
v. : Docket No. R-2019-3010958  
Twin Lakes Utilities, Inc. :

VERIFICATION

I, Stacy L. Sherwood, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:



Stacy L. Sherwood

Consultant Address: Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044-3575

DATED: December 10, 2019  
\*281636

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :  
v. : Docket No. R-2019-3010958  
TWIN LAKES UTILITIES, INC. :

DIRECT TESTIMONY  
OF  
TERRY L. FOUGHT

ON BEHALF OF  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

NOVEMBER 1, 2019

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. Terry L. Fought, 780 Cardinal Drive, Harrisburg, Pennsylvania, 17111.

3

4 **Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am a self-employed consulting engineer retained by the Office of Consumer  
6 Advocate (OCA) for the purposes of providing testimony in this proceeding.

7

8 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS.**

9 A. Appendix A, which is attached to this testimony, describes my educational  
10 background and applicable experience.

11

12 **Q. WHAT ISSUES HAVE YOU BEEN ASKED TO INVESTIGATE REGARDING**  
13 **THIS TWIN LAKES UTILITIES, INC. (TWIN LAKES OR COMPANY) RATE**  
14 **CASE?**

15 A. The OCA requested that I investigate issues related to the quality of service  
16 provided by the Company.

17

18 **Q. WHAT DID YOUR INVESTIGATION CONSIST OF?**

19 A. My investigation included (1) reviewing portions of the Company's filing applicable  
20 to Quality of Service, including the direct testimonies of A. Bruce O'Connor (Twin  
21 Lakes Statement No. 1), Michele L. Tilley (Twin Lakes Statement No. 2), and  
22 Robert K. Fullagar (Twin Lakes Statement No. 3); (2) reviewing the settlement in  
23 the last rate case<sup>1</sup> (3) meeting with the Company and inspecting its facilities on  
24 October 17, 2019; (4) reviewing the Company's responses to discovery; and (5)

---

<sup>1</sup> Joint Petition for Settlement of Rate Investigation, R-2015-2506337

1 reviewing the testimony provided by customers at the Public Input Hearings (PIH)  
2 held on October 17, 2019.<sup>2</sup>

3 **Q. BRIEFLY DESCRIBE THE COMPANY'S WATER SYSTEM.**

4 A. The Company provides water service to approximately 114 customers located in  
5 a portion of Shohola Township in Pike County known as the Sagamore Estates.

6 The Company's water supply source consists of Well #2 with a safe yield of  
7 approximately 50 gallons per minute (gpm) or 72,000 gallons per day (gpd). A  
8 second well, Well #1, is no longer usable because the well hole collapsed. Water  
9 is treated by chlorine disinfection and stored in a 20,000-gallon tank prior to being  
10 pumped into the Company's distribution system by two high lift pumps. The  
11 Company's distribution system consists of approximately 3.7 miles of pipe (various  
12 sizes ranging from 2-inch to 6-inch mains and ¾-inch and 1-inch service lines),  
13 isolation valves, blow-off valves, and meters.

14

15 **Q. WHAT QUALITY OF SERVICE ITEMS IS YOUR TESTIMONY GOING TO**  
16 **ADDRESS?**

17 A. My testimony is going to address three issues: (1) The Company's compliance with  
18 the Settlement in the 2015 Rate Case; (2) unaccounted for water (UFW); (3)  
19 information obtained at an inspection/meeting with the Company October 17, 2019  
20 and (4) customer complaints.

21 **Compliance with the Settlement in the 2015 Rate Case**

22 **Q. WERE YOU INVOLVED IN THE 2015 RATE CASE?**

23 A. Yes. I provided consulting services in the 2015 Rate Case including the  
24 preparation of Direct Testimony.

25

26 **Q. WHAT TERMS OF THE 2015 SETTLEMENT ARE YOU GOING TO ADDRESS?**

---

<sup>2</sup> At the time this testimony was produced, an official transcript of the PIHs held on October 17, 2019 was not yet made available to the parties.

1 A. The installation of system improvements agreed to in the 2015 Settlement. The  
2 2015 Settlement included a three (3) year revenue phase-in period with  
3 approximately 50% of the revenue increase in Year 1 (\$62,500), 25% in Year 2  
4 (\$31,250) and 25% in Year 3 (\$31,250). Twin Lakes agreed that the phase-ins for  
5 the revenue increase in Years 2 and 3 would occur when it completed certain  
6 system improvements as set forth in Section II.7.c of the 2015 Settlement, provided  
7 below:

8 1. *Year 2 Revenue Increase* – Twin Lakes agreed to replace Well #1,  
9 and the completion and placement into service of this system  
10 improvement shall mark the threshold event for the 25% revenue  
11 increase in Year 2 of the Phase-in.

12 2. *Year 3 Revenue Increase* – Twin Lakes agreed to: (a) install a new  
13 supply main to connect the replacement Well #1 to the distribution  
14 system; (b) replace 4,000 feet of main, in-kind by diameter, in  
15 connection with the following streets: Warpath Place (500 feet), Kenny  
16 Road (1,000 feet), Dylan Road (1,000 feet), Susan Road (1,000 feet)  
17 and Rock Place (500 feet). Twin Lakes shall retain the right to  
18 substitute different streets for this main replacement obligation  
19 provided that this obligation remains at minimum 4,000 feet in the  
20 aggregate; (c) replace Twin Lakes owned service lines in conjunction  
21 with the main installation and replacements identified in this  
22 subparagraph; and (d) install a new air relief valve. The completion  
23 of these system improvements shall mark the threshold event for the  
24 25% revenue increase in Year 3 of the Phase-in.

25 **Q. DID TWIN LAKES COMPLETE THE PROJECTS REQUIRED FOR THE YEAR**  
26 **2 REVENUE INCREASE?**

27 A. No. According to Twin Lakes response to OCA Set I-7, the replacement of Well  
28 #1 project is approximately 20% completed and has not progressed due to lack  
29 of funding. See Exhibit TLF-1.

30

1 **Q. DID TWIN LAKES COMPLETE THE PROJECTS REQUIRED FOR THE YEAR**  
2 **3 REVENUE INCREASE?**

3 A. No. According to Twin Lakes' response to OCA Set I-7, the proposed main  
4 interconnecting the replacement well to the distribution main is 0% complete. The  
5 proposed air relief valve is also 0% complete. Twin Lakes only installed 2,790 of  
6 main instead of the 4,000 feet agreed to. See Exhibit TLF-1.

7  
8 **Q. WHY IS IT IMPORTANT THAT THE REPLACEMENT FOR WELL #1 BE**  
9 **COMPLETED AND CONNECTED TO THE DISTRIBUTION SYSTEM AS SOON**  
10 **AS POSSIBLE?**

11 A. According to an evaluation of the Company's system by B. F. Environmental  
12 Consultants, Inc. dated September 1, 2014: (1) over-pumping of Well #2 may  
13 have been the cause of the collapse of the Well #1 well hole and may be  
14 threatening to destabilize the Well #2 well hole and (2) the continuous over-  
15 pumping of Well #2 could subject the well to "surface water influence,"  
16 destabilization of the well hole and other potential problems. See Exhibit TLF-2,  
17 pg. 2. If the water in Well #2 becomes subject to "surface water influence," then  
18 the Company will have to install a water filtration treatment plant if it wants to  
19 continue to use Well #2 in order to comply with the PA Filter Rule (25 Pa. Code  
20 §109.202(c)(1)).

21 From an operations viewpoint, the replacement Well for Well #1 should be  
22 completed and connected to the distribution system as soon as possible to  
23 prevent a costly emergency if Well #2 becomes destabilized or subject to "surface  
24 water influence". I have been advised by counsel that the Company did not  
25 include the costs to replace Well #1 in the current proceeding. As I understand  
26 it, a replacement project may have a significant impact on customer rates.

27  
28 **Q. WHAT IS THE ESTIMATED COST TO COMPLETE THE WELL #1**  
29 **REPLACEMENT WELL?**

1 **A.** The estimated completion cost of the Well #1 Replacement is \$1,600,000 in  
2 addition to the \$611,375 recorded in the Construction-Work-in-Process Account.  
3 See the Amended Twin Lakes Statement No. 3, pgs. 3 & 4.

4  
5 As indicated above, the Company did not include these costs in the current case.

6  
7 **Q. WHY IS IT IMPORTANT THAT PORTIONS OF THE DISTRIBUTION SYSTEM**  
8 **MAINS BE REPLACED?**

9 **A.** From an operations viewpoint, those portions of the distribution system that are  
10 causing excessive UFW should be replaced to prevent damage to Well #2 by  
11 over-pumping and to reduce electrical and chemical costs for pumping and  
12 treating excessive UFW. As discussed below, during 2018 Well #2 was pumped  
13 4.5 times more than necessary to serve the customers' demand for water with  
14 20% UFW.

15  
16 **Q. WHAT IS THE ESTIMATED COST TO REPLACE THE REMAINING**  
17 **DISTRIBUTION SYSTEM MAINS AND SERVICES?**

18 **A.** According to the Amended Twin Lakes Statement No. 3, pgs. 3 & 4, the estimated  
19 completion cost is \$2,800,000 beginning in 2020 and continuing through 2024.  
20 As indicated above, the Company did not include the 2020-2024 distribution  
21 system costs in the current case.

22  
23 **Q. ARE THERE OTHER SIGNIFICANT COSTS INCLUDED IN THE COMPANY'S**  
24 **FIVE-YEAR CAPITAL IMPROVEMENT PLAN?**

25 **A.** Yes, the rehabilitation of the existing Well #2 facility is estimated at \$400,000.  
26 See Amended Twin Lakes Statement No. 3, pgs. 3 & 4. I have been advised by  
27 counsel that the Company did not include the costs to rehabilitate Well #2 in the  
28 current proceeding.

29  
30 **Unaccounted for Water (UFW)**

31 **Q. WHAT IS MEANT BY THE TERM "UNACCOUNTED FOR WATER"?**

1 A. As shown on Section 500 of the PUC Annual Report forms, Unaccounted For  
2 Water is equal to “Total Water Delivered for Distribution & Sale” minus “Total  
3 Sales” minus “Non-Revenue Usage and Allowance.” “Non-Revenue Usage and  
4 Allowance” includes “Main Flushing,” “Blow-off Use,” “Unavoidable Leakage,” and  
5 “Located & Repaired Breaks in Mains & Services.”  
6

7 **Q. WHY IS UNACCOUNTED FOR WATER IMPORTANT?**

8 A. In general, UFW is a method of estimating the amount of water wasted in a water  
9 distribution system by leaks and inaccurate meter readings. Reducing the wasted  
10 water saves money in chemical and power costs and provides for important water  
11 conservation in areas that have limited water supply sources. The accuracy of the  
12 UFW estimate depends on reliable estimates of unavoidable non-metered water  
13 uses such as flushing the distribution system, firefighting, normal pipe leakage,  
14 repaired main breaks, etc. Keeping track of UFW gives a water utility an indication  
15 of the extent of unknown leaks in the distribution system so that informed decisions  
16 can be made on the necessity of finding and repairing leaks. The Water Audit  
17 methodology, established by the International Water Association (IWA) and the  
18 American Water Works Association (AWWA) is generally becoming a more  
19 accepted method of identifying the amounts of wasted water. Both methods, if  
20 properly utilized, provide water utilities with information needed to improve  
21 operational efficiency.

22 According to the 52 Pa. Code § 65.20 (4) “Levels of the unaccounted-for water  
23 should be kept within reasonable amounts. Levels above 20% have been  
24 considered by the Commission to be excessive.”  
25

26 **Q. HAS THE COMPANY PROVIDED INFORMATION ON THE AMOUNT OF ITS  
27 UNACCOUNTED FOR WATER?**

28 A. Yes. The Company’s UFW data shown below was obtained from 2011-2018  
29 Annual Reports submitted to the Commission. See Exhibit TLF-3.  
30

|   | <u>Year</u> | <u>UFW</u> |
|---|-------------|------------|
| 1 |             |            |
| 2 | 2011        | 82.9%      |
| 3 | 2012        | 83.0%      |
| 4 | 2013        | 86.3%      |
| 5 | 2014        | 86.7%      |
| 6 | 2015        | 82.3%      |
| 7 | 2016        | 78.4%      |
| 8 | 2017        | 78.9%      |
| 9 | 2018        | 81.5%      |

10

11 **Q. WHAT AVERAGE DAILY PUMPING FROM WELL #2 WOULD APPROXIMATE**  
 12 **20% UFW?**

13 A. Based on the Company's 2018 sales of 8,115 gallons per day (gpd), 20% UFW  
 14 would require pumping 9,738 gpd. [8,115 x 1.2 = 9,738].

15

16 **Q. WHAT WAS THE AVERAGE DAILY PUMPING FROM WELL #2 IN 2018?**

17 A. According to Section 500 of the Company's Annual Report to the PUC, the total  
 18 water delivered to the distribution system in 2018 was 43,837 gpd or approximately  
 19 4.5 times more than necessary if UFW did not exceed 20%.

20

21 **Q. CAN PUMPING 4.5 TIMES MORE WATER THAN NECESSARY ADVERSELY**  
 22 **AFFECT THE RELIABILITY OF WELL #2?**

23 A. Yes. As discussed above, the continuous over-pumping of Well #2 could subject  
 24 the well to "surface water influence," destabilization of its well hole and other  
 25 potential problems.

26

27 **Meeting with the Company at the inspection on October 17, 2019**

28 **Q. PLEASE DISCUSS ANY PERTINENT INFORMATION PROVIDED BY THE**  
 29 **COMPANY DURING THE INSPECTION ON OCTOBER 17, 2019.**

30 A. Replacement Well. The replacement well for Well #1 has been drilled, cased and

1 pump tested and is ready to be equipped with pumping and treatment facilities and  
2 connected to the distribution system. PA DEP has informed Twin Lakes that the  
3 replacement well should either be equipped or sealed. Unused wells must be  
4 sealed with cement grout, concrete grout or similar materials that will eliminate the  
5 well from providing a direct path for contaminants to the underground aquifers. In  
6 addition, to equip the replacement Well for Well #1 will require a well/treatment  
7 house with a chemical feed and variable frequency pumps to maintain pressure in  
8 the distribution system. Three-phase power or phase converter may also be  
9 required. Also, the well site is farther than previously thought.

10 PENNVEST. The Company has applied to PENNVEST for financial assistance  
11 that may be considered by PENNVEST later this year. See Exhibit TLF-4.

12 Metering of Well #2. Water from Well #2 is not metered. It has been assumed  
13 that the metered flow to the distribution system also represents the total flow  
14 pumped from Well #2.

15 Modifications to Well #2. The cost of modifying Well #2 after the replacement Well  
16 #1 is on-line is \$400,000 and probably includes a new well house to prevent  
17 flooding of the equipment and variable frequency pumps that can operate in  
18 coordination with the replacement Well #1 pumps.

19 Distribution System. Fixing a leak increases the pressure in the distribution system  
20 pipes. Fixing leaks (and attempting to raise pressure) in the Company's  
21 distribution system thus caused more leaks that replaced most of the leaks that  
22 were previously fixed. Therefore, some of the new leaks would not have occurred  
23 if the other leaks were not fixed. Therefore, prioritizing the replacement of Well #1  
24 would have been a better solution than fixing leaks unless Well #2 could not keep  
25 up with the leaks.

26  
27 **Q. WHY IS THE ABOVE INFORMATION ON THE REPLACEMENT WELL**  
28 **IMPORTANT?**

29 A. PA DEP wants the replacement well to be equipped or sealed. This is another  
30 reason that the replacement well should be equipped and connected to the  
31 distribution system as soon as possible.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

**Q. WHY IS THE ABOVE INFORMATION ON THE PENNVEST APPLICATION IMPORTANT?**

A. The PENNVEST application provides detailed information on the seriousness of the problems with the Twin Lakes' water supply and distribution system; the scope and costs of necessary modifications and its effect on customer rates. See Exhibit TLF-4, pgs. 1-4; 12 &13; 18; and 26 & 27.  
The Company has owned the system since 2009 and only recently applied for PENNVEST funding.

**Q. WHY IS THE ABOVE INFORMATION ON THE METERING OF WELL #2 IMPORTANT?**

A. Since Well #2 is not directly metered, there may be leakage in the tank and/or the piping between the Well #2 and the tank that is unknown and causing some additional pumping of Well #2.

**Q. WHY IS THE ABOVE INFORMATION ON THE MODIFICATIONS TO WELL #2 IMPORTANT?**

A. PA DEP requires the Company to have two sources of supply. The replacement Well to Well #1 will be equipped with pumps with variable frequency motors to maintain pressure in the distribution system without pumping to a tank. A new well house for Well #2 will be necessary because its high lift pumps and motors are located in a room below ground and subject to damage from a major leak from the tank or related piping. It is likely that variable frequency pumps will be installed to be compatible with the replacement Well #1 pumps.

**Q. WHY IS THE ABOVE INFORMATION ON THE DISTRIBUTION SYSTEM IMPORTANT?**

A. It provides justification for the completion of the replacement to Well #1 first and replacing distribution system piping afterward.

1 **Customer Complaints**

2 **Q. WHAT SHOULD TWIN LAKES DO CONCERNING THE CUSTOMER**  
3 **COMPLAINTS MADE AT THE PIHS?**

4 A. It is my understanding that quality of service issues were raised at the 6:00pm PIH.  
5 The Company needs to provide additional information about the issues raised by  
6 these customers, explain what may have caused the issues, and how it intends to  
7 address the complaints. I reserve my right to supplement my analysis of customer  
8 complaints once a transcript of the PIHs becomes available to the parties.  
9

10 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

11 A. Twin Lakes should (1) equip the replacement well for Well #1 with pumping and  
12 treatment facilities and connect it to the distribution system as soon as possible;  
13 (2) after connecting the replacement Well for Well #1, modify the Well #2  
14 installation; (3) reduce UFW by replacing the distribution system pipes and service  
15 lines that have reached the end of their useful life and caused excessive leakage;  
16 and (4) install a new air release valve in the distribution system.  
17

18 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

19 A. Yes, at this time. I reserve the right to supplement this testimony either in writing  
20 or orally if additional information is received.

BACKGROUND AND QUALIFICATIONS

TERRY L. FOUGHT, P.E.

## Education

Cleveland State University, Cleveland, Ohio, Bachelor of Civil Engineering, 1967

## Professional Registrations

Professional Engineer, Pennsylvania, PE-023343-E, 1975

Professional Engineer, New Jersey, GE 25392, 1978 (Inactive)

Professional Engineer, Virginia, 10850, 1979 (Inactive)

Professional Land Surveyor, Pennsylvania, SU-000194-A, 1980 (Inactive)

## Employment

From March 1983 to date, I have been a self-employed consulting engineer engaged in providing consulting engineering services to water and wastewater utilities, both private and municipal.

From May 1969 to March 1983, I was employed by E. H. Bourquard & Associates, Inc. as a project engineer to water and wastewater clients. At the time I left the firm I was a vice-president.

From 1962 to 1969, I was employed by the State of Ohio, Department of Highways and the Geauga County Ohio Sanitary Engineers Office as an engineer's assistant to assistant sanitary engineer with breaks in employment to attend college and 1½ years active duty military service.

## Experience

I have prepared studies related to and designed water supply, treatment, transmission, distribution and storage facilities. I have provided services to the following private and municipal water suppliers: Amber Hill Mobile Home Park, Brockway Borough Municipal Authority, Dallas Water Company, Eastern Gas and Water Investment Company, Haddonfield Hills Development, Halifax Borough, Langhorne Spring Water Company, Mifflintown Municipal Authority, Neshaminy Water Resources Authority, Newberry Water Company, Pleasant View Mobil Home Park, H. B. Reese Candy Company, Shavertown Water Company, Smethport Water Company, Tunkhannock Water Company, and Watts Business Center.

I have prepared studies related to and designed wastewater collection and interceptor sewers, pumping stations and force mains, and treatment plants. I have provided services to the following private and municipal sewerage utilities: Brockway Glass Company, Central Dauphin School District, Clean Waste Technologies, Inc., Dauphin Borough, Dauphin Borough Municipal Authority, Halifax Area School District, Halifax Municipal Authority, Mercersburg Borough, Middle Paxton Township, Newberry Sewer Company, Newberry Township Municipal Authority, Park-a-way Park Family Campground, Reading Township Municipal Authority, Reynoldsville Borough, Saint Thomas Township, and Watts Business Center.

I have prepared over 100 stormwater management and drainage plans for land development and subdivision plans in Cumberland, Dauphin, and York Counties. Most of these plans included the design of storm sewer collection systems.

List of Public Utility cases which I have testified or provided substantial assistance:

**NEW JERSEY BUREAU OF PUBLIC UTILITIES**

| <u>Docket Number</u> | <u>Company Name</u>      |
|----------------------|--------------------------|
| 7712-1140            | City of Trenton          |
| 787-847              | Hackensack Water Company |
| 814-119              | City of Trenton          |
| 8310-862             | City of Trenton          |

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| <u>Docket Number</u> | <u>Company Name</u>                         |
|----------------------|---|
| C-2010-2175673       | Pennsylvania-American Water Company         |
| C-2011-2259004       | Endsley v PAWC                              |
| C-2012-2332951       | Tschachler v UGI                            |
| C-2014-2447138       | Hidden Valley Utility Services - Water      |
| C-2014-2447169       | Hidden Valley Utility Services - Wastewater |
| C-2018-2644592       | Winola Water Company                        |
| F-2011-2280415       | Lynette Lugo Lopez v PGW                    |
| F-2012-2311590       | Belinda Lyles v Aqua                        |
| F-2012-2330753       | Scott v PGW                                 |
| I-840377             | Pennsylvania Gas and Water Company          |
| I-00050109           | PAWC High Fluoride Incident                 |
| I-00072313           | WP Water & Sewer Co.                        |
| I-2009-2109324       | Clean Treatment Sewer Company               |
| I-2016-2526085       | Delaware Sewer Company                      |
| P-2008-2075142       | Pennsylvania-American Water Company         |
| P-2014-2404341       | Delaware Sewer Company                      |
| P-2017-2584953       | Aqua Pennsylvania, Inc.                     |
| P-2017-2594725       | Newtown Artesian Water Company              |
| P-2017-2585707       | Pennsylvania-American Water Company         |
| P-2017-2589724       | Suez Water Pennsylvania, Inc.               |
| R-00850174           | Philadelphia Suburban Water Company         |
| R-00932785           | Meadows Water Company                       |
| R-00963708 (Sewer)   | Wynnewood Water & Sewer Corporation         |
| R-00963709 (Water)   | Wynnewood Water & Sewer Corporation         |
| R-00984257           | Consumers Pa. Water Company                 |
| R-00984334           | National Utilities, Inc.                    |
| R-00984375           | City of Bethlehem                           |
| R-00994672           | Superior Water Company                      |
| R-00005031           | Penn Estates Utilities, Inc.                |
| R-00005050           | Emporium Water Company                      |
| R-00005212 (Sewer)   | Pennsylvania-American Water Company         |
| R-00005997           | Jackson Sewer Corporation                   |
| R-00027982 (Sewer)   | Pennsylvania-American Water Company         |
| R-00049862           | City of Lancaster – Sewer Fund              |
| R-00050607           | Glendale Yeararound Sewer Co.               |
| R-00050659           | Wonderview Water Co.                        |
| R-00050673           | Pocono Water Co.                            |
| R-00050678           | Mesco, Inc.                                 |
| R-00050814           | Marietta Gravity Water Co.                  |
| R-00051030           | Aqua Pennsylvania, Inc.                     |

**PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)**

| <u>Docket Number</u> | <u>Company Name</u>                                     |
|----------------------|---|
| R-00051167           | City of Lancaster – Water Fund                          |
| R-00061297           | Emporium Water Co.                                      |
| R-00061492           | Reynolds Disposal Co.                                   |
| R-00061496           | Columbia Water Co.                                      |
| R-00061617           | Allied Utilities Services                               |
| R-00061618           | Imperial Point Water Co.                                |
| R-00061625           | Phoenixville Sewer Fund                                 |
| R-00061645           | Eaton Water Co.   |
| R-00062017           | Borough of Ambler Water Department                      |
| R-00072074 (Sewer)   | Aqua PA, Little Washington Division                     |
| R-00072075 (Sewer)   | Aqua PA, Chesterdale/Williamstown Division              |
| R-00072351           | Village Water Company                                   |
| R-00072491           | Clarendon Water Company                                 |
| R-00072492           | City of Bethlehem, Bureau of Water                      |
| R-00072493 (Water)   | Total Environmental Solutions, Inc., Treasure Lake      |
| R-00072711           | Aqua PA   |
| R-2008-2020729       | Blue Knob Water Company                                 |
| R-2008-2020873       | Warwick Drainage Company                                |
| R-2008-2020885       | Warwick Water Works, Inc.                               |
| R-2008-2032689       | PAWC Coatesville Wastewater Operations                  |
| R-2008-2039261       | Superior Water Company                                  |
| R-2008-2045157       | Columbia Water Company                                  |
| R-2008-2047291       | Rock Spring Water Company                               |
| R-2008-2079310       | AQUA, PA  |
| R-2008-2081738       | Little Washington Wastewater Company                    |
| R-09-2097323         | Pennsylvania-American Water Company                     |
| R-2009-2102464       | Reynoldsville Water Company                             |
| R-2009-2103937       | PA Utility Company, Inc (Water)                         |
| R-2009-2103980       | PA Utility Company, Inc (Sewer)                         |
| R-2009-2105601       | Fryburg Water Company                                   |
| R-2009-2110093       | Birch Acres Water Company                               |
| R-2009-2115743       | Lake Spangerberg Water Company                          |
| R-2009-2116908       | Hanover Borough Water                                   |
| R-2009-2117289       | Utilities Inc, Westgate (Water)                         |
| R-2009-2117532       | Penn Estates Utilities Inc (Water)                      |
| R-2009-2117750       | Newtown Artesian Water Company                          |
| R-2009-2121928       | Clean Treatment Sewage Company                          |
| R-2009-2122887       | United Water Pennsylvania, Inc                          |
| R-2009-2132019       | AQUA, PA  |
| R-2010-2157062       | Tri-Valley Water Supply Company, Inc                    |
| R-2010-2166208       | Pennsylvania American Water Company (Wastewater)        |
| R-2010-2171339       | Reynolds Disposal Company                               |
| R-2010-2171918       | TESI, Treasure Lake, Water Division                     |
| R-2010-2171924       | TESI, Treasure Lake, Sewer Division                     |
| R-2010-2174643       | City of Lock Haven                                      |
| R-2010-2179103       | City of Lancaster Water Department                      |
| R-2010-2191376       | Superior Water Company                                  |
| R-2010-2194499       | Dear Haven Water Company                                |
| R-2010-2194577       | Dear Haven Sewer Company                                |
| R-2010-2207833       | Little Washington Waste Water, Masthope Division        |
| R-2010-2207853       | Little Washington Waste Water, SE Consolidated Division |

**PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)**

| <u>Docket Number</u>   | <u>Company Name</u>                           |
|------------------------|---|
| R-2011-2218562         | CMV Sewage Company, Inc.                      |
| R-2011-2232243         | Pennsylvania-American Water Company           |
| R-2011-2232985         | United Water Company                          |
| R-2011-2244756         | City of Bethlehem- Bureau of Water            |
| R-2011-2246415         | Twin Lakes Utilities, Inc.                    |
| R-2011-2248531         | Wonderview Sanitary Facilities                |
| R-2011-2248937         | Fairview Sanitation Company                   |
| R-2011-2251181         | Borough of Quakertown, Water                  |
| R-2011-2255159         | Penn Estates Utility Inc - Water              |
| R-2012-2286118         | Audubon Water Company                         |
| R-2012-2330887         | North Heidelberg Sewer Company                |
| R-2012-2310366         | City of Lancaster Sewer Fund                  |
| R-2012-2311725         | Borough of Hanover - Sewer                    |
| R-2012-2315536         | Imperial Point Water Company                  |
| R-2012-2336662         | Rock Springs Water Company                    |
| R-2013-2350509         | City of DuBois, Bureau of Water               |
| R-2013-2355276         | Pennsylvania-American Water Company           |
| R-2013-2360798         | Columbia Water Company                        |
| R-2013-2370455         | Penn Estates Utilities, Inc. - Sewer Division |
| R-2013-2367108         | Fryburg Water Company                         |
| R-2013-2367125         | Cooperstown Water Company                     |
| R-2013-2390244         | City of Bethlehem – Bureau of Water           |
| R-2014-2400003         | Borough of Ambler – Water Department          |
| R-2014-2420204         | Pocono Waterworks Company, Inc. (Water)       |
| R-2014-2420211         | Pocono Waterworks Company, Inc. (Sewer)       |
| R-2014-2402324         | Emporium Water Company                        |
| R-2014-2430945         | Plumer Water Company                          |
| R-2014-2428304         | Borough of Hanover Water Department           |
| R-2014-2410003         | City of Lancaster-Bureau of Water             |
| R-2014-2427035         | Venango Water Company                         |
| R-2014-2427189         | B E Rhodes Sewer Company                      |
| R-2014-2447138         | Hidden Valley Utilities Services - Water      |
| R-2014-2447169         | Hidden Valley Utilities Services – Sewer      |
| R-2014-2452705         | Delaware Sewer Company                        |
| R-2015-2462723         | United Water Pennsylvania                     |
| R-2015-2470184         | Borough of Schuylkill Haven Water Department  |
| R-2015-2479962         | Corner Water Supply                           |
| R-2015-2506337         | Twin Lakes Utilities, Inc.                    |
| R-2016-2538600         | Community Utilities of Pennsylvania, Inc.     |
| R-2016-2554150         | City of DuBois – Bureau of Water              |
| R-2017-2595853         | Pennsylvania-American Water Company           |
| R-2017-2598203         | Columbia Water Company                        |
| R-2017-2631441         | Reynolds Water Company                        |
| R-2018-3000022         | York Water Company                            |
| R-2018-3000834         | Suez Water Company                            |
| R-2018-3002645 (Water) | Pittsburgh Water & Sewer Authority            |
| R-2018-3002645 (Sewer) | Pittsburgh Water & Sewer Authority            |
| R-2018-3001306 (Water) | Hidden Valley Utility Services                |
| R-2018-3001307 (Sewer) | Hidden Valley Utility Services                |
| R-2019-3008947 (Water) | Community Utilities of PA                     |
| R-2019-3008948 (Sewer) | Community Utilities of PA                     |

OCA-SET I-7  
FULLAGAR  
8/26/19

**Pennsylvania Public Utility Commission**

v.

**Twin Lakes Utilities, Inc.  
Docket No. R-2019-3010958  
2019 Base Rate Case Proceeding**

**Interrogatories of the Office of Consumer Advocate  
Set I**

**OCA – I - 7** Please indicate the dates of when the system improvements outlined ALJ Recommended Decision dated April 21, 2016 in Docket No. R-2015-2506337 were completed. If a system improvement has not been completed, please provide projected completion dates, the percentage of the project completed to date, and reasons for the delay in implementation.

- a. Replace Well #1 and place the new well into service.
- b. Install new supply main connecting the new Well #1 to the Twin Lakes' distribution system
- c. Replace 4,000 feet of main, in-kind, by diameter on Warpath Place, Kenny Road, Dylan Road, Susan Road, and Rock Place.
- d. New air relief valve.

Response:

- a. The drilling phase of the replacement well was completed in May 2017. The project is approximately 20% completed and has not progressed due to the lack of funding. On August 7, 2019, the Company filed a PENNVEST application for financial assistance to fund the project.
- b. It is 0% complete. See the response to subpart a. above.
- c. 2,790 feet of 2" main was replaced with 2" main as follows:
  - December 2016 - 980' on John Lane,
  - June 2017 - 660' on Cheyenne Road,
  - October 2017 - 630' on Josephine Lane,
  - November 2017 - 220' on Warpath Place, and
  - November 2017 - 300' on Kyra Lane.
- d. It is 0% complete. On August 7, 2019, the Company filed a PENNVEST application for financial assistance to fund the project.



B.F. Environmental Consultants Inc.  
15 Hillcrest Drive  
Dallas, PA 18612

September 1, 2014

Attention: Bob Fullagar  
Ref: Twin Lakes Utilities  
Middlesex Water Company  
1500 Ronson Rd  
Iselin, NJ 08830

RE: Twin Lakes Utility

Dear Mr. Fullagar,

During the period from July through August 2014, we conducted an evaluation of the system, collected an MPA sample from Well# 2, completed a PADEP file review, and attempted to conduct a 12-hour constant rate pumping test of Well # 1. The following is a summary of the information we have been able to compile and some general recommendations.

#### Evaluation of the System

In completing the evaluation of the system, it is clear that the leaks within the distribution system are significantly impacting the operations of the system and will likely control any decisions for this project. The leaks are at a point where the existing infrastructure may not be able to keep up with the artificial demand. Your system contains two wells with approved pumping rates of Well # 1 (20 gpm) and Well # 2 (50 gpm). This would suggest a peak daily capacity of 100,800 gpd, but Well # 1 is not operational. Therefore, the peak daily production should not exceed 72,000 gpd. In reviewing the available data for the current month, there was only 1 day where the daily demand did not exceed the capacity of the well. This suggests that the well is pumping at a rate greater than 50 gpm and/or the internal storage is providing the needed capacity. From a review of the pumping data and records, it would appear that Well # 2 may operate at rate of 60 gpm. Reportedly, the system has 118 homes. If the peak daily demand is 400 gpd, the system should be have a peak demand of 47,200 gpd. This suggests internal or system leakage is equivalent to 45 % of total water produced. Because of this situation, Well # 2 can only be shut-down for a few minutes.

Pump Test Evaluation of Well # 2

We attempted to conduct a constant rate pumping test on Well # 2, but the system could not be shut-down long enough for Well #2 to fully recover and Well # 1 never recovered. Prior to starting the evaluation, the static water level of Well # 1 was 165 feet with cascading water at 145 feet and Well # 2 145 feet. This observation suggests that the wells are directly connected and communicating and within the same or a directly connected aquifer. During the testing, we attempted to document the depth of each well. From these attempts, it appears that Well # 1 may be only 170 feet deep and Well # 2 is at least 190 feet deep. For Well # 2, we encountered an obstruction, possibly a wire-guard or torque arrestor, which prevented documenting any additional information and Well # 1 appears to contain a packer. We monitored the water level in Well # 1 and Well # 2 for a period of 6 hours. The dynamic water level of Well # 1 dropped immediately to a depth below 170 feet and Well # 2 maintained a constant dynamic level of approximately 148 to 149 feet, which is a drawdown of only 4 to 5 feet, but the signal was not very strong and could suggest the presence of cascading water.

During the pumping test, we attempted to document the static/dynamic water level in an adjacent private well. The well is located in a well pit. The well pit does at times appear to have water above the top of the well casing and the system has very poor electrical connections. Because of the condition of the space and well cap, it was not possible to document the water level in the well. The static water level could only be documented by lifting the well cap and well pump out of the well. Because of the conditions of the confined space and this action would take the well out of service, this action was not taken to avoid safety issues and complaints from the public. Because of the proximity of this source to your well field, this wellhead should be improved so the private well does not adversely impact your system.

MPA Test Well #2

During the 6 hour pumping test of Well # 2, we collected a Microscopic Particulate Sample (MPA Sample). This sample was not processed by a certified laboratory, but by B.F. Environmental Consultants, Inc. The owner of B.F. Environmental Consultants, Inc. has been conducting MPA evaluations for over 20 years. The results of the MPA testing indicates that the continuous operations of Well # 2 does not appear to have changed the classification of the source from groundwater to groundwater under the influence of surface water. The results of the assessment had a risk rank 3 because of a heavy content of organic plant debris. A risk rank of 10 or more would suggest the source could be under the direct influence of a surface water source. (Source: Water Research Center Portal on MPA Testing - <http://www.water-research.net/gwui.htm>). Based on the nature and lack of decomposition of the material, the data would suggest that the continuous over-pumping of the well could lead to the creation of a direct connection between the groundwater aquifer and the larger surface water sources. **This is a significant system vulnerability. The continuous pumping of a well not only potential causes problems with scale formation, bacterial growth, destabilization of the borehole, but also can significantly decrease the travel time through the formation.**

**PADEP File Review**

There was not much information in the PADEP files about the system. We had to conduct a file review in both the Wilkes-Barre and Pocono Office. The following is a summary of the available information.

In 1978, Well # 1 had a reported yield of 30 gpm, 210 feet deep with a static water level of 110 feet. The well appears to have been located in a well pit and the casing was been extended. (Note: During the on-site field inspection the casing of the well below the pitless adapter did appear to be corroded.)

In 1978, Well # 2 had a reported yield of 45 to 50 gpm, 250 feet deep with a static water level of 115 feet. (Note: During the on-site field inspection the casing of the well below the pitless adapter did appear to be corroded.)

An emergency response plan that was prepared for the system indicated that at any time the water level in the wells dropped below 150 feet, the system would limit or reduce service. If the water level dropped below 170 feet in Well # 1 or 145 feet in Well # 2 the pumps would be turned-off and an alternative water source developed. It does not appear that the PADEP is aware of this prior statement or plan and this may have been a document generated by the previous owners for the local agency. In 2010, it was reported to the PADEP that the lower portion of Well # 1 collapsed and the well depth may be only 170 to 176 feet.

**Recommendation**

Based on the available information, the continuous pumping of Well # 2, collapse of Well # 1, and leaks within the distribution system have directly impacted the system. The collapse of Well # 1 may be related to the continuous and over-pumping of Well #2 or an instability of the formation. The results of the MPA testing indicates that Well # 2 is not directly under the influence of surface water, but the fresh plant debris does raise significant concerns that the continuous pumping could induce a connection. Because the historic static water level of Well # 1 is higher than Well # 2, the historic data suggests that Well # 2 is hydraulically downgradient of Well # 1. Therefore, the continuous pumping of Well # 2 can and has directly impact Well #1.

Based on water pumping data, it appears that the leaks are getting more severe or that as the leaks are being repaired the older portions of the distribution system are leaking more. This amount of leakage causes the problem to become more complex to solve and address. The observations generated by this evaluation strongly suggest that Well # 1 and Well # 2 need to be taken completely out-of-service to be fully inspected and camera surveyed. During this downtime, it may be possible to ream Well # 1 to a depth of approximately 250 to 275 feet and make necessary improvements in the wells to stabilize the formation, line casing, and put in place the necessary observation ports to document static and dynamic water level. If possible the system should consider making improvements to the adjacent private well to better protect the existing well field.

These changes can only be accomplished after the system has fixed the leaks in the distribution system or got the leaks to where they are manageable, developed some emergency water source with additional tanks, shut-off a significant portion of the distribution system, or put in place a third water well. If the system is considering the installation of a third well, it would be necessary to identify lots that may be available for purchase. At this point, I do not have a clear resolution to your situation, but I believe we have provide some critical information that should aid in developing a long-term plan for the system.

Of the recommendations presented, it would be my professional opinion to temporally limit the size of the service area and inspect, stabilize, and put the necessary monitoring equipment in the existing water wells. By taking this action, we can more effectively operate the system without jeopardizing the long-term capacity of the existing well field. This action would require coordination with the customers and the PADEP, plus require providing an emergency water source.

If you have any questions, please do not hesitate to contact [bfenviro@ptd.net](mailto:bfenviro@ptd.net) or call 570-335-1947.

Respectfully submitted,



Mr. Brian Oram, PG  
<http://www.bfenvironmental.com>

Twin Lakes Utilities, Inc.  
(Company Name)

For the Year Ended December 31, 2011

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 21,656,844        | 59,334             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>21,656,844</b> | <b>59,334</b>      |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 3,695,625         | 10,125             |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service Identify _____                |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | <b>3,695,625</b>  | <b>10,125</b>      |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service Identify _____              |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | <b>3,695,625</b>  | <b>10,125</b>      |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: Identify _____                              |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | <b>Adjustments:</b>                                 |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others Identify _____                               |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>17,961,219</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>82.9%</b>      |                    |

Twin Lakes Utilities Inc.  
(Company Name)

For the Year Ended December 31, 2012

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 23,947,137        | 65,609             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>23,947,137</b> | <b>65,609</b>      |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 2,689,000         | 7,367              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service <i>Identify</i> _____         |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | <b>2,689,000</b>  | <b>7,367</b>       |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   | 1,371,038         | 3,756              |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service <i>Identify</i> _____       |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        | <b>1,371,038</b>  | <b>3,756</b>       |
| 22       | <b>Total Gallons Delivered</b>                      | <b>4,060,038</b>  | <b>11,123</b>      |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: <i>Identify</i> _____                       |                   |                    |
| 28       | <b>Unauthorized Use</b>                             |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | Adjustments:  |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others <i>Identify</i> _____                        |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>19,887,099</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>83.0%</b>      |                    |

Twin Lakes Utilities Inc  
(Company Name)

For the Year Ended December 31, 2013

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 26,276,314        | 71,990             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>26,276,314</b> | 71,990             |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 3,603,000         | 9,874              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service Identify _____                |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | <b>3,603,000</b>  | <b>9,871</b>       |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service Identify _____              |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | <b>3,603,000</b>  | <b>9,871</b>       |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: Identify _____                              |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | Adjustments:  |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others Identify _____                               |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>22,673,314</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>86.3%</b>      |                    |

Twin Lakes Utilities Inc  
(Company Name)

For the Year Ended December 31, 2014

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 25,387,595        | 69,555             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>25,387,595</b> | 69,555             |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 3,387,000         | 9,279              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service <i>Identify</i> _____         |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | 3,387,000         | 9,279              |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service <i>Identify</i> _____       |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | 3,387,000         | 9,279              |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: <i>Identify</i> _____                       |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | Adjustments:  |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others <i>Identify</i> _____                        |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | 22,000,595        |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | 86.7%             |                    |

Twin Lakes Utilities, Inc  
(Company Name)

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 19,975,290        | 54,727             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>19,975,290</b> | <b>54,727</b>      |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 3,534,000         | 9,682              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service Identify _____                |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | <b>3,534,000</b>  | <b>9,682</b>       |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service Identify _____              |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | <b>3,534,000</b>  | <b>9,682</b>       |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: Identify _____                              |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | Adjustments:  |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others Identify _____                               |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>16,441,290</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>82.3%</b>      |                    |

Twin Lakes Utilities, Inc  
(Company Name)

For the Year Ended December 31, 2016

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 14,865,976        | 40,729             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>14,865,976</b> | 40,729             |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 3,212,000         | 8,800              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service Identify _____                |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | 3,212,000         | 8,800              |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service Identify _____              |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | 3,212,000         | 8,800              |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: Identify _____                              |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | Adjustments:  |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others Identify _____                               |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>11,653,976</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>78.4%</b>      |                    |

Twin Lakes Utilities, Inc.  
(Company Name)

For the Year Ended December 31, 2017

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 15,075,192        | 41,302             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>15,075,192</b> | <b>41,302</b>      |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 3,183,000         | 8,721              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service Identify _____                |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | <b>3,183,000</b>  | <b>8,721</b>       |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service Identify _____              |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | <b>3,183,000</b>  | <b>8,721</b>       |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: Identify _____                              |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | Adjustments:  |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others Identify _____                               |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>11,892,192</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>78.9%</b>      |                    |

Twin Lakes Utilities, Inc.

For the Year Ended December 31, 2018

(Company Name)

**500. WATER DELIVERED INTO SYSTEM DURING YEAR**

Every estimated value shall be supported by such detailed information as will permit a ready identification, analysis, & verification of all relevant facts. The Company shall be prepared to furnish to the Commission this detailed information.

| Line No. | Description (a)                                     | (Gallons) (b)     | (gal. Per day) (c) |
|----------|---|-------------------|--------------------|
| 1        | <b>Water Delivered for Distribution &amp; Sale:</b> |                   |                    |
| 2        | Water Obtained from Company Sources                 | 16,000,468        | 43,837             |
| 3        | Water Obtained from Other Independent Utilities     |                   |                    |
| 4        | <b>Total Water Delivered</b>                        | <b>16,000,468</b> | 43,837             |
| 5        | <b>Metered Sales:</b>                               |                   |                    |
| 6        | Residential   | 2,962,000         | 8,115              |
| 7        | Commercial  |                   |                    |
| 8        | Industrial  |                   |                    |
| 9        | Public  |                   |                    |
| 10       | Other Water Utilities                               |                   |                    |
| 11       | Private Fire Protection                             |                   |                    |
| 12       | Public Fire Protection                              |                   |                    |
| 13       | Other Metered Service Identify _____                |                   |                    |
| 14       | <b>Total Metered Sales</b>                          | 2,962,000         | 8,115              |
| 15       | <b>Unmetered Sales:</b>                             |                   |                    |
| 16       | Residential   |                   |                    |
| 17       | Commercial  |                   |                    |
| 18       | Industrial  |                   |                    |
| 19       | Private Fire Protection                             |                   |                    |
| 20       | Public Fire Protection                              |                   |                    |
| 21       | Other Unmetered Service Identify _____              |                   |                    |
| 21       | <b>Total Unmetered Sales</b>                        |                   |                    |
| 22       | <b>Total Gallons Delivered</b>                      | 2,962,000         | 8,115              |
| 23       | <b>Non-Revenue Usage Allowances:</b>                |                   |                    |
| 24       | <b>Authorized Unmetered Usage:</b>                  |                   |                    |
| 25       | Main Flushing                                       |                   |                    |
| 26       | Blow-off Use  |                   |                    |
| 27       | Others: Identify _____                              |                   |                    |
| 28       | Unauthorized Use                                    |                   |                    |
| 29       | Unavoidable Leakage _____ gpd/mile of main          |                   |                    |
| 30       | <b>Adjustments:</b>                                 |                   |                    |
| 31       | Located & Repaired Breaks in Mains & Services       |                   |                    |
| 32       | Others Identify _____                               |                   |                    |
| 33       | <b>Total Allowances &amp; Adjustments</b>           |                   |                    |
| 34       | <b>Unaccounted-for-Water</b>                        | <b>13,038,468</b> |                    |
| 35       | <b>Percentage of Unaccounted-for-Water</b>          | <b>81.5%</b>      |                    |

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

## PENNVEST APPLICATION FORMS

| DESCRIPTION  |                                      |                                   |
|--|--------------------------------------|-----------------------------------|
| <b>Project Name:</b> Twin Lakes Utilities System Upgrade                                       |                                      |                                   |
| <b>Project ID:</b><br>52036021907-CW   | <b>Type:</b><br>Drinking Water       | <b>Status:</b><br>Data Collection |
| <b>Sub Type:</b><br>System   | <b>Stage:</b><br>Construction        |                                   |
| <b>Filing Date:</b><br>7/18/2019   | <b>Population Served:</b><br>285     |                                   |
| <b>Amount Requested:</b><br>\$4,825,000.00   | <b>Total Cost:</b><br>\$4,825,000.00 |                                   |
| <b>What is the estimated number of construction-related jobs created through this project?</b> | 10                                   |                                   |
| <b>What is the number of these jobs that expect to employ Pennsylvania Residents?</b>          | 10                                   |                                   |

**Service Area:**

The System serves approximately 115 residential customers in the Sagamore Estates Development in Shohola Township, Pike County, PA.

The Project is located in Shohola and Milford Townships, Pike County, PA and will serve the entire Service Area.

**Problems:**

## Problem Description:

The Twin Lakes Utilities, Inc. (TLU) Twin Lakes Utilities System Upgrade Project (Project) is being completed to address chronic water outages, eliminate significant water main leaks and reduce unaccounted for water, provide adequate volume of water storage, increase reliability of sources and during power outages, improve customer metering, improve regulatory compliance, improve finished water quality, and improve communications and security. The water system currently has two (2) production wells, a primary well (PW#2) and a reserve well (PW#1), which share the same groundwater aquifer. Capacity of the reserve well is reduced due to a collapsed borehole from over-pumping. With the reduction in capacity of PW#1, PW#2 is continuously pumped, further stressing the local aquifer. The existing wells are in close proximity to each other and it appears the continuous operation of PW#2 has resulted in further collapse of PW#1 and the lowering of groundwater in both wells. Usage out of the wells is greater than intended due to the excessive amount of leakage in the distribution system. The chronic over-pumping has the potential to cause the continued collapse of PW#1 and the collapse and failure of PW#2 which would result in the community of approximately 300 +/- residents having no potable water for an extended duration.

In addition to the deteriorating and unreliable source of supply, high unaccounted-for water loss, water main breaks, and other water system facilities are also an issue. The excessive number of leaks existed prior to the system acquisition by TLU and are a result

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

---

of a variety of factors including but not limited to poor original installation practices, poor quality of original pipe material, lack of maintenance, and sub-standard repair practices. The existing 20,000 gallon in-ground water storage tank is aging and in need of repair and rehabilitation due to corrosion. In addition, the storage volume is currently insufficient to supply the community with water on an average day, especially while considering volume lost to leaks within the distribution system. The system also lacks emergency power for the well and distribution pumps. System monitoring and security are also limited and are in need of upgrades.

Documentation of the problems and additional benefits of the Project are provided below.

The following summary of Project Benefits subheadings correspond to the April 22, 2014 PADEP Attachment 1, Drinking Water State Revolving Loan Fund Intended Use Plan Ranking Framework for PENNVEST Drinking Water Projects.

**PUBLIC HEALTH (25 of 30 Point Category: Chronic Water Outage & Leaking Waterlines):**

While since installation, the existing well systems have maintained compliance meeting treatment standards despite becoming severely degraded from over pumping and partial collapse, a single well providing the source water results in a high risk to the community in the event of PW#2 failure or groundwater source contamination. As evidenced on June 20, 2018, when the well pump failed and was replaced resulting in a water outage to 100% of the system for 30 hours. In the event of a power outage or failure of PW#2, the lack of operational redundancy in the existing system would result in another chronic water outage. If PW#2 needs to be turned off for any reason, 100% of services would be impacted for the duration of the shutdown period after the stored volume is exhausted (approximately half a day). In addition to the June 2018 extended outage, there have been ten (10) system-wide outages averaging 4 hours each in the past two (2) years. There were also eleven (11) partial system outages averaging 5 hours each during the same timeframe. A table documenting the date, location, number of customers affected, cause, and outage duration is uploaded to the Additional Documentation Section of the Application.

The high water main leakage rate in the distribution system also poses a public health risk and falls into this ranking category. Leaking water mains, if resulting in a negative or loss of pressure situation, can pose a risk of cross contamination, thus potentially reducing water quality delivered to customers. There are a significant number of water leaks due to poor original installation practices, poor quality of original pipe material, lack of maintenance, and sub-standard repair practices as evidenced by the history of repairs and fifteen (15) break repairs and/or replacements required in the past two years. The leaking water mains is also evidenced by the high unaccounted-for-water (UAFW) experienced in the system – ranging from 79% to 87% between 2016 and the first two quarters of 2019 as shown on the UAFW table uploaded to the Additional Documentation Section of the Application. Boil water notices are distributed to customers when breaks occur; however, to hold the consumer responsible to adequately and often treat the water is an additional risk to customer health. In 2018, five (5) boil water notices were issued.

**COMPLIANCE (10 of 30 Point Category: Will Address Non-Compliance in which No Order is Issued):**

With the reserve well mostly collapsed due to over pumping, a single production well, PW#2, is currently providing the source of water for the entire community with no alternative sources of supply. Pennsylvania Department of Environmental Protection (PADEP) indicates that each system should maintain more than one source of supply

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

according to the PADEP Public Water Supply Manual and in the event in which water outages occurred in two (2) or more consecutive years, investigate and develop additional sources (PA Code Chapter 109.603(d)). Therefore, the Project is necessary to assure that safe and potable water is continuously supplied.

In addition to the water supply redundancy requirements, PADEP requires sufficient storage capacity based on daily system demand. PA Code Chapter 109.609(a) requires: "A new community water system shall be designed to provide an adequate supply of finished water during periods of peak demand. To assure continued service in the event of source contamination or outage, the design shall provide a minimum of 1 day of reserve capacity based on average daily demand or usage. Reserve capacity may be provided through finished water storage."

The TLU System's 20,000 gallons of storage is not adequate to provide for 1 day of average daily demand.

### COMMUNITY HEALTH (5-8 of 15 Point Category)

#### Consolidation (3 Points)

The Project implementation will result in increased available source water, provide water conservation through the replacement of leaking water mains and improve TLU's ability to operate and maintain the facility and increase reliability of water service.

#### Green Infrastructure (2-5 points)

The Project will include installation of all new residential meters located near the property line to more accurately track water usage. Customers are currently metered near the home, such that leaks in the majority of service lines go unmetered. The Project also includes approximately 27,100 linear feet of new 2-inch, 3-inch, and 4-inch High Density Polyethylene (HDPE) and ductile iron (DI) water main to replace existing distribution mains and connect a new well to the system. The current system experiences approximately 85% UAFW; therefore, the Project will provide significant water savings compared to the existing system. The Project also saves energy through replacement of older pumps motors that are not performing efficiently and use of variable frequency drive (VFD) motors for varied flow outputs.

#### SOURCE WATER PROTECTION:

The System does not have a DEP-Approved SWPP.

### INFRASTRUCTURE HEALTH (15 of 25 Point Category):

#### Drinking Water System Adequacy:

The following system issues fall into this category: greater than 40% UAFW, storage in poor condition, lack of reliable emergency power, less than one (1) day of storage available, as well as other infrastructure upgrades. As discussed previously, UAFW of 85% is greater than 40%, the storage tank is corroding and its capacity of 20,000 gallons is not adequate to meet one (1) day of average daily demand (approximately 43,000 gpd).

Other infrastructure upgrades include upgrades to systems required to support WTP operations including electrical, mechanical, and structural systems which are also showing age, reduced reliability, limited availability of spare parts, and need for repair.

Communication and security will also be improved through the installation of new telemetry for communication and data collection between facilities and security improvements would allow for a more reliable supply of water to TLU customers.

#### INFRASTRUCTURE HEALTH (Proactive Infrastructure Management (To be determined by PADEP):

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

ECONOMIC DEVELOPMENT – The system consists of all residential customers.

COMPREHENSIVE PLANNING – Land Use letters were sent to planning agencies of both municipalities (Shohola and Milford Townships) and the county (Pike County) in which the Project is located. Responses indicating that the Project is in compliance with land use regulations were received from all three (3) planning agencies and are uploaded to this Application. A letter was also sent to Pike County Agricultural Land Preservation Board and an approval response received. These letters are uploaded to the Application.

**Description:**

The Project includes a new well house, equipped with metering, chemical treatment equipment (disinfection), a new emergency generator, I&C controls, security, telemetry, site fencing, and access road at the site of PW#3. There will be approximately 8,700 linear feet of new 3-inch and 4-inch High Density Polyethylene (HDPE) transmission line installed from the PW#3 well house to connect to a new 20,000-gallon storage tank located at the existing well field parcel on the north end of the service area. The existing well site facility will be rehabilitated to include a new emergency generator, telemetry, I&C control, security improvements, and site fencing. An additional 4,000 linear feet of 4-inch HDPE main and 12,000 linear feet of 2-inch HDPE mains will be installed to replace existing mains servicing approximately 115 house connections within Sagamore Estates. A new meter and meter pit will be installed at each house connection. Following successful start-up of PW#3 and associated facilities, Middlesex Water plans to perform a thorough inspection of PW#2 to assess its condition. Based on the results of this assessment, PW#2 will be rehabilitated accordingly. This rehabilitation is not anticipated to involve any modifications to the well configuration, depth or casing. This Project will address chronic water outages, eliminate significant water main leaks and reduce unaccounted for water, provide adequate volume of water storage, increase reliability of sources and during power outages, provide improved customer metering, improve regulatory compliance, improve finished water quality, and improve communications and security.

**Other(s) Funding Sources:**

| Source Type | Source Name | Source Amount |
|-------------|-------------|---------------|
|-------------|-------------|---------------|

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|  |                                 |
|--|---------------------------------|
| <b>System:</b>   |                                 |
| <b>Does the Applicant own the System?</b>  | YES                             |
| <b>Does the Applicant operate the System?</b>  | YES                             |
| <b>Does the Applicant Maintain the System?</b>   | YES                             |
| <b>Does the Applicant Construct the System?</b>  | YES                             |
| <b>Does this project include costs associated with the purchase of system capacity from another entity?</b>  | NO                              |
| <b>Does this project include costs associated with the construction of capacity in your system for use and/or purchase by other entity (ies)?</b>  | NO                              |
| <b>Is, or does the Applicant intend to be, a party to any inter-municipal agreements which affect this project or your system?</b>   | NO                              |
| <b>Has the Applicant issued debt or borrowed money, or does the Applicant intend to issue debt or borrow money, under a trust indenture?</b>   | N/A                             |
| If yes, you will be required to upload copies of the original trust indenture and all supplemental trust indenture to the Support Documents section when you complete this portion of the application. |                                 |
| <b>Do you charge residential or commercial user fees?</b>  | YES                             |
| <b>NPDES Number:</b>   | <b>PWSID Number:</b><br>2520051 |
| <b>Do you have a current Bond Rating?</b>  | NO                              |
| <b>Rating Agency</b>   | <b>Rating</b>                   |
|  |                                 |
|  |                                 |
|  |                                 |

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Contacts:**

|   |                   |  |
|---|-------------------|--|
| <b>Twin Lakes Utilities, Inc</b>                                      |                   | Applicant  |
| <b>Address:</b><br>Route 6 Sagamore Estates<br><br>Milford, PA 18337- |                   | <b>Phone:</b> 732-658-7658<br><b>Fax:</b> 732-985-2248<br><b>Email:</b> mbarnes@middlesexwater.com                     |
| <b>SAP Vendor #:</b>  | <b>DUNS:</b><br>1 | <b>Federal ID/FIN:</b><br>264629370  |
| <b>Gannett Fleming</b>  |                   | Engineer   |
| <b>Address:</b><br>207 Senate Avenue<br>Camp Hill, PA 17011-7100      |                   | <b>Phone:</b> 717-763-7211<br><b>Phone Ext.:</b><br><b>Fax:</b> 717-763-1808   |
| <b>Middlesex Water Company</b>  |                   | Legal  |
| <b>Address:</b><br>485 C Route 1 South, Suite 400<br>Iselin, NJ 08830 |                   | <b>Phone:</b> 7326387506<br><b>Phone Ext.:</b><br><b>Fax:</b>  |
| <b>Middlesex Water Company</b>  |                   | Financial  |
| <b>Address:</b><br>485 C Route 1 South, Suite 400<br>Iselin, NJ 08830 |                   | <b>Phone:</b> 7326387506<br><b>Phone Ext.:</b><br><b>Fax:</b>  |
| <b>Barnes, Michael</b>  |                   | Applicant  |
| <b>Address:</b><br><br>, PA 0   |                   | <b>Phone:</b> 732-546-0719<br><b>Phone Ext.:</b><br><b>Fax:</b><br><b>Email:</b> mbarnes@middlesexwater.com            |
| <b>Govelovich, Rachel</b>   |                   | Engineer   |
| <b>Address:</b><br>PO Box 67100<br>Harrisburg, PA 17106-0000          |                   | <b>Phone:</b> 7177637212<br><b>Phone Ext.:</b> 2629<br><b>Fax:</b> 717-763-1808<br><b>Email:</b> rgovelovich@gfnet.com |

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|                           |                    |                              |
|---------------------------|--------------------|------------------------------|
| <b>Kooper, Jay</b>        |                    | Legal                        |
| <b>Address:</b><br><br>,  | <b>Phone:</b>      | 732-638-7506                 |
|                           | <b>Phone Ext.:</b> |                              |
|                           | <b>Fax:</b>        |                              |
|                           | <b>Email:</b>      | Jkooper@middlesexwater.com   |
| <b>O'Connor, A. Bruce</b> |                    | Financial                    |
| <b>Address:</b><br><br>,  | <b>Phone:</b>      | 732-638-7502                 |
|                           | <b>Phone Ext.:</b> |                              |
|                           | <b>Fax:</b>        |                              |
|                           | <b>Email:</b>      | aboconnor@middlesexwater.com |

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**PROJECT SITE(S)**

|   |  |                   |             |
|---|--|-------------------|-------------|
| <b>Twin Lakes Utilities System</b>                                  |  | Primary Site      |             |
| <b>Address:</b><br>Sagamore Estates<br>Route 6<br>Shohola, PA 18458 |  | <b>Latitude:</b>  | 41.3726135  |
|   |  | <b>Longitude:</b> | -74.9018774 |

|   |  |                   |             |
|---|--|-------------------|-------------|
| <b>New Well Site PW#3</b>                       |  | Other Site        |             |
| <b>Address:</b><br>Route 6<br>Milford, PA 18337 |  | <b>Latitude:</b>  | 41.3226526  |
|   |  | <b>Longitude:</b> | -74.8028800 |

**Counties and Municipalities**

|                        |                        |   |
|------------------------|------------------------|---|
| <b>Primary</b><br>True | <b>County</b><br>Pike  | <b>Municipality</b><br>Shohola Township |
| <b>System</b><br>True  | <b>Project</b><br>True | <b>Households served</b><br>115         |

**Legislative Districts**

|  |                                 |                              |
|--|---------------------------------|------------------------------|
| <b>Congress</b><br>Matthew, Cartwright | <b>House</b><br>Michael, Peifer | <b>Senate</b><br>Lisa, Baker |
|--|---------------------------------|------------------------------|

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**PROJECT PLAN**

Indicate the important dates for Pre-Construction, Construction and Major Milestones.

**Pre Construction Planning Dates**

|                                    |             |
|------------------------------------|-------------|
| <b>Planning Consultation</b>       | Dec 12 2018 |
| <b>Planning Completed</b>          | Apr 1 2019  |
| <b>Design Completed</b>            | Oct 15 2019 |
| <b>Obtained all needed permits</b> | Aug 7 2019  |
| <b>Bid Date</b>                    | Feb 5 2020  |
| <b>Bid Opening</b>                 | Mar 11 2020 |
| <b>Awarded Contract</b>            | May 6 2020  |
| <b>Pre-Construction Conference</b> | Jun 3 2020  |

**Letter of No-Prejudice**

|  |  |
|--|--|
| <b>Letter of No-Prejudice (LONP) issued (if required). Date is entered by PENNVEST Project Management Office upon request and issue of letter.</b> |  |
|--|--|

**Construction Dates**

|                           |            |
|---------------------------|------------|
| <b>Start Construction</b> | Jun 3 2020 |
| <b>End Construction</b>   | Jun 1 2021 |

**Award Design Dates**

|                     |             |
|---------------------|-------------|
| <b>Begin Design</b> | Apr 1 2019  |
| <b>End Design</b>   | Oct 15 2019 |

**Project Plan Major Milestones****NOTES:**

DEP Required permits are submitted. August 7, 2019 date entered as permits received to match PENNVEST Cut-off, in the event they are received by that date.

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**MEASURES****Land Use:**

|  |     |
|--|-----|
| Has the area served by this project been covered by an adopted municipal comprehensive plan?   | YES |
| Is this project located in an area where there is an adopted county comprehensive plan?  | YES |
| Is there an adopted multi-municipal or multi-county comprehensive plan for the area(s) covered by this project?                      | YES |
| Is there an adopted county or municipal zoning ordinance or a joint municipal zoning ordinance for the area covered by this project? | YES |
| Is the proposed project consistent with these comprehensive plans and/or zoning ordinances?  | YES |

**DrinkingWater Breakdown**

|                               |                |
|-------------------------------|----------------|
| Planning & Design only        | \$0.00         |
| Source Development Amount     | \$1,868,200.00 |
| Transmission Amount           | \$0.00         |
| Treatment Amount              | \$0.00         |
| Finished Water Storage Amount | \$237,400.00   |
| Distribution System Amount    | \$2,355,500.00 |
| Pump Stations Amount          | \$0.00         |
| Meters Amount                 | \$363,800.00   |
| Safety/Security Amount        | \$0.00         |
| Purchase of Systems Amount    | \$0.00         |
| Restructuring Amount          | \$0.00         |
| Land Acquisition Amount       | \$0.00         |

**DrinkingWater Compliance:**

|  |         |
|--|---------|
| Does the project help the facility to bring out of compliance system back into compliance? | YES     |
| If yes, enter what percentage of the project meets that criteria:                          | 44.00%  |
| Does the project help the facility to maintain current compliance?                         | YES     |
| If yes, enter what percentage of the project meets that criteria:                          | 100.00% |
| Does the project help the facility to achieve compliance with upcoming requirements?       | NO      |
| Does the project assist the facility with other non-compliance related activities?         | YES     |
| If yes, enter what percentage of the project meets that criteria:                          | 100.00% |

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

| <b>DrinkingWater Enhancements:</b>   |          |
|--|----------|
| Does the project help enhance well capacity? (source development/upgrade)  | YES      |
| If yes, the impact is:   | INDIRECT |
| Does the project enhance treatment plant capacity?                         | NO       |
| Does the project enhance security measures at the drinking water facility? | YES      |
| If yes, the impact is:   | DIRECT   |
| Does project enhance public safety? (Fire hydrants and related)            | YES      |
| If yes, the impact is:   | DIRECT   |

**Notes:**  
 See Problem Description Section for details on Problems to be addressed and PADEP ranking discussion.

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**BENEFITS****Narrative:**

The Twin Lakes Utilities, Inc. community water supply system serves Sagamore Estates, which is a residential housing development in Shohola Township, Pike County, PA consisting of approximately 115 homes. The existing system includes two (2) wells, disinfection treatment, a 20,000-gallon in-ground storage tank, booster pumping station, distribution mains, and other appurtenances. The project includes replacement of the distribution system, installation of new customer meters, rehabilitation of the existing well station and storage tank, installation of a new storage tank, construction of a new well and well station, installation of back-up generators, and system monitoring and security upgrades (Project).

Current issues and concerns with the existing water system include significant water leaks within the distribution piping, the loss of production from Production Well #1 (PW#1) due to a collapsed borehole, stress on the local aquifer because Production Well #2 (PW#2) must be continuously pumped to make up for the loss of PW#1, and the inability to rapidly repair and rehabilitate the distribution piping and PW#1. The existing wells are in close proximity to each other and it appears the continuous operation of PW#2 has resulted in further collapse of PW#1 and the lowering of groundwater levels in both wells.

Twin Lakes Utilities conducted a hydrogeological study in 2016 and ultimately purchased property, drilled, developed and tested a new alternate well source. The new well and associated improvements are to be permitted for public water supply and become part of the existing system. The new well source to be placed in service has been identified as PW#3, and is located on the northern side of Route 6 behind the Dollar General store in Milford Township.

A new well house, equipped with metering and chemical treatment equipment (disinfection), will be installed at the site of PW#3. Access to the well house and well site will be provided by the installation of a stone access driveway from Route 6. There will be approximately 27,100 linear feet of new 2-inch, 3-inch, and 4-inch HDPE and DI water main installed from the well house and within the distribution system to service approximately 115 house connections within Sagamore Estates and also connect to a new 20,000 gallon storage tank located at the existing well field on the north end of Sagamore Estates.

The Project includes the following main components:

- New 50 gallon per minute submersible well pump (PW#3) and pitless adapter
- Replacement level and pressure monitors for the existing PW#2
- New 20,000 gallon above ground gravity storage tank
- New level sensors for existing and new storage tank
- Replacement of two (2) booster pumps drawing from storage tank
- New well station for PW#3 including electrical, HVAC, chemical treatment (sodium hypochlorite), and standby power (diesel generator).
- New magnetic flow meter at well station
- 27,100 linear feet of HDPE and DI
- In-kind laboratory upgrades
- Process monitoring and control system upgrades
- Communications upgrades including installation of fiber optics.
- New customer meters

The Project addresses the system problems as follows: (a) significant UAFW and water main leakage will be addressed through water main replacement, (b) inadequate and

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

---

unreliable water supply and outages will be addressed through development and connection of a new well supply and upgrades to existing well PW#2, (c) inadequate storage capacity will be addressed through the addition of a new 20,000 gallon storage tank which when combined with the existing 20,000 gallon tank provides storage sufficient to comply with PADEP requirements, (d) lack of backup power will be addressed with the addition of diesel generators providing an uninterrupted supply of water in the case of a power outage, (e) storage tanks in poor condition are being replaced, (f) inadequate metering will be addressed with installation of new customer meters allowing for improved water loss detection and control, and (g) need for monitoring and security improvements are also being addressed with the installation of fiberoptics and security upgrades.

---

---

**Comparison:**

---

Alternatives considered included (a) no action alternative, (b) replace PW#1 with new production well PW#3 and new distribution system

- The no action alternative is not considered a feasible option due to the deteriorating conditions of the single production well PW#2 and existing distribution system. High volume pumping due to the collapse of PW#1 has led to stress on PW#2 which resulted in the failure of the well pump resulting in a water outage to 100% of the system for 30 hours in June 2018. The potential for future long-term outages due to lack of production well redundancy coupled with the severe leaks in the distribution system has determined the no action alternative to not be feasible.
- With the lack of a redundant source, the TLU system is currently not in compliance with PADEP requirements. Therefore, it was determined that an additional production well is necessary to provide the additional source water production in the event of PW#2 failure.
- Replacement of PW#1 with new production well PW#3 is the selected alternative for the benefits discussed throughout this application. TLU has conducted a hydrogeological study and production well drilling/testing. Further effort to design and construct the well, new storage tank, and distribution system is necessary to bring the new well system to service.

Related to actions necessary to get the Project under construction, the Project requires a PADEP Public Water Supply Permit –the application for the permit was submitted June 26, 2019.

---

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Drinking Water Development:**

|                       |           |
|-----------------------|-----------|
| Capacity              | 72000 gpd |
| Dam                   | NO        |
| Well                  | YES       |
| Water Surface Intake  | NO        |
| Interconnection       | NO        |
| New Source            | YES       |
| Rehab Existing Source | YES       |

**Drinking Water Source Transmission:**

|                   |           |
|-------------------|-----------|
| Total Pipe Length | 8700 feet |
| New               | YES       |
| Clean/Reline      | NO        |
| Replace           | NO        |

**Drinking Water Source Treatment:**

|                            |     |
|----------------------------|-----|
| Existing Capacity          | gpd |
| Proposed Designed Capacity | gpd |
| New Plant                  | NO  |
| Plant Addition             | NO  |
| Plant Renovations          | NO  |

OTHER:

**Drinking Water Source Finished Water Storage:**

|                        |               |
|------------------------|---------------|
| Total Pipe Length      | 40000 gallons |
| New Tank               | YES           |
| Cover Existing Tank    | NO            |
| Renovate Existing Tank | YES           |

**Drinking Water Source Distribution System:**

|                                   |            |
|-----------------------------------|------------|
| Total Pipe Length                 | 18400 feet |
| Number of Residential Connections | 115        |
| Number of Commercial Connections  | 0          |
| New                               | NO         |
| Replace                           | YES        |
| Extension                         | NO         |
| Clean/Reline                      | NO         |

**Drinking Water Source Pump Stations:**

|                 |     |
|-----------------|-----|
| Design Capacity | gpd |
|-----------------|-----|

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|                                      |     |
|--------------------------------------|-----|
| New                                  | NO  |
| Renovate Existing                    | NO  |
| <b>Drinking Water Source Meters:</b> |     |
| Number of Master meters              | 2   |
| Number of Customer meters            | 115 |
| New Meters                           | NO  |
| Replace Meters                       | YES |
| <b>Drinking Water Source Other:</b>  |     |
| Number of New Fire Hydrants          |     |
| Plant Access Road                    | YES |
| Administration Building              | NO  |

|   |     |
|---|-----|
| <b>Green Infrastructure Components</b>  |     |
| Does the project result in reduced (minimum 20%) water use?   | NO  |
| If 'Yes' explain:   |     |
| Does the project recycle water?   | NO  |
| If 'Yes' explain:   |     |
| Does the project reduce (minimum 20%) infiltration of water into the sewer pipes being repaired/replaced?   | NO  |
| If 'Yes' explain:   |     |
| Does the project reduce (minimum 20%) leakage from the water pipes being repaired/replaced?   | YES |
| If 'Yes' explain: The leaking water mains is evidenced by the high unaccounted-for-water (UAFW) experienced in the system – ranging from 79% to 87% between 2016 and the first two quarters of 2019 as shown on the UAFW table uploaded to the Additional Documentation Section of the Application. |     |
| Does the project save energy (minimum 20%)?   | YES |
| If 'Yes' explain: The Project will save energy through the use of Variable Frequency Drives on pump motors and replacement of older, inefficient motors.  |     |
| Does the project infiltrate, evapo-transpire or control stormwater?   | NO  |
| If 'Yes' explain:   |     |
| Does the project implement Ag BMP's, or Low-Impact Development, or wetland restoration or construction, or greenhouse gas reduction, or apply differential uses of water treated to varying levels?   | NO  |
| If 'Yes' explain:   |     |

**Cost Effectiveness**

Describe the alternatives that were considered to solve the problem in the Project Description and the cost of those alternatives.

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

See Cost Comparison Section.

**Drinking Water Public Health:**

|   |     |
|---|-----|
| Will this project eliminate critical or chronic health hazards? | YES |
|---|-----|

If 'Yes' explain: True

|  |    |
|--|----|
| Violation of a primary MCL or maximum containment concentration: | NO |
|--|----|

|   |    |
|---|----|
| Presence of coliform or fecal coliform: | NO |
|---|----|

|                                |     |
|--------------------------------|-----|
| No water available at the tap: | YES |
|--------------------------------|-----|

|                                     |    |
|-------------------------------------|----|
| Giarda cysts in the filtered water: | NO |
|-------------------------------------|----|

**Drinking Water DEP Compliance**

|   |    |
|---|----|
| Will this project satisfy an order issued by DEP, the Federal Government or the Courts that addresses problems with acute health or safety hazard, potable water treatment and/or storage facilities? | NO |
|---|----|

|   |    |
|---|----|
| Will this project satisfy a non-compliance consent order and agreement related to a health or safety hazard, potable water treatment and/or storage facilities? | NO |
|---|----|

|   |     |
|---|-----|
| Will this project protect water sources under the supplier's control? | YES |
|---|-----|

|   |     |
|---|-----|
| Provide treatment adequate to assure that public health is protected? | YES |
|---|-----|

|  |     |
|--|-----|
| Provide and effectively operate and maintain public water system facilities? | YES |
|--|-----|

|   |     |
|---|-----|
| Take corrective action necessary to assure safe and potable water is continuously supplied to the user: | YES |
|---|-----|

**Cost Effectiveness**

|  |  |
|--|--|
| Describe any actions necessary to get the project under construction, when they will be done, and what will be required in order to maintain the facility through its design life. |  |
|--|--|

See Cost Comparison Section.

**Drinking Water Environmental/Social**

|   |  |
|---|--|
| Explain any existing environmental condition that will be addressed with the project (example: sludge handling facility). |  |
|---|--|

|   |  |
|---|--|
| How will this project improve the quality of life for the system customers? |  |
|---|--|

The Project will provide a more reliable source of water supply through the development of an additional well, additional water storage, and emergency power backup - Reducing frequent water outages.

|   |     |
|---|-----|
| Is this project consistent with local, county and regional land use planning? | YES |
|---|-----|

If 'No' explain:

|   |     |
|---|-----|
| Is this project consistent with county agricultural preservation efforts? | YES |
|---|-----|

If 'No' explain:

**Drinking Water Adequacy and Efficiency**

|   |     |
|---|-----|
| Will this project increase the available water? | YES |
|---|-----|

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

If 'Yes' explain: Project will add additional water supply source, reduce water lost through leaking water mains also increasing water available to customers.

|   |     |
|---|-----|
| Does this project include or promote water system conservation? | YES |
|---|-----|

If 'Yes' explain: New residential meters are being installed to each home. Accurate water metering combined with consumption usage billing encourages water conservation.

|  |    |
|--|----|
| Does this project include or promote water system consolidation? | NO |
|--|----|

**Drinking Water Public Safety**

|   |     |
|---|-----|
| Will this project address replacement or major rehabilitation of an unsafe water supply storage tank? | YES |
|---|-----|

|   |    |
|---|----|
| Will this project allow the system to meet fire code - quantity/pressure for fire protection? | NO |
|---|----|

|   |    |
|---|----|
| Does this project include installation or replacement of fire hydrants? | NO |
|---|----|

|   |     |
|---|-----|
| Does this project include work to address safety standards with OSHA? | YES |
|---|-----|

|  |     |
|--|-----|
| Will this project address issues related to water source and/or system security? | YES |
|--|-----|

**Keystone:**

|  |    |
|--|----|
| Have any of the communities served by this project been designated as distressed under the Municipalities Financial Recovery Act 47 of 1987? | NO |
|--|----|

|  |    |
|--|----|
| Does this project directly serve a Brownfield site as designated by the PA Department of Environmental Protection? | NO |
|--|----|

|   |    |
|---|----|
| Does this project serve a City, Borough or Township of the 1st Class? | NO |
|---|----|

|  |    |
|--|----|
| Have any of the communities served by this project been designated as a Community Action Team [CAT] project by the Department of Community and Economic Development? | NO |
|--|----|

municipality: county:

|   |     |
|---|-----|
| Does the Community(ies) where this project is located have a Comprehensive Land Use Plan? | YES |
|---|-----|

|   |     |
|---|-----|
| If yes, is this project consistent with that plan? If yes, please upload a copy of correspondence indicating consistency in Supporting Documents. | YES |
|---|-----|

|  |     |
|--|-----|
| Does the County(ies) where this project is located have a Comprehensive Land Use Plan? | YES |
|--|-----|

|  |     |
|--|-----|
| If yes, is this project consistent with that plan? | YES |
|--|-----|

|   |     |
|---|-----|
| Does the County(ies) where this project is located have an Agricultural Land Preservation Plan? | YES |
|---|-----|

|  |     |
|--|-----|
| If yes, is this project consistent with that plan? | YES |
|--|-----|

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**INCOME AND EXPENSES**

| <b>Billing:</b>                             | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|---|--|--|
| Estimated Population                        | 285  | 283  |
| Households served by System                 | 115  | 114  |
| Total EDUs served by system                 | 115  | 114  |
| Residential EDUs served by system           | 115  | 114  |
| Average annual Residential bill             | \$1,112.54                                 | \$3,947.37                                     |
| Total residential bills levied              | \$127,942.00                               | \$450,000.00                                   |
| Total Residential bills collected           | \$127,942.00                               | \$450,000.00                                   |
| Total Commercial/Industrial bills levied    | \$0.00                                     | \$0.00   |
| Total Commercial/Industrial bills collected | \$0.00                                     | \$0.00   |

| <b>Income for Profit Entity:</b> | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|----------------------------------|--|--|
| Sales of Products                | \$127,942.00                               | \$450,000.00                                   |
| Investment Income                |  |  |
| Rental Income                    |  |  |
| Other Income                     | \$6,446.00                                 | \$0.00   |
| <b>TOTAL INCOME</b>              | <b>\$134,388.00</b>                        | <b>\$450,000.00</b>                            |

Explain other products, income and identify sources of the above information: Other income includes non utility income and miscellaneous service revenues.

| <b>Operating Expenses :</b>   | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|-------------------------------|--|--|
| Labor (Salaries and Benefits) | \$10,131.00                                | \$10,966.00                                    |
| Utilities                     |  |  |
| Rent                          |  |  |
| Materials and Supplies        | \$21,326.00                                | \$21,910.00                                    |
| Outside Services              |  |  |
| Cost of Goods Sold            |  |  |
| Program Expenses              | \$16,767.00                                | \$18,861.00                                    |
| Administration Expenses       |  |  |
| Professional Fees             | \$49,404.00                                | \$53,476.00                                    |
| Depreciation Expense          | \$30,317.00                                | (\$31,785.00)                                  |

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|  |                     |                     |
|--|---------------------|---------------------|
| Other Expenses                                   | \$4,109.00          | \$4,808.00          |
| <b>Net Operating Expense (Less Depreciation)</b> | <b>\$101,737.00</b> | <b>\$110,021.00</b> |

| <b>Non-Operating Expenses :</b>            | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|--|--|--|
| Annual debt service excluding this project | \$43,382.00                                | \$70,900.00                                    |
| Other Non-Operating Expense                | (\$28,647.00)                              | (\$31,750.00)                                  |
| <b>Net Non-Operating Expense</b>           | <b>\$14,735.00</b>                         | <b>\$39,150.00</b>                             |
| <b>Total Expenses</b>                      | <b>\$116,472.00</b>                        | <b>\$149,171.00</b>                            |

Explain any Other Expenses and identify sources of the above information: Program expenses include Regulatory and Commission Expense and "Bad Debt Expense" (pdf 45 item 27 of PUC).

Other Operating Expenses includes insurance (vehicle, general liability, workman's comp, directors and officers, umbrella, other).

Annual Debt service is reported in PUC and is based on on-demand payments to MWC on original loan of \$1,000,000 at 7% interest rate (pdf p. 35 PUC report). Amount shown is from Interest Expense.

Other Non-Operating Expense includes federal, state, and local taxes (utility operating income set as negative in expenses).

| <b>Net Cash:</b>     | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|----------------------|--|--|
| Total Income         | \$140,834.00                               | \$450,000.00                                   |
| Total Cash Expenses  | \$116,472.00                               | \$149,171.00                                   |
| <b>NET CASH FLOW</b> | <b>\$24,362.00</b>                         | <b>\$300,829.00</b>                            |

**Notes:**

2018 information was obtained from the Twin Lakes Annual PUC Report. A Consolidated Statement for the Parent Company, Middlesex Water Company, is prepared which ties the Twin Lakes PUC Report values to the audited Middlesex Water Annual Report. Due to the absence of an audited financial statement directly from Twin Lake Utilities, PENNVEST has agreed the PUC Report in combination with the Middlesex Consolidated Statement is sufficient for the application. 2022 information is based on 2019 Budget and projections of expenses. 2022 Sale of Products is set to provide adequate income to cover 2022 Expenses and provide a net income to pay debt service on the PENNVEST Funding at the blended county cap rate of 1.54075% plus a \$20,000 net revenue.

**FINANCIAL**

| <b>Source:</b>                               | <b>Amount</b> | <b>Committed</b> |
|--|---------------|------------------|
| System Funds (resources, Owner equity, etc.) | \$0.00        | \$0.00           |
| Connection Fees / Tap Fees / Assessments     | \$0.00        | \$0.00           |
| Grants                                       | \$0.00        | \$0.00           |

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

|                                |                |        |
|--------------------------------|----------------|--------|
| Other                          | \$0.00         | \$0.00 |
| Amount Requested from PENNVEST | \$4,825,000.00 | \$0.00 |

| <b>Special Assessments :</b>         | <b>Amount</b> |
|--------------------------------------|---------------|
| Amount of Assesment per EDU          | \$0.00        |
| No. of EDUs to be Charged            |               |
| Anticipated Collection Rate          |               |
| Total to be Generated by Assessments |               |

**Explanation of Sources :**

If you have chosen not to utilize other available sources of funding for this project, please explain the basis for your decision:  
 Other sources, such as bank loans, have higher interest rates resulting in significantly higher debt service. A bond issue would have higher borrowing costs and higher interest rates than a PENNVEST loan. Higher debt service increases the already high user fees.

Describe any constitutional, statutory, charter, or other limitation on debt that apply to the applicant:  
 None

**Debt Obligations :**

| <b>For Governmental entities:</b>     | <b>For non-Governmental entities:</b>  |
|---------------------------------------|--|
| a) First lien on user charge revenues | a) Guarantee of the parent company     |
| b) Guarantee of municipality          | b) Pledge of stock                     |
| c) Municipal taxing power             | c) Mortgage lien on company facilities |

Are there any liens or other encumbrances by existing debt obligations which would prevent PENNVEST from requesting any of the above forms of loan security? **YES**

**Closely Held for Profit Entities :**

| <b>Owner</b>            | <b>Percent</b> |
|-------------------------|----------------|
| MIDDLESEX WATER COMPANY | 100.00%        |

**NOTES:**

A guarantee of the parent company or other forms for security involving the parent company are not available.

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**DEBT****Current Debt as of Date of Submittal:****Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 1 2010                  | \$14,220.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$14,220.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand.  
Interest only payments are made.

**Current Debt as of Date of Submittal:****Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 31 2011                 | \$10,000.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$10,000.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand.  
Interest only payments are made.

**Current Debt as of Date of Submittal:****Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Dec 31 2013                 | \$354,369.00  | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$354,369.00               |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand.  
Interest only payments are made.

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Current Debt as of Date of Submittal:****Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 31 2014                 | \$5,000.00  | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$5,000.00                 |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand.  
Interest only payments are made.

**Current Debt as of Date of Submittal:****Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Aug 31 2014                 | \$50,677.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$50,677.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand.  
Interest only payments are made.

**Current Debt as of Date of Submittal:****Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jun 4 2015                  | \$28,000.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$28,000.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand.  
Interest only payments are made.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 1 2016                  | \$537,734.00  | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$537,734.00               |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

**Notes:**

**RATES**

**Billing:**

Select the appropriate rate structure and billing frequency from the drop down list that is provided. In the space provided, describe any special rate structure or agreement.

|                | <b>Monthly</b> | <b>Quarterly</b> | <b>Other</b> |
|----------------|----------------|------------------|--------------|
| <b>Metered</b> | NO             | YES              | NO           |
| <b>Flat</b>    | NO             | NO               | NO           |
| <b>other</b>   | NO             | NO               | NO           |

**Special Rate Structure or Agreement:**

See attached Rate Tariff.

**Revenue:**

Indicate the total revenues collected by category as indicated before and after the project.

|                    | <b>Before Project</b> | <b>After Project</b> |
|--------------------|-----------------------|----------------------|
| <b>Residential</b> | \$127,942.00          | \$450,000.00         |
| <b>Commercial</b>  | \$0.00                | \$0.00               |
| <b>Industrial</b>  | \$0.00                | \$0.00               |

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Customers :**

Indicate the number of residential households that the system currently serves and the number that you expect to serve once this project is complete. Provide similar information for EDU's (equivalent dwelling units) and population that will be impacted by the project.

|                                      | Currently | After First Year |
|--------------------------------------|-----------|------------------|
| <b>Residential Households Served</b> | 115       | 114              |
| <b>Number of Additional EDU's</b>    | 0         |                  |
| <b>Estimated Population Impacted</b> | 285       |                  |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 8543967860               | 249                           | 249                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 0942390095               | 209                           | 209                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 3904344190               | 209                           | 209                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 8043346943               | 209                           | 209                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 9108417035               | 193                           | 193                          |

**NOTES:**

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

All customers are residential. No significant changes in usage are anticipated other than typical with weather impacts.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**BUDGET**

**Engineering Costs:**

This section is used to provide a breakdown of project engineering costs related to planning. For Waste Water projects these costs should represent expenses that are not related to Act 537 planning.

| <b>Tasks</b>               |                       |
|----------------------------|-----------------------|
| Planning                   | \$348,163.00          |
| Pre-Design Services        | \$29,230.00           |
| Design                     | \$295,920.00          |
| Bidding                    | \$11,800.00           |
| Construction Services      | \$360,987.00          |
| <b>Total Engineer Cost</b> | <b>\$1,046,100.00</b> |

**Construction Items:**

This section is used to provide a breakdown of project costs related to construction for Transmission/Interceptor, Mains, Pump Station, Storage, Treatment and Source/Disposal. Use linear feet for length.

|                                  | <b>Units</b>    | <b>Estimated Cost</b> |
|----------------------------------|-----------------|-----------------------|
| Transmission/Interceptor         | 0 linear ft     | \$0.00                |
| Mains                            | 27100 linear ft | \$1,860,000.00        |
| Pump Station                     | 0 stations      | \$0.00                |
| Storage                          | 20000 gallons   | \$162,000.00          |
| Treatment                        | 0 gallons       | \$0.00                |
| Source/Disposal                  | 72000 gallons   | \$1,278,000.00        |
| <b>Total Construction Cost :</b> |                 | <b>\$3,300,000.00</b> |

**Total Major Phases Costs:**

This section is used to provide a breakdown of all project related costs as they relate to pre-design, design and construction components of the project. These figures are typically estimates, based upon consulting services and engineering design specifications.

|                                       | <b>Major Phases</b> |               |                     |
|---------------------------------------|---------------------|---------------|---------------------|
| <b>Cost Category</b>                  | <b>Pre-Design</b>   | <b>Design</b> | <b>Construction</b> |
| Administrative Costs                  |                     |               | \$5,000.00          |
| Legal Fees                            |                     | \$14,950.00   | \$14,950.00         |
| Financial / ...<br>Accounting Charges |                     |               | \$21,000.00         |

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

|                                |                     |                     |                       |
|--------------------------------|---------------------|---------------------|-----------------------|
| Interest during Construction   |                     |                     | \$43,000.00           |
| Engineering, Architecture Fees | \$348,163.00        | \$336,950.00        | \$360,987.00          |
| Permits                        |                     |                     | \$16,000.00           |
| Land                           |                     |                     |                       |
| Construction                   |                     |                     | \$3,300,000.00        |
| Contingency                    |                     |                     | \$330,000.00          |
| Other (Utilities/PennDOT)      | \$0.00              | \$0.00              | \$34,000.00           |
| <b>Grand Totals</b>            | <b>\$348,163.00</b> | <b>\$351,900.00</b> | <b>\$4,124,937.00</b> |

**Total Project Costs :**

| <b>Cost Category</b>               | <b>Total Cost</b>     |
|------------------------------------|-----------------------|
| Administrative Costs               | \$5,000.00            |
| Legal Fees                         | \$29,900.00           |
| Financial / ... Accounting Charges | \$21,000.00           |
| Interest during Construction       | \$43,000.00           |
| Engineering, Architecture Fees     | \$1,046,100.00        |
| Permits                            | \$16,000.00           |
| Land                               | \$0.00                |
| Construction                       | \$3,300,000.00        |
| Contingency                        | \$330,000.00          |
|                                    | \$0.00                |
| Other (Utilities/PennDOT)          | \$34,000.00           |
| <b>Total Project Cost :</b>        | <b>\$4,825,000.00</b> |

**Additional information or comments :**

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

**IMPACT**

---

**Industry:**

---

Economic Benefits: Indicate the economic benefits of the project relative to job creation/retention and private investment. Attachments should be clearly identified and forwarded to DCED for review.

---

**Notes:**

---

No industrial or Commercial Development anticipated. Sagamore Estates is all residential homes.



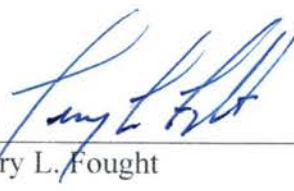
BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
v. : Docket No. R-2019-3010958  
Twin Lakes Utilities, Inc. :

VERIFICATION

I, Terry L. Fought, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 3, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:

  
\_\_\_\_\_  
Terry L. Fought

Consultant Address: Terry L. Fought  
780 Cardinal Drive  
Harrisburg, PA 17111

DATED: November 1, 2019  
\*280127

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :  
v. : Docket No. R-2019-3010958  
TWIN LAKES UTILITIES, INC. :

SURREBUTTAL TESTIMONY  
OF  
TERRY L. FOUGHT

ON BEHALF OF  
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

DECEMBER 10, 2019

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

2 A. Terry L. Fought, 780 Cardinal Drive, Harrisburg, Pennsylvania, 17111.

3

4 **Q. MR. FOUGHT, DID YOU ALSO SUBMIT DIRECT TESTIMONY IN THIS**  
5 **PROCEEDING ON BEHALF OF THE OFFICE OF CONSUMER ADVOCATE?**

6 A. Yes.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my surrebuttal testimony is to respond to the portions of the rebuttal  
9 testimony by Twin Lakes Utilities, Inc. (Twin Lakes or Company) witness Robert  
10 K. Fullagar regarding (1) the priorities of the Well #1 replacement project and water  
11 main replacements; (2) the installation of a dedicated meter for Well #2; and (3)  
12 water quality concerns of customers.

13 **Q. WHAT IS MR. FULLAGAR'S POSITION ON THE PRIORITIES OF THE WELL**  
14 **#1 REPLACEMENT PROJECT AND WATER MAIN REPLACEMENTS?**

15 A. On page 4 of his rebuttal testimony, Mr. Fullagar's position is that "The Company  
16 worked on both the Well #1 replacement project and the water main replacement  
17 project simultaneously. One project was not a higher priority than the other." He  
18 explained that the Twin Lakes system is maintaining a pressure of 25 psi and that  
19 making leak repairs and main replacements are necessary so that Well #2 can  
20 keep the system pressurized.

21

22 **Q. DO YOU AGREE WITH MR. FULLAGAR THAT THE COMPANY WORKED ON**  
23 **BOTH THE WELL #1 REPLACEMENT PROJECT AND THE WATER MAIN**  
24 **REPLACEMENT PROJECT SIMULTANEOUSLY?**

25 A. No, not initially. The Company acquired the Twin Lakes system in February 2009  
26 and the geologist report locating potential replacement well sites is dated  
27 September 1, 2014. The Company could not have been working on both projects

1 simultaneously because the report regarding the site for the replacement of Well  
2 #1 was not completed until more than five years after the Company acquired Twin  
3 Lakes. It is unclear, however, whether the Company may have been working on  
4 both projects simultaneously for a period after 2014.

5  
6 **Q. DO YOU AGREE WITH MR. FULLAGAR THAT THE COMPANY SHOULD**  
7 **CONTINUE MAKING THE LEAK REPAIRS AND MAIN REPLACEMENTS**  
8 **NECESSARY TO KEEP THE DISTRIBUTION SYSTEM PRESSURIZED?**

9 A. Yes.

10  
11 **Q. WHAT IS MR. FULLAGAR'S POSITION ON THE INSTALLATION OF A**  
12 **DEDICATED METER FOR WELL #2?**

13 A. On page 5 of his rebuttal testimony, Mr. Fullagar states that "this meter installation  
14 work would need to commence after the placement into service of a replacement  
15 Well #1 ...".

16  
17 **Q. DO YOU AGREE WITH MR. FULLAGAR'S POSITION THAT THE METER**  
18 **INSTALLATION SHOULD OCCUR AFTER A REPLACEMENT FOR WELL #1 IS**  
19 **IN SERVICE?**

20 A. Yes.

21  
22 **Q. DO YOU AGREE WITH MR. FULLAGAR'S RESPONSE (PAGES 5-6 OF HIS**  
23 **REBUTTAL) TO THE QUALITY OF SERVICE CONCERNS MADE BY**  
24 **CUSTOMERS AT THE OCTOBER 17, 2019 PUBLIC INPUT HEARINGS?**

25 A. I agree with Mr. Fullagar's response to customers concerns about why Boil Water  
26 Advisories (BWA) were issued. Mr. Fullagar did not address a customer's  
27 concern about not being notified when a BWA was lifted. Jeffery Shatt, Tr. 86, In  
28 6-10. Mr. Fullagar testified that the Company uses an automated phone call to  
29 notify customers that a Boil Water recommendation is being issued. The

1 Company should use the same notification process, an automated phone call to  
2 each customer, to lift the Boil Water Advisories as it does to issue the Boil Water  
3 Advisories.

4 Also, below are two additional quality of service issues mentioned at the PIH that  
5 Mr. Fullagar did not address:

- 6 • a customer testified that he was discriminated against by the Company  
7 because of the way he spoke English. He testified that his phone call  
8 about a water outage was answered and transferred to another two  
9 Company representatives that could respond to his concerns, and then he  
10 was hung up on. Gerasimos Xenatos, Tr. 90, In 19-23; Tr. 91, In 18-24; Tr.  
11 92, In 17-25; and
- 12 • a customer complained about a water meter installation underneath his  
13 house. Jeremy Monz, Tr. 104, In 17-24.

14 The Company should address each customer's concerns and provide a report for  
15 the record in this proceeding.

16  
17 **Q. IS THERE A NEW WATER QUALITY ISSUE THAT YOU BECAME AWARE OF**  
18 **AFTER SUBMISSION OF YOUR DIRECT TESTIMONY ON NOVEMBER 1,**  
19 **2019?**

20 A. Yes. On November 18, 2019, a customer notified the OCA that they received a  
21 notice titled "Important information about Lead in Your Drinking Water" dated  
22 November 13, 2019 that resulted from water sampling taken August 18th and  
23 follow up water sampling taken on September 15th. See Exhibit TLF-5  
24 (redacted) attached. The notice was required because the Company's routine  
25 lead and copper monitoring on August 18, 2019 showed an exceedance of the  
26 lead action level. The follow up water sampling taken on September 15, 2019  
27 also showed an exceedance of the lead action level. 25 Pa. Code § 109.1101.

1 did not address this development in its rebuttal testimony filed on November 20,  
2 2019.

3  
4 **Q. WHAT DO YOU RECOMMEND?**

5 A. It is my understanding that the parties are working on a stipulation to provide more  
6 detailed information for the record in this case. My recommendation regarding  
7 Company actions going forward are related to its interaction with its customers  
8 while it works on the requirements of testing and monitoring as set forth in 25 Pa.  
9 Code § 109.1103.

10 I recommend:

- 11 • The Company should provide copies, to OCA and I&E , of the August  
12 and September 2019 test results from the laboratory;
- 13 • The Company should continue to provide copies, to OCA and I&E,  
14 of all lead and copper test results taken going forward until it returns  
15 to reduced monitoring status;
- 16 • The Company should provide copies, to OCA and I&E, of the test  
17 results for the additional water quality parameters that it must test for  
18 pursuant to 25 Pa. Code § 109.301.
- 19 • The Company should provide a copy, to OCA and I&E, of its  
20 corrosion control study when it is submitted to DEP;
- 21 • The Company should provide a copy, to OCA and I&E, of all future  
22 notices to its customers regarding the exceedance of the lead action  
23 level;
- 24 • The Company should inform its customers that it will test for lead  
25 levels at an individual's house upon request. The Company should  
26 immediately provide this information by phone and on its website and  
27 then on each bill until it returns to reduced monitoring status and;
- 28 • The Company should inform its customers about steps that a  
29 customer can take to reduce exposure to lead in water by posting the

1 information prominently on its website starting immediately, and  
2 provide this information at least every three months through bill  
3 insert.

4

5 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

6 A. Yes, at this time. I reserve the right to supplement this testimony either in writing  
7 or orally if additional information is received.



## Important information about Lead in Your Drinking Water

*Twin Lakes Utilities* \_\_\_\_\_ found elevated levels of lead in drinking water tap samples. Lead can cause serious health problems, especially for pregnant women and young children.

***Please read this information closely  
to see what you can do to reduce lead in your drinking water.***

**ESTE INFORME CONTIENE INFORMACIÓN IMPORTANTE ACERCA DE SU AGUA POTABLE. HAGAN QUE ALGUIEN LO TRADUZCA PARA USTED, O HABLE CON ALGUIEN QUE LO ENTIENDA.**

### Health Effects of Lead

Lead can cause serious health problems if too much enters your body from drinking water or other sources. It can cause damage to the brain and kidneys, and can interfere with the production of red blood cells that carry oxygen to all parts of your body. The greatest risk of lead exposure is to infants, young children, and pregnant women. Scientists have linked the effects of lead on the brain with lowered IQ in children. Adults with kidney problems and high blood pressure can be affected by low levels of lead more than healthy adults. Lead is stored in the bones and it can be released later in life. During pregnancy, the child receives lead from the mother's bones, which may affect brain development.

### Sources of Lead

Lead is a common metal found in the environment. The main sources of lead exposure are lead-based paint and lead-contaminated dust or soil. Drinking water is also a possible source of lead exposure. Most sources of drinking water have no lead or very low levels of lead. Most lead gets into drinking water after the water leaves the local well or treatment plants and comes into contact with plumbing materials containing lead. These include lead pipes, lead solder (commonly used until 1986), as well as faucets, valves, and other components made of brass.

---

## Steps You Can Take to Reduce Exposure to Lead in Water

1. **Run your water to flush out lead.** Run water for 15-30 seconds or until it becomes cold or reaches a steady temperature before using it for drinking or cooling, if it hasn't been used for several hours. This flushes lead-containing water from the pipes.
2. **Use cold water for cooking and preparing baby formula.** Lead dissolves more easily into hot water.
3. **Do not boil water to remove lead.** Boiling water will not reduce lead.
4. **Look for alternative sources or treatment of water.** You may want to consider purchasing bottled water or a water filter.
5. **Test your water for lead.** If you think you may have elevated lead levels in your home drinking water, have it tested. Call the Safe Drinking Water Hotline (800-426-4791) for more information.

### What Happened? What is being done?

Samples collected on 08/18/2019 at [REDACTED] and on 09/15/2019 at [REDACTED] have greater than the lead action level and the 90<sup>th</sup> percentile value for our water system is also greater than the lead action level of 15 parts per billion. Twin Lakes Utilities, Inc. will be taking lead and copper samples every six months for the duration required by the PADEP.

### For More Information

For more information on reducing lead exposure around your home/building and the health effects of lead, visit EPA's website at [www.epa.gov/lead](http://www.epa.gov/lead), or contact your health care provider.

PWS ID#: 2520051

Date November 13, 2019


BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
v. : Docket No. R-2019-3010958  
Twin Lakes Utilities, Inc. :

VERIFICATION

I, Terry L. Fought, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement 3SR, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature:

  
\_\_\_\_\_  
Terry L. Fought

Consultant Address: Terry L. Fought  
780 Cardinal Drive  
Harrisburg, PA 17111

DATED: December 10, 2019  
\*281635

COMMONWEALTH OF PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

----- x  
 :  
 PA Public Utility Commission v. :  
 Twin Lakes Utilities Inc. : Docket No.  
 Rate : R-2019-3010958  
 :  
 (Public Input Hearing) :  
 :  
 ----- x

Pages 57 through 109 Shohola Township Building  
 159 Twin Lakes Road  
 Shohola, Pennsylvania

Thursday, October 17, 2019

Met, pursuant to notice, at 6:00 p.m.

BEFORE:

MARTA GUHL, Administrative Law Judge

APPEARANCES:

ERIKA L. McLAIN, Esquire  
 Pennsylvania Public Utility Commission  
 400 North Street  
 Harrisburg, Pennsylvania 17120  
 (For Bureau of Investigation and Enforcement)

JOHN J. GALLAGHER, Esquire  
 711 Forrest Road  
 Harrisburg, Pennsylvania 17112  
 (For Twin Lakes Utilities Inc.)

J. D. MOORE, Esquire  
 LAUREN GUERRA, Esquire  
 Office of Consumer Advocate  
 Forum Place, 5th Floor  
 555 Walnut Street  
 Harrisburg, Pennsylvania 17101-1923  
 (For Office of Consumer Advocate)

RECEIVED  
 PA PUC  
 BUREAU OF I&E  
 19 NOV - 6 PM 1:26

RECEIVED

NOV 06 2019

PA PUBLIC UTILITY COMMISSION  
 SECRETARY'S BUREAU

\*\*\*

**Commonwealth Reporting Company, Inc.**  
 700 Lisburn Road  
 Camp Hill, Pennsylvania 17011

WITNESS INDEX

| <u>WITNESSES</u>   | <u>DIRECT</u> | <u>CROSS</u> | <u>REDIRECT</u> | <u>RECROSS</u> |
|--------------------|---------------|--------------|-----------------|----------------|
| Donna Hersca       | 71            | --           | --              | --             |
| (By Mr. Gallagher) | --            | 76           | --              | --             |
| Helen Miller       | 83            | --           | --              | --             |
| Jeffrey Shatt      | 86            | --           | --              | --             |
| (By Mr. Moore)     | --            | 86           | --              | --             |
| (By Ms. McLain)    | --            | 87           | --              | --             |
| (By Mr. Gallagher) | --            | 87           | --              | --             |
| Gerasimos Xenatos  | 90            | --           | --              | --             |
| (By Mr. Moore)     | --            | 92           | --              | --             |
| Stacy DeFrancesco  | 95            | --           | --              | --             |
| Grzegorz Nieczaj   | 99            | --           | --              | --             |
| (By Ms. McLain)    | --            | 101          | --              | --             |
| Jeremy Monz        | 104           | --           | --              | --             |
| Tami DeFrancesco   | 106           | --           | --              | --             |

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

FORM 2

EXHIBIT INDEX

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

| <u>NUMBER</u>                  | <u>FOR IDENTIFICATION</u> | <u>IN EVIDENCE</u> |
|--------------------------------|---------------------------|--------------------|
| Hersca 1 (Packet of Documents) | 81                        | --                 |

Any reproduction of this transcript  
is prohibited without authorization  
by the certifying reporter.

\*\*\*

FORM 2

P R O C E E D I N G S

1  
2 ADMINISTRATIVE LAW JUDGE MARTA GUHL: Good  
3 evening, ladies and gentlemen. This is a public input  
4 hearing scheduled in connection with the pending rate  
5 filing of Twin Lakes Utilities Incorporated. My name is  
6 Marta Guhl, and I am the Administrative Law Judge that the  
7 Pennsylvania Public Utility Commission has assigned to hear  
8 this case and produce a recommendation for the Commission  
9 to consider.

10 With me here are several attorneys on behalf  
11 of the active parties in this case. Representing the  
12 company, Twin Lakes, is Mr. John Gallagher.

13 MR. GALLAGHER: Good evening, Your Honor.

14 JUDGE GUHL: Representing the Office of  
15 Consumer Advocate or OCA is Mr. J. D. Moore.

16 MR. MOORE: Good evening, Your Honor.

17 JUDGE GUHL: And representing the Bureau of  
18 Investigation and Enforcement or I and E is Ms. Erika  
19 McLain.

20 MS. McLAIN: Good evening, Your Honor.

21 JUDGE GUHL: There is also a court reporter  
22 here who is taking down what is being said and will produce  
23 a written transcript of this hearing. I will briefly  
24 explain the nature of this proceeding and allow these  
25 representatives to introduce themselves to you, and then I

1 will hear from you, the public.

2                   As you know, on July 23rd, 2019, Twin Lakes  
3 Utilities Incorporated filed a supplement to its water  
4 tariff with the Pennsylvania Public Utility Commission to  
5 become effective September 19th, 2019. The tariff  
6 supplement would increase Twin Lake's total annual  
7 operating revenues for water service by approximately  
8 \$211,793 or 158.63 percent.

9                   If the proposed increase is approved, the  
10 average monthly bill for a residential water customer using  
11 approximately 2,400 gallons per month would increase by  
12 \$154.80, from \$95.23 to \$250.03. The company proposed to  
13 increase the residential monthly customer charge by \$98.20,  
14 from \$60.41 to \$158.61, an increase of approximately 162  
15 percent.

16                   By opinion and order dated August the 29th,  
17 2019, the Pennsylvania Public Utility Commission suspended  
18 the proceedings until April 19th, 2020, for an  
19 investigation and sent the matter to the Office of  
20 Administrative Law Judge for evidentiary hearings and a  
21 Recommended Decision. In general rate cases such as this  
22 one, the Commission is required by the Public Utility Code  
23 to ensure that the rates it approves are just and  
24 reasonable.

25                   There are many factors which are evaluated

1 in determining whether the proposed rates are just and  
2 reasonable. Among them are the efficiency, effectiveness,  
3 and adequacy of the utility's service, the legitimate needs  
4 of the utility for revenue to provide for both current  
5 levels of service and to improve future service, and the  
6 prevention of inequitable rate discrimination among  
7 customers.

8 Active parties in this investigation in  
9 addition to the company are the Commission's Bureau of  
10 Investigation and Enforcement or I and E and the Office of  
11 Consumer Advocate or OCA. In addition, to date ten  
12 consumer complaints have been filed and several letters in  
13 opposition to the filing have also been filed with the  
14 Secretary's Bureau.

15 Let me briefly outline what has happened in  
16 the case so far and what the schedule is for the future. A  
17 prehearing conference was held on September the 23rd, 2019.  
18 Attorneys representing the parties worked out a schedule,  
19 and various procedural issues were addressed at that time.

20 If the parties are unable to agree on a  
21 settlement, then hearings will be held on December 19th and  
22 20th, 2019, so that witnesses who presented written  
23 testimony will testify under oath and be subject to  
24 cross-examination. All hearings will be held in  
25 Harrisburg, Pennsylvania, in a hearing room at the Keystone

1 Building where the Commission is located.

2           They are open to the public, and you are  
3 welcome to attend and observe. Because hearings sometimes  
4 are cancelled or changed, you should contact my legal  
5 assistant, Diane Harvell, at area code 215-560-2105 the day  
6 before you plan to attend to ensure that the hearing will  
7 be held as scheduled.

8           When the hearings have been completed, the  
9 parties will prepare and submit to me written briefs  
10 describing the facts as they see them and the law that they  
11 believe should be applied to those facts. Main briefs and  
12 responsive reply briefs are due on January 6th, 2020, and  
13 January 16th, 2020, respectively; and my Recommended  
14 Decision will be issued in mid to late February of 2020.  
15 The Commission will then decide if my recommendation  
16 concerning the proposed rates should be adopted, rejected,  
17 or modified.

18           A significant step in the hearing process is  
19 the public input hearings that we are having today. The  
20 purpose of this hearing is to obtain the testimony of you,  
21 the people who will be directly affected by the proposed  
22 rates. Now let's talk about how this will be conducted  
23 today.

24           There are two ways that you can testify.  
25 First you may testify formally. This means that I will

1 swear or affirm you in, the court reporter will record and  
2 transcribe your statement, and you will be subject to  
3 cross-examination by any of the parties here. I may also  
4 have some questions for you as well.

5                   To the extent that your testimony is  
6 relevant, material, and competent, it may be considered by  
7 me and by the Commission. If you choose to testify -- and  
8 I strongly urge that you do so -- you will be asked to  
9 state and spell your name, give your address, and I will  
10 ask if you are employed and by whom and if you are a  
11 customer. If you are appearing on behalf of a group or an  
12 organization, please state that.

13                   Do not be intimidated by the terms that I  
14 have used such as testimony and cross-examination. I  
15 recognize that you may not be attorneys, and I know that  
16 none of the parties here will try to embarrass you in any  
17 way. They may ask you questions about your testimony. You  
18 should not become upset by this questioning or feel you are  
19 under personal attack.

20                   Such questioning is entirely normal in this  
21 type of legal proceeding. I ask simply that you listen to  
22 the questions asked of you and that you answer the  
23 questions to the best of your ability. If any question are  
24 improper, I will let you know.

25                   The second method of participation is for

1 you to make an off-the-record or unsworn or unaffirmed  
2 statement. If you choose to do so, you will not be sworn  
3 in and the court reporter will not record your remarks. I  
4 and the Commission as a matter of law cannot consider this  
5 evidence which is not a part of the official record of the  
6 case.

7 If you choose to make an off-the-record  
8 statement, you will be asked to state your name, address,  
9 if you are a customer, and if you are representing a group  
10 or organization. You will not be subject to  
11 cross-examination. I will assume that everyone who signed  
12 up will make an on-the-record statement. So, if you do not  
13 want to testify formally, please let me know when I call  
14 your name.

15 If you do not wish to testify, you can  
16 always contact one of the active parties here such as the  
17 company, I and E, or OCA to express your concerns directly  
18 to them. For the benefit of the court reporter who is  
19 here, please speak slowly and clearly and identify yourself  
20 when speaking. This public input hearing is your  
21 opportunity to present evidence regarding the proposed rate  
22 increases.

23 If you have questions concerning the filing,  
24 I am sure that the company representatives will do their  
25 best to answer them briefly. I will not permit you,

1 however, to engage in argument or berate any of the parties  
2 present. Also, please do not bring up any billing disputes  
3 or individual problems that you may have that are not  
4 relevant to the scope of this proceeding.

5 As I indicated, feel free to directly  
6 contact any of the attorneys involved in this case after  
7 this hearing so they can address your individual issues  
8 directly. I want to remind everyone that this is an  
9 official legal proceeding; and, while I don't want you to  
10 feel intimidated or nervous about speaking publicly, please  
11 keep in mind that this is a serious and official hearing.

12 Finally, at this point I will not impose a  
13 time limit; however, I would ask each speaker to limit  
14 himself or herself in order to ensure that I am able to get  
15 to everyone who is signed up. If you agree with a prior  
16 speaker, just say so and there is no need to be  
17 repetitious. If I do impose a time limit, it will be  
18 strictly enforced.

19 Before I begin hearing from you, which is  
20 why we are all here, I will allow the party representatives  
21 present to make a very brief statement; and I will start  
22 with counsel for Twin Lakes.

23 MR. GALLAGHER: Thank you, Your Honor. Good  
24 evening. On behalf of Twin Lakes, I'd like to thank you  
25 for showing up tonight to express your opinion about the

1 proposed rate increase.

2 I have with me tonight Mr. Jay Kooper who is  
3 the general counsel for Middlesex and Twin Lakes and also  
4 Mr. Robert Fullagar who is the local head of Twin Lakes in  
5 Shohola. My name is John Gallagher, and I'm referred to as  
6 the outside counsel. We have inside counsel and outside  
7 counsel. I'm the outside counsel.

8 We will be available to answer any questions  
9 you have about the increase after the public input hearing.  
10 We will remain afterwards. If you have any questions, you  
11 can ask us at that time and we can discuss any problems or  
12 issues that you may have.

13 So again thank you for coming tonight, and  
14 we look forward to your testimony. Thank you.

15 JUDGE GUHL: Next we will go to counsel for  
16 I and E.

17 MS. McLAIN: Thank you, Your Honor.

18 Good evening. My name is Erika McLain, and  
19 I'm an attorney with the Commission's Bureau of  
20 Investigation and Enforcement. Our office is charged with  
21 representing the public interest in rate proceedings before  
22 the Commission. I and E is charged with ensuring that  
23 utilities charge rates that are just, reasonable,  
24 nondiscriminatory, and are at a level that provide the  
25 utility with the ability to provide safe and reliable

1 service to all ratepayers.

2 I and E balances the interests of customers  
3 of the utility and the regulated community as a whole. I  
4 work along with a team of engineers, accountants, and  
5 economists who serve as our expert witnesses. We have been  
6 reviewing the company's filing as well as drafting and  
7 distributing interrogatories and writing testimony. So we  
8 already have a lot of information from the company.

9 But today is really our opportunity to hear  
10 your input about the rate increase. We think that this is  
11 a very vital part of the rate case process; and, because of  
12 this, I would urge you to testify under oath for the  
13 record. That way we can use your testimony when we make  
14 our recommendations to the Commission.

15 Thank you for coming today, and I look  
16 forward to hearing from you.

17 JUDGE GUHL: All right. Next we will hear  
18 from counsel for OCA.

19 MR. MOORE: Good evening, everyone. My name  
20 is J. D. Moore. I'm an Assistant Consumer Advocate with  
21 the Pennsylvania Office of Consumer Advocate, and with me  
22 here tonight is Assistant Consumer Advocate Lauren Guerra.

23 The Office of Consumer Advocate was  
24 established to represent the interests of consumers in  
25 front of the Pennsylvania Public Utility Commission. This

1 includes proceedings dealing with electricity, water,  
2 wastewater, natural gas, and telephone issues.

3           The OCA has filed a formal complaint in this  
4 case, and our team of attorneys and expert witnesses are  
5 reviewing Twin Lakes' filing. In the coming weeks we'll be  
6 filing testimony on the issues we have identified, but  
7 tonight we're here to hear from you. This is your  
8 opportunity to share your thoughts about the requested rate  
9 increase, the quality of service you receive from the  
10 company, any issues with your water, or other related  
11 concerns.

12           I encourage anyone who speaks today to give  
13 testimony under oath or affirmation so that your testimony  
14 will become part of the record in this proceeding. Doing  
15 so will allow the OCA to rely on your statements when  
16 presenting our position to the Commission.

17           If you have any questions or would like any  
18 additional information, both Lauren and I will be available  
19 after the hearing is concluded; and we also have  
20 informational materials at the table in the back. Thank  
21 you for coming and I look forward to hearing from you.

22           JUDGE GUHL: Sometimes elected officials or  
23 their staff attend public input hearings to offer testimony  
24 on behalf of their constituents. Since elected officials  
25 and their staff are very busy and offer testimony on behalf

1 of a number of customers, I will allow them to offer their  
2 testimony first so that they may leave to attend to their  
3 other responsibilities.

4                   With that in mind, are there any elected  
5 officials or staff members present who intend to offer  
6 testimony on behalf of their constituents tonight?

7                   (No response.)

8                   JUDGE GUHL: All right. Hearing none, I  
9 will call you in the order in which you signed up on the  
10 sign-in sheet. The first witness I have is Donna Hersca?

11                   MS. HERSCA: Hersca, yes.

12                   JUDGE GUHL: Hersca. If you could come  
13 forward to the podium, ma'am.

14                   MS. HERSCA: Thank you, Your Honor.

15                   JUDGE GUHL: Ms. Hersca, do you intend to  
16 testify on the record or make an off-the-record statement?

17                   MS. HERSCA: I'd like to testify on the  
18 record, please.

19                   JUDGE GUHL: All right. Would you please  
20 raise your right hand, ma'am.

21 Whereupon,

22                                   DONNA HERSCA,  
23 having been duly sworn, testified as follows:

24                   JUDGE GUHL: All right. Would you please  
25 state and spell your first and last name for the record.

1 THE WITNESS: First name Donna, D-O-N-N-A,  
2 last name Hersca, H-E-R-S-C-A.

3 JUDGE GUHL: And what is your address,  
4 ma'am?

5 THE WITNESS: 110 Sagamore Road, Shohola,  
6 Pennsylvania 18458.

7 JUDGE GUHL: And, ma'am, are you employed?

8 THE WITNESS: Yes.

9 JUDGE GUHL: And by whom?

10 THE WITNESS: CJS Violations Services.

11 JUDGE GUHL: And are you a Twin Lakes  
12 customer, ma'am?

13 THE WITNESS: Yes, I am.

14 JUDGE GUHL: And are you appearing on behalf  
15 of a group or an organization tonight?

16 THE WITNESS: Just on behalf of myself and  
17 my husband.

18 JUDGE GUHL: Okay. Go ahead, ma'am.

19 DIRECT TESTIMONY

20 THE WITNESS: Thank you, Your Honor. Your  
21 Honor, as I'll be referring to a couple of different  
22 documents, would it please the Court for you to have them  
23 in advance to enter into the record?

24 JUDGE GUHL: If you have copies, if you  
25 could bring them to me.

1 THE WITNESS: Would you like those now, Your  
2 Honor?

3 JUDGE GUHL: Yes, if you're going to be  
4 referring to them.

5 MR. GALLAGHER: And if you have extra copies  
6 for the parties.

7 THE WITNESS: Yes. This includes my written  
8 statement and that all comes --

9 MR. GALLAGHER: Thank you.

10 THE WITNESS: You're welcome. Thank you.  
11 -- that all comes -- actually the statement  
12 is from.

13 JUDGE GUHL: All right. Go ahead.

14 THE WITNESS: Thank you.

15 My husband, John Hersca, and I received the  
16 attached Notice of Proposed Rate Changes from Twin Lakes  
17 Utilities which states they are seeking to raise our rates  
18 by 162.50 percent. My husband and I ask that this raise be  
19 denied, and additionally we ask that our current water  
20 rates which are currently unjust and unreasonable be  
21 drastically reduced down to the national and state average  
22 amount for a two-person family which would be around \$30  
23 per month.

24 And I'm going to just briefly explain the  
25 proof that I have to back that up. In support of our

1 request, attached is proof that Twin Lakes' request to  
2 raise our water rates is unjust and unreasonable as you'll  
3 see in the handout that I just gave to you. It's unjust  
4 and unreasonable under the Pennsylvania Code, Chapter 13,  
5 Section 1301, which states rates must be just and  
6 reasonable.

7                   Attached also you'll see research that shows  
8 that the average national and state water bill that a  
9 family of four pays for water is between 40 and \$70 per  
10 month. My family is only a two-person family who is not  
11 home mostly during the week as we use very little water as  
12 a result and we conserve water even -- honestly I don't  
13 even drink the water. I buy bottled water in addition just  
14 to show how little of it we do use.

15                   And the water, our water bill currently is  
16 \$108 on average per month compared to the national and  
17 state average of a four-person family which is \$40 per  
18 month.

19                   And you'll see here on the next -- it's all  
20 in order for you -- you can see -- it's a little bit small  
21 -- but it's all in color, color-coded. The blue, it shows  
22 all across the board all of the states \$40 average water  
23 bill per month. So, if you're looking at in that  
24 perspective of what's just and reasonable, you wouldn't  
25 charge an astronomically higher amount.

1                   And, from what I've been also doing my  
2 research, I found out that there are a lot of water  
3 companies up there that are also dealing with issues,  
4 mainly towards dealing with older pipes, making repairs,  
5 making replacements, etc. So what we're dealing with here  
6 is nothing out of the ordinary from what I understand. So  
7 I'm not seeing anything that would justify such  
8 astronomical unjust and unreasonable rates.

9                   So, with that being said, I would just like  
10 to just further add that our current water bill is also  
11 attached. You'll see that it's approximately \$330 for  
12 three months. So just to show you what we're paying in  
13 comparison to again going back to the proof that I showed  
14 you but that was the national average that I just showed  
15 you, the state average.

16                   You'll see Utility Bills -- the handout that  
17 says Utility Bills 101. You'll see on that second page  
18 right there -- and this is from 2018 because the 2019  
19 results aren't in yet because 2019 is still ongoing -- but  
20 the average cost for Pennsylvania again \$40 per month, and  
21 I did highlight that there to make it easier to read.

22                   So we're currently paying without any  
23 increase whatsoever over \$80 of what the state and national  
24 average per month is. To put it in perspective, that's an  
25 extremely high amount compared to the national and state

1 average. My husband and I, we're currently struggling to  
2 pay our current unjust and unreasonable high water bill.  
3 If an increase were to be approved, we anticipate that we  
4 would simply not be able to afford it.

5 Under the Fifth Amendment's last clause as  
6 stated in the attachment that I have next, the PUC Guide to  
7 Utility Ratemaking by James Cawley and Norman J. Kennard,  
8 the 2018 Edition, on that second page you'll see under  
9 price regulation where it states that it is tantamount to  
10 confiscation of property where the regulators set rates so  
11 high causing myself and other customers to not be able to  
12 pay for the water. It actually serves as a confiscation of  
13 property under the Fifth Amendment.

14 And that -- and just to clarify, if someone  
15 such as myself is put in a bind where I can't afford to pay  
16 my water bill because it's so high and so unjust and so  
17 unreasonable and my water gets shut off, I can't live in my  
18 house. If I can't live in my house and pay my water bill,  
19 I would have to vacate my house.

20 That under the Fifth Amendment constitutes  
21 confiscation of property where the regulators set rates so  
22 high causing myself and other customers to not be able to  
23 afford to pay for the water, which nonpayment as I  
24 mentioned would result in no water service and us not being  
25 able to live in our house.

1 Twin Lakes Utilities clearly has not been  
2 adequately regulating the rates previously because, like I  
3 said, it's already at an unjust and unreasonable rate based  
4 on what I just told you is the national and state average.  
5 So, with our monthly water bill being \$110 a month for two  
6 people and the average for four people is \$40 per month, I  
7 just wanted to repeat that so that it can sink in where  
8 we're already at; and now they want to raise it even more.

9 So, under the Pennsylvania Code, Chapter 13,  
10 Section 1301, in addition to opposing the water rate  
11 increase, my husband and I respectfully request that our  
12 water rates and bill be additionally drastically reduced so  
13 as to bring it down to a just and reasonable amount in  
14 accordance with the national and state amount; and we  
15 greatly appreciate your kind assistance and consideration  
16 in that regard. Thank you very much.

17 JUDGE GUHL: All right. Do any of the  
18 parties have any questions?

19 MR. GALLAGHER: Yes, I do, Your Honor.

20 JUDGE GUHL: Go ahead.

21 CROSS-EXAMINATION

22 BY MR. GALLAGHER:

23 Q. Ms. Hersca, the document that you submitted with  
24 regards to the national costs --

25 A. Yes.

1 Q. -- do you have that?

2 A. Yes. Which one, sir?

3 Q. Which state has the most expensive utilities.

4 I'm looking at Pennsylvania water costs per month, national  
5 average. Do you know what utilities were used in the  
6 analysis of this?

7 A. Sir, are you looking at this sheet right here  
8 (indicating)?

9 Q. No. I'm looking at this sheet (indicating). I  
10 can look at that one if you want me to. It doesn't matter.

11 A. The Costs of Utilities Which States Pay the Most,  
12 is that the one?

13 Q. We can look at all three of them. It doesn't  
14 matter. Does this include water authorities and  
15 municipal-owned water providers?

16 A. This is the national average cost per month just  
17 for a person's water bill. It doesn't include sewer.

18 Q. By what type of company?

19 A. I think that it would be the type of company -- I  
20 don't want to give you the wrong answer. So it might  
21 actually say it right on the sheets.

22 Q. I don't see it anywhere. Are you aware --

23 A. Water utility company. It's just general.

24 Q. That's a general phrase and could apply to a  
25 municipal authority or a municipal system whose rates are

1 set in a totally different manner than investor-owned  
2 utility companies. Are you aware of that?

3 A. Sir, I'm not. But the study that was conducted  
4 was a generalized study of what water companies on average  
5 pay. They didn't break it down by types of water company.

6 Q. So really you can't tell whether it applies to  
7 investor-owned utilities, municipal authorities, or  
8 municipal systems who set the rates in a totally different  
9 manner?

10 A. I would gather that it's based on public  
11 utilities.

12 Q. And what are public utilities?

13 A. Well, they're also giving averages in the same  
14 handouts of public utilities for electric and gas, etc.,  
15 and then it's broken down.

16 Q. And what are public utilities?

17 A. Public utilities are what is offered to the  
18 public as a service, as a necessity.

19 Q. And those could be county authorities. They  
20 could be municipal-owned, city systems, or they can be  
21 investor-owned systems which are regulated in a total  
22 different manner than you've shown here.

23 A. So can you kindly clarify what your point is?

24 Q. The point is that the documents that you've given  
25 us doesn't make our job any easier by determining what is

1 the national average of water service. Actually the  
2 national average of water service is a lot higher than \$40  
3 per month.

4 A. The \$40 per month is for a public utility water  
5 company of a four-person family, and I am a two-person  
6 family.

7 Q. I understand that. You're a two-person family,  
8 but the study hasn't differentiated between the type of  
9 companies that are providing that service and the way in  
10 which their rates are regulated.

11 A. So I understand where you're getting at, and  
12 that's all the more reason why I printed out a couple of  
13 different studies. You have one, two, three different --  
14 three different studies that I printed out so that my  
15 research wasn't just limited to one person talking about  
16 one utility company.

17 Q. Did you perform any of those studies?

18 A. Yes, I do. For the last 30-plus years I've  
19 performed legal research. I have a juris doctor degree. I  
20 do legal research.

21 Q. Did you work for any of those companies that  
22 performed those studies?

23 A. I looked up the name of the person who conducted  
24 one of the studies, the source. His name is Colin Holmes,  
25 and he is an expert that people refer to when you're moving

1 and you want to know --

2 Q. Will he be testifying?

3 A. -- what the average cost, rate of utilities are.

4 Q. Will he be testifying in this case?

5 A. I have it right in your packet.

6 Q. But will he be testifying in this case?

7 A. No, sir.

8 Q. Okay. That's my point.

9 A. That's why, sir, I gave you his profile along  
10 with the proof.

11 Q. And granted but we can't cross-examine him, can  
12 we?

13 A. No. But he is only one of the people out of  
14 these different --

15 JUDGE GUHL: All right.

16 THE WITNESS: -- people --

17 BY MR. GALLAGHER:

18 Q. I'm not trying to drive the car. I'm just trying  
19 to -- all I wanted to do was differentiate the difference  
20 between companies that provide water service across the  
21 country.

22 A. It's all-inclusive in that statistic.

23 Q. You haven't shown me that at all.

24 A. When you read it, you will be able to see that it  
25 is all-inclusive.

1 Q. Including investor-owned municipal systems and  
2 authorities?

3 A. They didn't differentiate. It's all-inclusive.  
4 It's generalized with regard to the water utility  
5 companies.

6 MR. GALLAGHER: Thank you, Your Honor. I  
7 have no further questions.

8 JUDGE GUHL: Any other questions for this  
9 witness?

10 MR. MOORE: No questions, Your Honor.

11 MS. McLAIN: No questions, Your Honor.

12 JUDGE GUHL: The packet I'm going to mark  
13 for identification purposes Hersca 1 and that includes  
14 every document that Ms. Hersca presented which included her  
15 statement; the bill insert from Twin Lakes Utilities; the  
16 section of the Pennsylvania Code related to public  
17 utilities; the document from it looks like an internet  
18 search from How Much Understanding Money; the Utility Bills  
19 101 Tips, Average Costs, Fees and More from Move.org; the  
20 Cost of Utilities: Which States Pay the Most, another  
21 article from Move.org; the write-up related to Colin Holmes  
22 from Move.org; and A Guide to Utility Ratemaking from the  
23 Pennsylvania Public Utility Commission, 2018 Edition.

24 **(Whereupon, the documents were marked as**  
25 **Hersca Exhibit Number 1 for identification.)**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

THE WITNESS: Thank you, Your Honor.

JUDGE GUHL: You're excused. Thank you.

(Witness excused.)

JUDGE GUHL: All right. The next person on the list is Helen Miller.

Ms. Miller, if you could come up.

MS. MILLER: Good evening, Your Honor.

JUDGE GUHL: Ma'am, do you wish to make an on-the-record or off-the-record statement?

MS. MILLER: On the record.

JUDGE GUHL: Okay. Would you please raise your right hand.

Whereupon,

HELEN MILLER,

having been duly sworn, testified as follows:

JUDGE GUHL: All right. Please state and spell your first and last name for the record.

THE WITNESS: Helen Miller, H-E-L-E-N, M-I-L-L-E-R.

JUDGE GUHL: And can you provide me with your address, ma'am.

THE WITNESS: 110 Ottawa, O-T-T-A-W-A, Trail, Shohola, Pennsylvania 18458, Sagamore Estates.

JUDGE GUHL: Ma'am, are you employed?

THE WITNESS: Yes.

FORM 2

1 JUDGE GUHL: And by whom?

2 THE WITNESS: Wayne Bank.

3 JUDGE GUHL: And are you a customer of Twin  
4 Lakes?

5 THE WITNESS: Yes.

6 JUDGE GUHL: And are you appearing on behalf  
7 of a group or an organization tonight?

8 THE WITNESS: No.

9 JUDGE GUHL: All right. Go ahead.

10 DIRECT TESTIMONY

11 THE WITNESS: Okay. Your Honor and  
12 gentlemen, ladies, I have lived in Sagamore for 31 years.  
13 I am a household of one. My children are grown, and I  
14 moved away. I'm a widow. I am a senior. I still work  
15 full-time. Actually this is my third time speaking, and I  
16 just always -- my feeling is that this price is a hardship  
17 as it is, and it will be an increased hardship when the  
18 rates go up or if they go up substantially or any amount.

19 My last bill that I received -- and I'm  
20 sorry I didn't bring it with me -- it was \$388 for the last  
21 quarter, for three months, which is broken down to \$129 a  
22 month for one person living alone. I work full-time. I'm  
23 not there all day. And, of those three months, one my  
24 water meter had been broken. It was frozen and broken. So  
25 there was no usage actually for one month until it was

1 replaced and started reading again.

2                   And I just don't understand how the  
3 facilities charge is so astronomical in my opinion. And  
4 then my usage doesn't seem to -- well, you know, I don't  
5 know how anyone if they had family with children, if I'm  
6 paying this for one person, how they could get by in this.  
7 Keep in mind that we're in an area where the salaries and  
8 the living is not, you know, Central New Jersey or some  
9 high income area.

10                   And I just want to say that, as a senior  
11 citizen and a person on her own, this is a hardship and it  
12 has been and it will increase to be if you allow this  
13 increase which I don't feel is fair and just. Thank you.

14                   JUDGE GUHL: All right. Thank you, Ms.  
15 Miller.

16                   Do any of the parties have any questions for  
17 Ms. Miller?

18                   MR. GALLAGHER: No, Your Honor.

19                   MR. MOORE: No, Your Honor.

20                   MS. McLAIN: No, Your Honor.

21                   JUDGE GUHL: All right. Thank you, Ms.  
22 Miller.

23                   (Witness excused.)

24                   JUDGE GUHL: All right. The next party we  
25 have on our list is Jeff Shatt.

1 Mr. Shatt. Good evening, sir. Do you wish  
2 to make an on-the-record or off-the record statement?

3 MR. SHATT: On the record, please.

4 JUDGE GUHL: All right. Would you please  
5 raise your right hand, sir.

6 Whereupon,

7 JEFFREY SHATT,  
8 having been duly sworn, testified as follows:

9 JUDGE GUHL: Could you please state and  
10 spell your first and last name for the record.

11 THE WITNESS: Jeffrey Shatt, J-E-F-F-R-E-Y  
12 S-H-A-T-T.

13 JUDGE GUHL: And your address, sir?

14 THE WITNESS: 111 Dylan Lane, Shohola, PA  
15 18458.

16 JUDGE GUHL: Sir, are you employed?

17 THE WITNESS: Yes, I am.

18 JUDGE GUHL: And who are you employed by?

19 THE WITNESS: Clarion Safety Systems.

20 JUDGE GUHL: Are you a Twin Lakes customer?

21 THE WITNESS: Yes, I am.

22 JUDGE GUHL: Are you appearing on behalf of  
23 a group or an organization tonight?

24 THE WITNESS: No.

25 JUDGE GUHL: All right. Go ahead, sir.

DIRECT TESTIMONY

1  
2 THE WITNESS: I would just like to address  
3 the level of service that I've been receiving from the  
4 company which I believe is disproportionate to the amount  
5 they charge. Last summer I believe we -- the water was out  
6 a lot. We had a lot of water boil advisories. The  
7 company's communication as to when those water boil  
8 advisories ended was barely existent. I had to call them  
9 to find out every time, and every time I got a different  
10 answer.

11 So I don't believe that the way they are  
12 running the company -- not the company, the service is just  
13 for this type of increase.

14 JUDGE GUHL: Anything else, Mr. Shatt?

15 THE WITNESS: No. That's it I guess.

16 JUDGE GUHL: All right. Do any of the  
17 parties have any questions for Mr. Shatt?

18 MR. GALLAGHER: No, Your Honor.

CROSS-EXAMINATION

19  
20 BY MR. MOORE:

21 Q. Mr. Shatt, you said -- do you know how many boil  
22 water advisories you received?

23 A. I would say around three or five last summer. I  
24 could be wrong, but I think that's pretty close.

25 Q. And can you --

1 A. And --

2 Q. I'm sorry. Go ahead.

3 A. We were out of -- we did not have any service for  
4 three days at one point.

5 Q. Was the three days the longest stint of no  
6 service that you had?

7 A. Yes. I think the pump broke or something.

8 MR. MOORE: That's all the questions I have,  
9 Your Honor. Thank you.

10 JUDGE GUHL: Any other questions for Mr.  
11 Shatt?

12 MS. McLAIN: I just have one.

13 CROSS-EXAMINATION

14 BY MS. McLAIN:

15 Q. When you say your service was out for three days,  
16 do you know when that was?

17 A. I could not tell you. It was sometime over the  
18 summer.

19 Q. Over the summer, thank you.

20 MS. McLAIN: No further questions, Your  
21 Honor.

22 JUDGE GUHL: All right. Any other questions  
23 for Mr. Shatt?

24 CROSS-EXAMINATION

25 BY MR. GALLAGHER:

1 Q. Is that the summer of '19 or '18?

2 A. '18.

3 Q. Thank you.

4 A. No. This year. This year, sorry, '19.

5 Q. '19, thank you.

6 JUDGE GUHL: All right. Any other  
7 questions?

8 MR. GALLAGHER: No, Your Honor.

9 MR. MOORE: No, Your Honor.

10 MS. McLAIN: No, Your Honor.

11 JUDGE GUHL: Okay. Thank you, Mr. Shatt.  
12 You're excused.

13 (Witness excused.)

14 JUDGE GUHL: All right. The next party we  
15 have on the list is Grasi --

16 MR. XENATOS: If you can't pronounce it,  
17 it's all right.

18 JUDGE GUHL: I apologize, sir.

19 MR. XENATOS: It's okay. That's fine.

20 JUDGE GUHL: Could you come forward to the  
21 podium?

22 MR. XENATOS: Sure.

23 JUDGE GUHL: Sir, do you want to make an  
24 on-the-record or off-the-record statement?

25 MR. XENATOS: On the record, please.

1 JUDGE GUHL: All right. Would you please  
2 raise your right hand, sir.

3 Whereupon,

4 GERASIMOS XENATOS,  
5 having been duly sworn, testified as follows:

6 JUDGE GUHL: Could you please state and  
7 spell your first and last name for the record.

8 THE WITNESS: I have to spell. My first  
9 name is G-E-R-A-S-I-M-O-S. Last name is X, like x-ray,  
10 E-N-A-T-O-S.

11 JUDGE GUHL: And, sir, can you provide me  
12 with your address?

13 THE WITNESS: Yes. It's 125 Jacob Weber  
14 Road in Shohola, PA 18458.

15 JUDGE GUHL: Sir, are you employed?

16 THE WITNESS: Yes, I am.

17 JUDGE GUHL: And by whom?

18 THE WITNESS: Jac Travel.

19 JUDGE GUHL: Okay. Are you a Twin Lakes  
20 customer, sir?

21 THE WITNESS: Yes, I am.

22 JUDGE GUHL: Okay. Are you appearing here  
23 on behalf of a group or an organization tonight?

24 THE WITNESS: I am appearing here on behalf  
25 of myself and my husband, Judge Statsinger.

1 JUDGE GUHL: Okay. Go ahead.

2 DIRECT TESTIMONY

3 THE WITNESS: Okay. Basically I am opposed.  
4 Our bill has gone -- this is a residence that was only used  
5 for weekends -- and our bill went pretty much from, you  
6 know, 40 to \$50 to 120 per month which is exorbitant. And,  
7 of course, we agreed that we would have better service and  
8 we wouldn't have to bother everybody when we have no water  
9 because Twin Lakes -- you know, you have to be a devil's  
10 advocate. They had better service at the beginning; and,  
11 you know, we didn't mind the agreement.

12 Then I moved here full-time, and I'm here  
13 almost four days a week because I travel a fair amount of  
14 time. The bill went up even more, and I have to say that  
15 the service has gone below downhill. I was three days in  
16 the middle of the hottest days with no water this summer.

17 When I called customer service, I was told  
18 to speak English. Mind you I have two Ivy League degrees,  
19 and I speak English. I've been in this country for 35  
20 years as a U.S. citizen, and I was more than discriminated  
21 by Twin Lakes employees the way that I spoke English which  
22 is unacceptable. They told me to go wherever I came from  
23 which is ridiculous.

24 And third thing, when we got this bill, my  
25 husband and I were like did the research -- and I'm sorry I

1 don't have internet here but I would have printed them and  
2 sent it to you, and I would be happy to give an e-mail to  
3 you. We did the research and one of my degrees is in  
4 statistics, and I listened to the counselor here what he  
5 said because, you know, each company is different and I  
6 agree. This is a private company, and they inherited a bad  
7 system with a lot of glitches.

8                   But on the other hand 162 percent, you know,  
9 raise, it's, you know, it's something that, I mean, it's  
10 unacceptable. It's just I understand that, you know,  
11 charge us something; but from \$96 to 254.44 it's for 2,500  
12 gallons of water, I mean, this is like a black hole. I  
13 mean, this is water for God's sake and it's an essential  
14 element for living. And, you know, 162 percent, if I got a  
15 raise for that money or anybody for that matter, I mean, it  
16 would be -- you know, it's just unacceptable I mean.

17                   As I told you the level of service, it  
18 started up there and it went all the way downhill. I mean,  
19 every time I called to New Jersey, I've been bounced around  
20 because we had quite a few issues this summer. Bounced  
21 around, bounced around, bounced around. Then I was, you  
22 know, spoken the worst possible way and, you know, finally  
23 gave up; and I just went back to my other residence in New  
24 York City. And, you know, I just stayed in my apartment  
25 and I just, you know, pretty much gave up.

1                   And for that amount of money that you pay to  
2 get this kind of service I thought was unacceptable. And I  
3 understand that there should be an increase and would be an  
4 increase; but, to the point of this increase, it's  
5 unacceptable and especially for the service level that we  
6 get. So that's my point.

7                   JUDGE GUHL: All right. Do any of the other  
8 parties have any questions for this witness?

9                   MR. GALLAGHER: No, Your Honor.

10                  MR. MOORE: I do, Your Honor.

11                  JUDGE GUHL: Go ahead.

12                                   CROSS-EXAMINATION

13 BY MR. MOORE:

14                  Q. You said you didn't have water for the three  
15 hottest days this summer --

16                  A. Yes.

17                  Q. -- this year? Was that a typical boil water  
18 advisory or are you just --

19                  A. No. Just the water was shut off, and there was  
20 some sort of a problem with the pump; and they needed, you  
21 know, the first -- let me get my notes here. The first  
22 representative told me that I was going to get something  
23 from the Bronx. Second one was expecting something to be  
24 delivered. Third one I just gave up because, you know,  
25 they just put me on hold and they hung up on me.

1 Q. And was this a problem with your home  
2 specifically or was this --

3 A. No. I think it was my neighbors had the same  
4 problem, the whole community. I actually went all the way  
5 up to the waterhouse where the water pump is; and, you  
6 know, I mean, I just spoke to some other residents and they  
7 said that they had no water either.

8 Q. Okay. And final question. You said you had  
9 quite a few other issues this summer aside from that?

10 A. Yes.

11 Q. What other issues --

12 A. Interruptions of water with no notice whatsoever  
13 and they attributed to just, you know, different  
14 malfunctions of the pump. And, you know, I mean, I don't  
15 have any past due bills. We're pretty diligent about  
16 paying everything on time. And, as I told you, I don't  
17 mind if, you know, the service would have been up to par.  
18 It's just subpar and it's completely unacceptable the way I  
19 was spoken to. So --

20 MR. MOORE: That's all the questions I have.  
21 Thank you.

22 THE WITNESS: Thank you.

23 MS. McLAIN: No questions, Your Honor.

24 THE WITNESS: All right. Thank you.

25 Thank you, Your Honor.

1 JUDGE GUHL: Thank you, sir.

2 (Witness excused.)

3 JUDGE GUHL: All right. The next party on  
4 our list is Stacy DeFrancesco.

5 Do you wish to make an on-the-record or  
6 off-the-record statement?

7 MS. DeFRANCESCO: On the record, please.

8 JUDGE GUHL: All right. Would you please  
9 raise your right hand.

10 Whereupon,

11 STACY DeFRANCESCO,  
12 having been duly sworn, testified as follows:

13 JUDGE GUHL: All right. Would you please  
14 state and spell your first and last name for the record.

15 THE WITNESS: Stacy DeFrancesco, S-T-A-C-Y,  
16 D-E-F-R-A-N-C-E-S-C-O.

17 JUDGE GUHL: And can you provide me with  
18 your address, ma'am?

19 THE WITNESS: 115 Josephine Lane, Shohola,  
20 Pennsylvania, is the property that I own and I rent it.

21 JUDGE GUHL: All right. And are you  
22 employed, ma'am?

23 THE WITNESS: Yes.

24 JUDGE GUHL: And by whom?

25 THE WITNESS: Delaware Valley School

1 District.

2 JUDGE GUHL: Are you a Twin Lakes customer?

3 THE WITNESS: Yes.

4 JUDGE GUHL: Are you appearing on behalf of  
5 a group or an organization tonight?

6 THE WITNESS: No, just my husband and myself  
7 as the property owners.

8 JUDGE GUHL: All right. Go ahead, ma'am.

9 DIRECT TESTIMONY

10 THE WITNESS: Honestly we've rented our  
11 house for quite a few years; and, with the first rate  
12 increase, you know, our tenants were actually taken aback,  
13 you know, and so were we.

14 I don't have the choice to sell my house  
15 which I know is not your problem; but, if we are unable to  
16 rent our house because of the exorbitant rate of the water,  
17 I mean, even for my husband and myself for us to be able to  
18 afford that, it would be a lot of money and it would  
19 definitely be a hardship. But, you know, if we're not able  
20 to rent our house, then honestly I wouldn't be able to pay  
21 the mortgage and we would foreclose on our house, you know.

22 And I also want to make sure that the people  
23 that are living there, you know, because we're renting it  
24 we have the responsibility to make sure that it's livable  
25 for them; and, if there's continued disruptions in service

1 and also, you know, these exorbitant rate increases, then  
2 it's not going to be acceptable for them to live there.  
3 They're not going to want to live there.

4                   Again, it just would really put us in a hard  
5 spot with the bills being so high. We wouldn't be able to  
6 rent it, and I know we would lose it.

7                   JUDGE GUHL: Anything else?

8                   THE WITNESS: I don't really have -- I mean,  
9 I haven't lived there in a long time. So all I can tell  
10 you is that I hear what my neighbors say, you know, when we  
11 go over to visit them that the service is of poor quality.  
12 The rate increase to me is just I can't even understand it.

13                   I know there were a lot of -- I guess I  
14 don't know why they bought the company, but it seems to me  
15 -- I mean, I don't know how big Middlesex Water Company is.  
16 I don't know how many customers they service, but to put  
17 that kind of rate increase on 114 customers seems really  
18 unfair.

19                   That's all I wanted to say.

20                   JUDGE GUHL: All right. Do any of the  
21 parties have any questions?

22                   MR. GALLAGHER: No, Your Honor.

23                   MR. MOORE: No, Your Honor.

24                   MS. McLAIN: No, Your Honor.

25                   JUDGE GUHL: You're excused. Thank you.

(Witness excused.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

JUDGE GUHL: All right. The next party I have on my list is Paul Mutzel.

MR. MUTZEK: Mutzek.

JUDGE GUHL: Mutzek?

MR. MUTZEK: Mutzek.

JUDGE GUHL: Mutzek, okay. I apologize, sir. Come forward. Mr. Mutzek, do you wish to make an on-the-record or off-the-record statement?

MR. MUTZEK: I suppose off the record.

JUDGE GUHL: Off the record, all right. I will not swear you in, and I will not be considering your testimony when I make my recommendation to the Commission. Do you understand that?

MR. MUTZEK: Understood.

JUDGE GUHL: Okay.

MR. MUTZEK: My concern is --

JUDGE GUHL: Wait. I've got a few questions for you. Could you just state and spell your first and last name, please.

MR. MUTZEK: Yes. It's Paul Mutzek,  
M-U-T-Z-E-K.

JUDGE GUHL: And what is your address, sir?

MR. MUTZEK: 104 Sagamore Road, Shohola.

JUDGE GUHL: And are you a Twin Lakes

1 customer, sir?

2 MR. MUTZEK: Yes, I am.

3 JUDGE GUHL: Are you appearing here on  
4 behalf of a group or organization tonight?

5 MR. MUTZEK: No, I'm not.

6 JUDGE GUHL: Go ahead, sir.

7 (Whereupon, Mr. Mutzek made an off-the-record  
8 statement.)

9 JUDGE GUHL: Thank you.

10 All right. I have one more name on my list,  
11 Greg Niechick (phonetic).

12 MR. NIECZAJ: Nieczaj.

13 JUDGE GUHL: Nieczaj, okay. I'm sorry, sir.  
14 Come forward. Mr. Nieczaj, do you wish to make an  
15 on-the-record or off-the-record statement tonight?

16 MR. NIECZAJ: On the record.

17 JUDGE GUHL: All right. Would you please  
18 raise your right hand, sir.

19 Whereupon,

20 GRZEGORZ NIECZAJ,  
21 having been duly sworn, testified as follows:

22 JUDGE GUHL: All right. Would you please  
23 state and spell your first and last name for the record.

24 THE WITNESS: I'll give you my legal first  
25 name. It's Grzegorz, G-R-Z-E-G-O-R-Z. I go by Greg. My

1 last name is Nieczaj, N-I-E-C-Z-A-J.

2 JUDGE GUHL: And, sir, what is your address?

3 THE WITNESS: 113 Allison Lane, Shohola,  
4 Pennsylvania 18458.

5 JUDGE GUHL: All right, sir. Are you  
6 employed?

7 THE WITNESS: I am.

8 JUDGE GUHL: By whom?

9 THE WITNESS: YRC Freight.

10 JUDGE GUHL: And are you a Twin Lakes  
11 customer?

12 THE WITNESS: I am.

13 JUDGE GUHL: And are you appearing tonight  
14 on behalf of a group or an organization?

15 THE WITNESS: On behalf of my four-month-old  
16 son and my wife.

17 JUDGE GUHL: All right. Sir, go ahead.

18 DIRECT TESTIMONY

19 THE WITNESS: So, I mean, there's so much to  
20 say. This is just outstanding that we have to do all this  
21 to prove that this shouldn't happen. I mean, 160-some  
22 percent. I could understand, you know, things go up in  
23 price; but this is just crazy. I mean, I've lived there a  
24 little over a year. It's my first house, big milestone for  
25 a relatively young person.

1 I wanted to mention that we have no other  
2 option for water. I personally cannot have a well because  
3 by law in Shohola you can't have a well if there's a water  
4 system; and also I have a very small lot with, you know,  
5 little septic tanks everywhere. So I'm really kind of put  
6 in a corner here as far as the water goes.

7 If this were to go through, I would probably  
8 have to rent my house or sell it. I don't know if I could  
9 sell it because, if anybody were to ask what my water bill  
10 is, I would have to tell them and they would be like no, I  
11 don't want to buy your house, are you crazy. You know, I  
12 love living where I live. I don't want to have to leave.  
13 You know, I got a young family.

14 I wanted to mention as well I feel like  
15 investor-owned utility company, you know, they put their  
16 shareholders and their profits ahead of the customers and,  
17 you know, now have we have to suffer. I wasn't able to  
18 really do as much research as I would have liked to and  
19 prepare printed things on account of, you know, working all  
20 the time and having my young son.

21 But it seems like the Middlesex employees  
22 upper management is handsomely compensated from what I  
23 could see on a quick Google search; and I think that they  
24 could raise -- I mean, they claim they need all this money.  
25 They could probably cut the dividend by a fraction of a

1 cent for one quarter and get the money they need instead of  
2 burdening a bunch of families. And, again, this is just  
3 crazy.

4 JUDGE GUHL: Is that it, sir?

5 THE WITNESS: I'd like to add that, yes, I  
6 did have the boil water advisories and stuff. I've never  
7 been without service, but my neighbors have been there I  
8 think ten years. She said she has gone without water for a  
9 few weeks, but that might have been previously. I'm not  
10 too familiar with the history beyond, you know, me living  
11 there.

12 But, yeah, I mean, this would be devastating  
13 for me if this were to go through; and I seriously hope  
14 that it won't. I mean, the current price is pretty high as  
15 it is, a hundred-and-some dollars a month for water. So  
16 that's it.

17 JUDGE GUHL: All right. Does anyone have  
18 any questions for this witness?

19 MR. GALLAGHER: No, Your Honor.

20 MR. MOORE: No, Your Honor.

21 MS. McLAIN: Actually I have a question.

22 CROSS-EXAMINATION

23 BY MS. McLAIN:

24 Q. You mentioned boil water advisories. Do you know  
25 how many you've had?

1 A. I would say probably three or four.

2 Q. And do you know when approximately they took  
3 place? This year, 2019?

4 A. This year over the summer I believe. Maybe last  
5 year as well.

6 Q. Between the summer of 2018 to the summer of 2019  
7 would you say?

8 A. Yeah. I mean, don't -- I'm not positive but  
9 within my little over a year of living there it has been a  
10 few. That's not my main concern. I'm glad they're  
11 informing us, you know, hey, don't drink the water. You  
12 know, so that's good. I don't want to be getting sick.

13 MS. McLAIN: No further questions.

14 JUDGE GUHL: Anything else for this witness?

15 MR. GALLAGHER: No, Your Honor.

16 MR. MOORE: No, Your Honor.

17 JUDGE GUHL: All right. You are excused.

18 Thank you.

19 THE WITNESS: Thank you.

20 (Witness excused.)

21 JUDGE GUHL: All right. That completes the  
22 witnesses that I have on my sign-in sheet. Are there any  
23 other parties here tonight that wish to make a statement?

24 (Hands raised.)

25 JUDGE GUHL: All right. I have two hands.

1 The gentleman in purple, please come forward.

2 MR. MONZ: Good evening.

3 JUDGE GUHL: Do you wish to make an  
4 on-the-record or off-the-record statement?

5 MR. MONZ: On the record.

6 JUDGE GUHL: Would you please raise your  
7 right hand.

8 Whereupon,

9 JEREMY MONZ,  
10 having been duly sworn, testified as follows:

11 JUDGE GUHL: Sir, would you please state and  
12 spell your first and last name for the record.

13 THE WITNESS: Yes. My name is Jeremy Monz,  
14 J-E-R-E-M-Y, M-O-N-Z.

15 JUDGE GUHL: And, sir, can you provide me  
16 with your address?

17 THE WITNESS: 118 Samantha Lane, Shohola, PA  
18 18458.

19 JUDGE GUHL: Sir, are you employed?

20 THE WITNESS: Currently I'm freelancing to  
21 officially I've been let go at my job.

22 JUDGE GUHL: All right. Are you a Twin  
23 Lakes customer?

24 THE WITNESS: I am.

25 JUDGE GUHL: Are you appearing on behalf of

1 a group or organization tonight?

2 THE WITNESS: Just my family.

3 JUDGE GUHL: All right. Go ahead, sir.

4 DIRECT TESTIMONY

5 THE WITNESS: I've been there for about 15  
6 years in Sagamore. When I first moved in, we were paying  
7 \$70 a quarter for water. Then it jumped up to \$170 a month  
8 -- per quarter, and currently I'm paying about 170 a month  
9 for three people living in the house.

10 I understand rate increases. I understand  
11 the whole old water system was bad and everything else. To  
12 be honest, I don't think I can handle another rate increase  
13 or anything else. I've been struggling as is. I've had  
14 some personal issues this past year which has nothing to do  
15 with the water company or anything else, but 170 seems a  
16 little high.

17 When they went to put in the new water  
18 meters, my pipe came up through the basement floor, went  
19 straight up into the house. When they put the water meter  
20 in, it comes up. He Frankensteined it a foot and a half  
21 out, up, and then a foot and a half back, and then up into  
22 a water meter which I didn't understand because he had only  
23 leftover pieces in his van; and I got this three-foot  
24 monstrosity just sitting under the house. I didn't call or  
25 anything else and say anything about it. I figured he

1 would have made that report or anything else.

2 But honestly I can't foresee paying anything  
3 else for water. 170 a month is quite a bit.

4 JUDGE GUHL: Do any of the other parties  
5 have questions for this witness?

6 MR. GALLAGHER: No, Your Honor.

7 MR. MOORE: No, Your Honor.

8 MS. McLAIN: No, Your Honor.

9 JUDGE GUHL: Thank you, sir.

10 THE WITNESS: Thank you.

11 (Witness excused.)

12 JUDGE GUHL: All right. We have the lady in  
13 the back.

14 If you come forward, please. Also in  
15 purple.

16 MS. DeFRANCESCO: Yes.

17 JUDGE GUHL: Good evening. Do you wish to  
18 make an on-the-record or off-the-record statement?

19 MS. DeFRANCESCO: On the record.

20 JUDGE GUHL: All right. Would you please  
21 raise your right hand.

22 Whereupon,

23 TAMI DeFRANCESCO,

24 having been duly sworn, testified as follows:

25 JUDGE GUHL: All right. If you could just

1 make sure you speak up so that the court reporter can  
2 record your statement? Would you please state and spell  
3 your first and last name for the record.

4 THE WITNESS: Sure. It's Tami DeFrancesco,  
5 T-A-M-I, D-E-F-R-A-N-C-E-S-C-O.

6 JUDGE GUHL: And can you provide me with  
7 your address?

8 THE WITNESS: 120 Kyra Lane, Shohola.

9 JUDGE GUHL: How do you spell Kyra?

10 THE WITNESS: K-Y-R-A.

11 JUDGE GUHL: Are you employed, ma'am?

12 THE WITNESS: Yes.

13 JUDGE GUHL: And who are you employed by?

14 THE WITNESS: Premier Health Associates.

15 JUDGE GUHL: All right. And are you a Twin  
16 Lakes customer?

17 THE WITNESS: Yes.

18 JUDGE GUHL: Okay. And are you appearing on  
19 behalf of a group or organization tonight?

20 THE WITNESS: No.

21 JUDGE GUHL: All right. Go ahead.

22 DIRECT TESTIMONY

23 THE WITNESS: So I'll basically just  
24 reiterate that I do feel that the increase is just unjust  
25 and would really be a hardship for many people. For some

1 people maybe they could get by. For others, you know, as  
2 stated in their testimony, it might make them have to leave  
3 their home.

4 But the thing that -- probably the only  
5 reason I'm actually speaking right now is it seems odd to  
6 me. I own my house. I don't stay in the house a lot. My  
7 daughter lives there with her husband and three children,  
8 and (inaudible). But anyway that all doesn't matter. So  
9 they're paying about \$350 every three months.

10 What kind of went through my mind when Donna  
11 was speaking, Donna Miller, she's paying 388 for a  
12 one-person house. Is there something wrong with the  
13 meters? Should they be inspected? That's just kind of the  
14 one thing that stood out to me that I kind of felt should  
15 be brought forward.

16 JUDGE GUHL: Anything else?

17 THE WITNESS: That's it.

18 JUDGE GUHL: All right. Any questions for  
19 this witness?

20 MR. GALLAGHER: No, Your Honor.

21 MR. MOORE: No, Your Honor.

22 MS. McLAIN: No, Your Honor.

23 JUDGE GUHL: All right. Thank you. You're  
24 excused.

25 (Witness excused.)

1 JUDGE GUHL: All right. Is there anyone  
2 else at this time who wishes to present testimony in this  
3 hearing?

4 (No response.)

5 JUDGE GUHL: Seeing no one, I thank everyone  
6 for coming tonight and participating in tonight's hearing.  
7 I wish you a good evening, and at this point this public  
8 input hearing is adjourned. Thank you.

9 (Whereupon, at 7:08 p.m., the hearing was  
10 adjourned.)

11 \*\*\*

FORM 2

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

C E R T I F I C A T E

I hereby certify that the foregoing proceedings,  
R-2019-3010958, were reported by me on October 17, 2019,  
and that I, Judith E. Shuller, have read this transcript  
and attest that this transcript is a true and accurate  
record of the proceedings.

By: Judith E. Shuller  
Judith E. Shuller

FORM 2

COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

----- x  
:
PA Public Utility Commission v. :
Twin Lakes Utilities Inc. : Docket No.
Rate : R-2019-3010958
:
(Public Input Hearing) :
:
----- x

Pages 31 through 56 Shohola Township Building  
159 Twin Lakes Road  
Shohola, Pennsylvania

Thursday, October 17, 2019

Met, pursuant to notice, at 1:00 p.m.

BEFORE:

MARTA GUHL, Administrative Law Judge

APPEARANCES:

ERIKA L. McLAIN, Esquire  
Pennsylvania Public Utility Commission  
400 North Street  
Harrisburg, Pennsylvania 17120  
(For Bureau of Investigation and Enforcement)

JOHN J. GALLAGHER, Esquire  
711 Forrest Road  
Harrisburg, Pennsylvania 17112  
(For Twin Lakes Utilities Inc.)

J. D. MOORE, Esquire  
LAUREN GUERRA, Esquire  
Office of Consumer Advocate  
Forum Place, 5th Floor  
555 Walnut Street  
Harrisburg, Pennsylvania 17101-1923  
(For Office of Consumer Advocate)

\*\*\*

**Commonwealth Reporting Company, Inc.**

700 Lisburn Road  
Camp Hill, Pennsylvania 17011

WITNESS INDEX

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

WITNESSES

DIRECT

CROSS

REDIRECT

RECROSS

Frank Perez

46

--

--

--

Virginia Pfeiffer

48

--

--

--

Phillip Adams

52

--

--

--

FORM 2

EXHIBIT INDEX

|  |                       |                 |
|--|-----------------------|-----------------|
|  | <u>FOR</u>            | <u>IN</u>       |
|  | <u>IDENTIFICATION</u> | <u>EVIDENCE</u> |
|  | <u>NUMBER</u>         |                 |

None

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

Any reproduction of this transcript is prohibited without authorization by the certifying reporter.

\*\*\*

FORM 2

P R O C E E D I N G S

1  
2 ADMINISTRATIVE LAW JUDGE MARTA GUHL: Good  
3 afternoon, ladies and gentlemen. This is a public input  
4 hearing scheduled in connection with the pending rate  
5 filing of Twin Lakes Utilities Incorporated. My name is  
6 Marta Guhl, and I am the Administrative Law Judge that the  
7 Pennsylvania Public Utility Commission has assigned to hear  
8 this case and produce a recommendation for the Commission  
9 to consider.

10 With me here are several attorneys on behalf  
11 of the active parties. Representing Twin Lakes I have Mr.  
12 John Gallagher. With the Office of Consumer Advocate I  
13 have Mr. J. D. Moore and also Lauren Guerra, and with the  
14 Bureau of Investigation and Enforcement or I and E I have  
15 Ms. Erika McClain.

16 There is also a court reporter here who will  
17 be taking down what is being said and will produce a  
18 written transcript of this hearing. I will briefly explain  
19 the nature of this proceeding and allow the representatives  
20 to introduce themselves to you, and then I'll hear from  
21 you.

22 As you know on July 23rd, 2019, Twin Lakes  
23 Utilities Incorporated filed a supplement to its water  
24 tariff with the Pennsylvania Public Utility Commission to  
25 become effective on September 19th, 2019. The tariff

1 supplement would increase Twin Lakes' total annual  
2 operating revenues for water service by approximately  
3 \$211,793 or 158.63 percent.

4           If the proposed increase is approved, the  
5 average monthly water bill for a residential water customer  
6 using 2,400 gallons of water per month would increase by  
7 \$154.80 from \$95.23 to \$250.03. The company has proposed  
8 to increase the residential monthly customer charge by  
9 \$98.20 from \$60.41 to \$158.61, an increase of approximately  
10 162 percent.

11           By opinion and order dated August the 29th,  
12 2019, the Pennsylvania Public Utility Commission suspended  
13 the proceedings until April 19, 2020, for an investigation  
14 and sent the matter to the Office of Administrative Law  
15 Judge for evidentiary hearings and a Recommended Decision.

16           In general rate cases such as this one, the  
17 Commission is required by the Public Utility Code to ensure  
18 that the rates it approves are just and reasonable. There  
19 are many factors which are evaluated in determining whether  
20 the proposed rates are just and reasonable. Among them are  
21 the efficiency, effectiveness, and adequacy of the  
22 utility's service, the legitimate needs of the utility for  
23 revenue to provide both current levels of service and to  
24 improve future service, and the prevention of inequitable  
25 rate discrimination among customers.

1 Active parties in this investigation in  
2 addition to the company are the Commission's Bureau of  
3 Investigation and Enforcement and the Office of Consumer  
4 Advocate. In addition, to date there are ten consumer  
5 complaints that have been filed and several letters in  
6 opposition have been filed with the Secretary's Bureau.

7 Now let me briefly outline what has happened  
8 so far in the case and what is scheduled in the future. A  
9 prehearing conference was held on September the 23rd, 2019.  
10 Attorneys representing the parties worked out a schedule,  
11 and various procedural issues were addressed there.

12 If the parties are unable to agree on a  
13 settlement, then hearings will be held in this case on  
14 December the 19th and 20th, 2019, so that witnesses who  
15 presented written testimony will testify under oath and be  
16 subject to cross-examination. All hearings will be held in  
17 Harrisburg in a hearing room in the Keystone Building where  
18 the Commission is located.

19 They are open to the public, and you are  
20 welcome to attend and observe. Because hearings are  
21 sometimes cancelled or changed, you should call my legal  
22 assistant, Diane Harvell, at area code 215-560-2105 the day  
23 before you plan to attend to ensure that the hearings will  
24 be held as scheduled.

25 When the hearings have been completed, the

1 parties will prepare and submit to me written briefs  
2 describing the facts as they see them and the law that they  
3 believe should be applied to those facts. Main briefs and  
4 responsive briefs are due on January 6th, 2020, and January  
5 15th, 2020, respectively; and my Recommended Decision will  
6 be issued in mid to late February of 2020. The Commission  
7 will then decide if my recommendation concerning the  
8 proposed rates should be adopted, rejected, or modified.

9           A significant step in the hearing process is  
10 these public input hearings. The purpose of this hearing  
11 is to obtain testimony from you, the people who will be  
12 directly affected by the proposed rates. So let me just  
13 briefly discuss the procedure we will follow for today's  
14 hearing.

15           There are two ways you can testify. First,  
16 you can testify formally. This means that I will swear or  
17 affirm you in, the court reporter will record and  
18 transcribe your statement, and you will be subject to  
19 cross-examination by any of the parties here. I may also  
20 ask you some questions as well. To the extent that your  
21 testimony is relevant, material, and competent, it may be  
22 considered by me and used by the Commission.

23           If you choose to testify -- and I strongly  
24 urge that you do so -- you will be asked to state and spell  
25 your name, give your address, I will ask you if you are

1 employed, by whom, and if you are a customer of this  
2 utility. If you are appearing on behalf of a group or an  
3 organization, please let me know.

4           Do not be intimidated by the terms that I  
5 just used such as testimony or cross-examination. I  
6 recognize that not everyone here are attorneys, and I know  
7 that none of the parties here would try to embarrass you in  
8 any way. They may ask you questions about your testimony.  
9 You should not become upset by this questioning or feel  
10 that you are under personal attack.

11           Such questioning is entirely normal for this  
12 type of proceeding. I ask simply that you listen to the  
13 questions asked of you and that you answer the questions to  
14 the best of your ability. If any questions are improper, I  
15 will let you know.

16           The second method of participation is for  
17 you to make an off-the-record or unsworn or unaffirmed  
18 statement. If you choose to do this, you will not be sworn  
19 in and the court reporter will not record your remarks. I  
20 and the Commission as a matter of law cannot consider  
21 evidence which is not a part of the official record in this  
22 case.

23           If you choose to make an off-the-record  
24 statement, you will be asked to state your name, address,  
25 that you are a customer, and if you are representing a

1 group or organization. You will not be subject to  
2 cross-examination. I will assume that everyone who is  
3 signed up on this brown sheet will be making an  
4 on-the-record statement. If you do not wish to testify  
5 formally, please let me know when I call your name.

6           If you do not wish to testify, you can  
7 always contact one of the active parties that are here  
8 today such as the company or I and E or OCA to express your  
9 concerns directly to them.

10           For the benefit of the court reporter,  
11 please speak slowly and clearly and identify yourself when  
12 you're speaking. This public input hearing is your  
13 opportunity to present evidence regarding the proposed rate  
14 increases. If you have questions concerning the filing, I  
15 am sure that the company representatives here today will do  
16 their best to answer them. I will not permit you, however,  
17 to engage in an argument or berate any of the parties.

18           Also, please do not bring up billing  
19 disputes or any individual problems that you may have that  
20 are not relevant to the scope of these proceedings. As I  
21 indicated, feel free to directly contact any of the  
22 attorneys involved in this case after this hearing so that  
23 they can address your individual issues directly.

24           I want to remind everyone that this is an  
25 official legal proceeding; and, while I don't want you to

1 feel intimidated or nervous about speaking publicly, please  
2 keep in mind that this is a serious and official hearing.

3           Finally, I will not at this point impose a  
4 time limit on those who are speaking; however, I will ask  
5 each speaker to limit himself or herself in order to ensure  
6 that I am able to get to everyone who has signed up today.  
7 If you agree with a prior speaker, you can just say so and  
8 there is no need to be repetitious. If I do impose a time  
9 limit, it will be strictly enforced.

10           Before I begin hearing from you -- which is  
11 why we are here -- I will allow the party representatives  
12 present to make a brief statement on the record. So at  
13 this point I will start with the representative for the  
14 company, Twin Lakes.

15           Mr. Gallagher.

16           MR. GALLAGHER: Thank you, Your Honor.

17           Good afternoon, ladies and gentlemen. On  
18 behalf of the company, I want to thank you for coming here  
19 today to express your opinions about the proposed increase  
20 and discuss your concerns about it.

21           I have with me today Mr. Jay Kooper who is  
22 inside counsel for Middlesex Water and Twin Lakes, and Mr.  
23 Robert Fullagar who is with Twin Lakes; and, following the  
24 hearing if you have any specific questions regarding your  
25 service, we'd be happy to answer those questions for you.

1 So, once again, once the hearing has been concluded we will  
2 be here to discuss any issues or questions you have.

3 So, again, thank you for coming today and we  
4 look forward to your testimony. Thank you.

5 JUDGE GUHL: All right. Next we will go to  
6 counsel for I and E.

7 Ms. McLain.

8 MS. McLAIN: Thank you, Your Honor.

9 Good afternoon. My name is Erika McLain,  
10 and I'm an attorney with the Commission's Bureau of  
11 Investigation and Enforcement. Our office is charged with  
12 representing the public interest in rate proceedings before  
13 the Commission. I and E is charged with ensuring that  
14 utilities charge rates that are just, reasonable,  
15 nondiscriminatory, and are at a level that provides the  
16 utility with the ability to provide safe and reliable  
17 service to all ratepayers.

18 I and E balances the interests of customers,  
19 utilities, and the regulated community as a whole. I work  
20 along with a team of engineers, accountants, and economists  
21 who serve as our expert witnesses. We have been reviewing  
22 the company's filing as well as drafting and distributing  
23 interrogatories and writing testimony. So we already have  
24 a lot of information from the company.

25 But today is really our opportunity to hear

1 your input about the rate increase. We think that this is  
2 a very vital part of the rate case process. Because of  
3 this I would urge you to testify under oath for the record.  
4 That way we can use your testimony when we make our  
5 recommendations to the Commission.

6 Thank you for coming today, and I look  
7 forward to hearing from you.

8 JUDGE GUHL: All right. Lastly we will hear  
9 from counsel for Office of Consumer Advocate, Mr. Moore.

10 Mr. Moore.

11 MR. MOORE: Good afternoon, everyone. My  
12 name is J. D. Moore. I'm an Assistant Consumer Advocate  
13 with the Pennsylvania Office of Consumer Advocate. Also  
14 with me today is Assistant Consumer Advocate Lauren Guerra.

15 The Office of Consumer Advocate was  
16 established to represent the interests of consumers in  
17 front of the Public Utility Commission. This includes  
18 proceedings dealing with electricity, water, wastewater,  
19 natural gas, and telephone issues.

20 The OCA has filed a formal complaint in this  
21 case, and our team of attorneys and expert witnesses are  
22 reviewing Twin Lakes' filing. In the coming weeks, we'll  
23 be filing testimony on the issues we have identified; but  
24 today we are here to hear from you. This is your  
25 opportunity to share your thoughts about the requested rate

1 increase, the quality of service you receive from the  
2 company, any issues with your water, or other related  
3 concerns.

4 I encourage anyone who speaks today to give  
5 testimony under oath or affirmation so that your testimony  
6 will become part of the record in this proceeding. Doing  
7 so will allow the OCA to rely on your statements when  
8 presenting our position to the Commission.

9 If you have any questions or would like any  
10 additional information, both Lauren and I will be available  
11 to help you after the hearing is concluded; and we also  
12 have information materials on the back table there. Thank  
13 you for coming and I look forward to hearing your comments.

14 JUDGE GUHL: Sometimes we do have elected  
15 officials or members of their staff attend these public  
16 input hearings to offer testimony on behalf of their  
17 constituents. Since the elected officials and their staff  
18 members are very busy and offer testimony on behalf of a  
19 number of customers, I will allow them to offer their  
20 testimony first so that they may leave and attend to their  
21 other responsibilities.

22 With that in mind, are there any elected  
23 officials or representatives from their office present who  
24 would intend to offer testimony on behalf of the their  
25 constituents today?

1 MR. SEDER: I'm here. I don't intend to  
2 offer testimony. Just on behalf Senator Lisa Baker, my  
3 name is Andrew Seder, S-E-D-E-R, and this is Jill Gamboni,  
4 G-A-M-B-O-N-I, on behalf of State Representative Mike  
5 Peifer; and we just appreciate the fact that you scheduled  
6 these hearings here in Shohola Township.

7 I know that this is a small water system,  
8 and you're not obligated to come out here. You could have  
9 done this in Harrisburg, but we requested this. And we  
10 appreciate the Consumer Advocate also for advocating for  
11 the local hearings here and not only one during the day but  
12 one in the evening hours as well so that we can get as many  
13 of the customers here to express their concerns and  
14 opinions as possible.

15 So, on behalf of Senator Baker,  
16 Representative Peifer, we just want to thank you for coming  
17 here to Shohola Township.

18 JUDGE GUHL: Thank you, Mr. Seder.

19 All right. Now we will start with the  
20 public. I will call you in the order in which you signed  
21 in on the sign-in sheet. The first witness I have listed  
22 is Frank Perez.

23 Mr. Perez, if you could come forward to the  
24 podium up front?

25 MR. PEREZ: Good afternoon.

1 JUDGE GUHL: Good afternoon, Mr. Perez.  
2 Now, do you wish to make an official on-the-record  
3 statement or an off-the-record statement?

4 MR. PEREZ: On the record is fine. It  
5 doesn't matter.

6 JUDGE GUHL: Okay.

7 MR. PEREZ: It's a prepared statement.

8 JUDGE GUHL: All right. Then if you would  
9 please raise your right hand, sir.  
10 Whereupon,

11 FRANK PEREZ,  
12 having been duly sworn, testified as follows:

13 JUDGE GUHL: Please state and spell your  
14 first and last name for the record.

15 THE WITNESS: Frank Perez, P-E-R-E-Z.

16 JUDGE GUHL: And what is your address, sir?

17 THE WITNESS: 115 Samantha Lane, Shohola,  
18 PA.

19 JUDGE GUHL: And are you employed, sir?

20 THE WITNESS: I am.

21 JUDGE GUHL: And who are you employed by?

22 THE WITNESS: The Central Bucks School  
23 District.

24 JUDGE GUHL: And are you a Twin Lakes  
25 customer, sir?

1 THE WITNESS: I am.

2 JUDGE GUHL: Okay. And are you appearing on  
3 behalf of a group or organization?

4 THE WITNESS: No, my wife and myself.

5 JUDGE GUHL: All right. Go ahead.

6 DIRECT TESTIMONY

7 THE WITNESS: It is my understanding that  
8 Section 1301 of the Pennsylvania Code states that increase  
9 in rates must be just and reasonable. I do not believe  
10 Twin Lake Utilities' request of an increase of 162 and a  
11 half percent is just or reasonable at all. People who have  
12 homes in Sagamore Estates are hard-working people and  
13 cannot afford to absorb this level increase nor should they  
14 have to.

15 If Twin Lakes Utilities did not do their due  
16 diligence in researching the state of the water system at  
17 the time in Sagamore prior to taking over, they should not  
18 expect the residents to make up for their carelessness  
19 caveat into it. This would be an extreme hardship of the  
20 residents of Sagamore Estates.

21 Personally I received a raise this year of  
22 3.75 percent, more than many people. How would I ever be  
23 able to afford to live if all the necessities required to  
24 survive were raised 158 percent more than my yearly income?

25 That is it. Thank you for your

FORM 2

1 consideration.

2 JUDGE GUHL: Thank you, Mr. Perez.

3 Do any of the parties have any questions for  
4 Mr. Perez?

5 MR. GALLAGHER: No, Your Honor.

6 MS. McLAIN: No, Your Honor.

7 MR. MOORE: No, Your Honor.

8 JUDGE GUHL: All right. Thank you, Mr.  
9 Perez. You're excused.

10 (Witness excused.)

11 JUDGE GUHL: All right. The next person I  
12 have on my list is Virginia Pfeiffer.

13 Ms. Pfeiffer, do you wish to make an on the  
14 record or off the record?

15 MS. PFEIFFER: On the record.

16 JUDGE GUHL: All right. Would you please  
17 raise your right hand, ma'am.

18 Whereupon,

19 VIRGINIA PFEIFFER,  
20 having been duly sworn, testified as follows:

21 JUDGE GUHL: All right. Would you please  
22 state and spell your first and last name for the record.

23 THE WITNESS: Yes. It's Virginia, like the  
24 state, and the last name is Pfeiffer. That's spelled  
25 P-F-E-I-F-F-E-R.

1 JUDGE GUHL: And, ma'am, what is your  
2 current address?

3 THE WITNESS: My permanent address is 424  
4 West 22nd Street, New York, New York 10011. I own a home  
5 at 103 Kyra Lane in Shohola in the Twin Lakes Utilities'  
6 area, and I am their customer.

7 JUDGE GUHL: Okay. And, ma'am, are you  
8 currently employed?

9 THE WITNESS: I'm retired. No, I'm not  
10 employed.

11 JUDGE GUHL: Okay. And are you appearing on  
12 behalf of a group or organization?

13 THE WITNESS: No, I'm not.

14 JUDGE GUHL: All right, ma'am. Go ahead.

15 DIRECT TESTIMONY

16 THE WITNESS: Okay. I just feel that this  
17 is not just and reasonable. Even what we're paying now as  
18 far as I'm able to find out is much more than the average  
19 for the state or for the nation, and in my case I'm paying  
20 about \$900 a year for like three or four CCFs a year. But  
21 I'm more concerned about my neighbors because this is a  
22 fairly low and middle income area where people just cannot  
23 afford what they're paying now, let alone this kind of  
24 increase.

25 In my case it will be that my property value

1 goes up or because I have a very cheap house and a very  
2 small amount of land, and no one is going to buy a house at  
3 that price when their water bill is going to be a quarter  
4 of what they pay for the house or something like that.

5 I also have a concern that I really would  
6 like to have the accountants at both OCA and I and E look  
7 into. It seems to me that Middlesex Water is pushing off  
8 an unreasonable amount of their costs to Twin Lakes  
9 Utilities. I looked at the filing the first time they did  
10 it; and they allocate their back office things such as  
11 customer service and, you know, accounts payable and  
12 accounts receivable based on revenues.

13 So the large companies that have a much  
14 smaller revenue per person are paying a lot less for those  
15 than those of us who are paying these very high rates; and,  
16 therefore, per person their revenues that they're  
17 allocating it based on are higher.

18 Also I understand that they have made a loan  
19 to the Twin Lakes Utilities at seven percent and  
20 considering that, you know, they made apparently a bad  
21 investment in this company or at least they didn't do their  
22 due diligence to be then passing it off to try and make us  
23 pay for their loan. I'm not an accountant, so I'm sure  
24 there's other things that your accountants can look at to  
25 see whether Middlesex Water is fairly treating this tiny

1 little company that has 114 customers and that's it.

2 JUDGE GUHL: All right. Thank you, Ms.  
3 Pfeiffer. Wait, wait, wait.

4 THE WITNESS: I'm sorry.

5 JUDGE GUHL: Do any of the other parties  
6 have any questions for Ms. Pfeiffer at this time?

7 MR. GALLAGHER: No, Your Honor.

8 MS. McLAIN: No, Your Honor.

9 MR. MOORE: No, Your Honor.

10 JUDGE GUHL: All right. You're excused.  
11 Thank you.

12 (Witness excused.)

13 JUDGE GUHL: The next person I have on the  
14 sign-in sheet is Irene Blanchard.

15 Ms. Blanchard. Good afternoon. Would you  
16 like to make an on-the-record or off-the-record statement?

17 MS. BLANCHARD: Off the record.

18 JUDGE GUHL: Okay. Again, you will not be  
19 sworn in and it will not be a part of the official record  
20 that I will consider. Go ahead, Ms. Blanchard.

21 (Whereupon, Ms. Blanchard made an off-the-record  
22 statement.)

23 JUDGE GUHL: All right. What is your  
24 address?

25 MS. BLANCHARD: Currently my primary

1 residence is in Nazareth, PA. My vacation home or my  
2 secondary home is 100 Warpath in Sagamore Estates.

3 JUDGE GUHL: Okay. And are you a Twin Lakes  
4 customer?

5 MS. BLANCHARD: Yes, I am.

6 JUDGE GUHL: Okay. And you're not  
7 representing any sort of group or organization, just  
8 yourself?

9 MS. BLANCHARD: No.

10 JUDGE GUHL: All right. Thank you, Ms.  
11 Blanchard.

12 MR. GALLAGHER: I didn't hear, 100 what?

13 MS. BLANCHARD: Warpath Place.

14 MR. GALLAGHER: Warpath Place?

15 MS. BLANCHARD: Mm-hmm.

16 MR. GALLAGHER: Thank you.

17 JUDGE GUHL: All right. Thank you.

18 And the last person I have on the sign-in  
19 sheet is Mr. Phillip Adams.

20 Mr. Adams. Sir, do you wish to make an  
21 on-the-record or off-the-record statement?

22 MR. ADAMS: On the record.

23 JUDGE GUHL: Okay. Please raise your right  
24 hand, sir.

25 Whereupon,

1 PHILLIP ADAMS,  
2 having been duly sworn, testified as follows:

3 JUDGE GUHL: All right. Please state and  
4 spell your first and last name for the record.

5 THE WITNESS: Phillip Adams, P-H-I-L-L-I-P,  
6 A-D-A-M-S.

7 JUDGE GUHL: And what is your address, sir?

8 THE WITNESS: 100 Josephine Lane, Shohola.

9 JUDGE GUHL: And, sir, are you employed?

10 THE WITNESS: Yes.

11 JUDGE GUHL: Okay. And by whom?

12 THE WITNESS: Self-employed.

13 JUDGE GUHL: Okay. And are you a Twin Lakes  
14 customer?

15 THE WITNESS: Yes.

16 JUDGE GUHL: And are you appearing here on  
17 behalf of a group or organization?

18 THE WITNESS: No.

19 JUDGE GUHL: All right. Go ahead, Mr.  
20 Adams.

21 DIRECT TESTIMONY

22 THE WITNESS: All right. Good afternoon.

23 My name is Phillip Adams and I'm a homeowner at 100  
24 Josephine Lane, Shohola, where I am connected to municipal  
25 water. I'm here today to oppose the rate increase proposed

1 by Twin Lakes Utilities because it is neither reasonable or  
2 just.

3           The United Nations defines access to safe  
4 drinking water as a fundamental human right. It isn't a  
5 right for individuals who are wealthy. It is a right for  
6 all. Yet today the Twin Lakes Utility proposes a rate  
7 increase that would force many families to choose between  
8 water, the essential building block of life, and being able  
9 to pay for basic needs like food, shelter, and safe child  
10 care.

11           According to Bluefield Research, the average  
12 monthly water bill across 50 largest metropolitan areas was  
13 \$43 per month. This average includes metropolitan areas in  
14 the southwest that experience significant droughts. It  
15 also includes both access to facilities and water usage.  
16 In contrast I currently pay \$60 per month just to have  
17 access to water, not even including the actual usage. This  
18 is 30 percent more than the average all-in water bill.

19           If the new rate was approved, the monthly  
20 rate would increase by 162 and a half percent from an  
21 already disproportionately high rate. Today I stand before  
22 the PUC and ask its members to consider the long-reaching  
23 impacts this rate hike can have on the individuals within  
24 the Twin Lakes Utilities' service areas.

25           If this rate is approved, it will threaten





C E R T I F I C A T E

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I hereby certify that the foregoing proceedings, R-2019-3010958, were reported by me on October 17, 2019, and that I, Judith E. Shuller, have read this transcript and attest that this transcript is a true and accurate record of the proceedings.

By: Judith E. Shuller  
Judith E. Shuller

FORM 2

**TWIN LAKES**  
**UTILITIES, INC.**

A Middlesex Water Company Affiliate

July 16, 2020

Honorable Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Re: Petition of Twin Lakes Utilities, Inc. For A Commission Order  
Authorizing The Acquisition of Twin Lakes Utilities, Inc. By A  
Capable Public Utility Pursuant To 66 Pa. C.S. §529  
Docket No. P-2020-\_\_\_\_\_

Dear Secretary Chiavetta:

Enclosed for filing on behalf of Twin Lakes Utilities, Inc. ("Twin Lakes") is a Petition for a Commission Order authorizing the acquisition of Twin Lakes pursuant to 66 Pa. C.S. §529 by a "capable public utility" as that term is defined by that statute. **Twin Lakes respectfully requests consideration of the Petition on an expedited basis.**

Twin Lakes files this Petition with the Commission and promulgates service on the parties set forth in the enclosed Certificate of Service electronically consistent with the Commission's Emergency Order issued on March 20, 2020 in Docket No. M-2020-3019262. Please let me know of additional questions or concerns at [jkooper@middlesexwater.com](mailto:jkooper@middlesexwater.com).

Very truly yours,



Jay L. Kooper  
Secretary  
Twin Lakes Utilities, Inc.

Enclosures

cc: Certificate of Service (w/ enclosures)

Twin Lakes Exh. 1  
P. 2020-3020914  
8-21-20  
Harrisburg JS

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Twin Lakes Utilities, Inc. For A  
Commission Order Authorizing The  
Acquisition of Twin Lakes Utilities, Inc. By A  
Capable Public Utility Pursuant To 66 Pa. C.S.  
§529.

Docket No. P-2020-

**PETITION OF TWIN LAKES UTILITIES, INC.**

Pursuant to 52 Pa. Code §5.41, Twin Lakes Utilities, Inc. (“Twin Lakes”) hereby petitions the Pennsylvania Public Utility Commission (“Commission”) to issue an Order on an expedited basis<sup>1</sup> that authorizes the acquisition of Twin Lakes pursuant to 66 Pa. C.S. §529 by a “capable public utility” as defined in that statute.

**I. BACKGROUND**

1. The Petitioner, Twin Lakes Utilities, Inc., (hereinafter “Twin Lakes”), is a public utility corporation organized and existing under the laws of the Commonwealth of Pennsylvania. Twin Lakes provides retail water service to 113 active residential customer accounts in Pennsylvania, all located in the Sagamore Estates community located in Shohola Township, Pike County, Pennsylvania.

2. Twin Lakes’ corporate address and representative is:

Twin Lakes Utilities Inc.  
485C Route 1 South, Suite 400  
Iselin, NJ 08830-3020  
Jay L. Kooper, Secretary  
Tel: (732) 638-7506  
E-Mail: [jkooper@middlesexwater.com](mailto:jkooper@middlesexwater.com)

---

<sup>1</sup> As explained in more detail below, the Order sought by this Petition is not an ‘Emergency Order’ as defined by 52 Pa. Code §3.1 because Twin Lakes is not seeking the Commission to issue an Order on an *ex parte* basis and by less than the full Commission. Rather, Twin Lakes seeks an Order granting the requested relief following consideration by the entire Commission at its August 6, 2020 or August 27, 2020 public meeting.

3. Twin Lakes is a wholly-owned subsidiary of Middlesex Water Company (“Middlesex”). Middlesex is a New Jersey corporation and the sole owner of Twin Lakes. Middlesex is not incorporated in the Commonwealth of Pennsylvania and is therefore not approved to do business in Pennsylvania. Neither Middlesex nor Twin Lakes have ever designated themselves as a “doing business as” (“d/b/a”) entity and reject any assertion that they have used such an acronym to describe their business operations in the Commonwealth of Pennsylvania.

4. On April 6, 2009, Middlesex formed Twin Lakes by filing Articles of Incorporation with the Pennsylvania Department of State Corporation Bureau. As Middlesex is not a duly-authorized Pennsylvania corporation, the creation of Twin Lakes, a wholly-owned Pennsylvania subsidiary company, was necessary to ensure that the assets of Twin Lakes Water System, LLC, the predecessor owner to the system serving the Sagamore Estates customers, could be operated by an entity incorporated in the Commonwealth of Pennsylvania.

5. On November 3, 2009, Twin Lakes entered into an “Asset Purchase Agreement For The Assets of Twin Lakes Water Services, LLC By Twin Lakes Utilities, Inc.” A copy of this Asset Purchase Agreement is attached to this Petition as Appendix A.

6. On November 3, 2009, a Recorded Deed was entered evidencing transfer of ownership of the assets of Twin Lakes Water Services, LLC to Twin Lakes Utilities, Inc. A copy of this Recorded Deed along with a Recorded Mortgage Satisfaction Piece and Title Insurance Policy are attached to this Petition as Appendix B.

7. On November 16, 2009, Twin Lakes filed with the Commission a letter advising that Twin Lakes Utilities, Inc. was adopting the tariff of Twin Lakes Water Services,

LLC that was then presently in effect, along with a copy of the new Twin Lakes Utilities, Inc. tariff effective November 3, 2009, the date of the sale of the assets of Twin Lakes Water Services, LLC to Twin Lakes Utilities, Inc. Twin Lakes' letter and new tariff was filed pursuant to the Commission's Order approving the acquisition of the assets of Twin Lakes Water Services, LLC.<sup>2</sup> A copy of Twin Lakes' letter and filed tariff are attached to this Petition as Appendix C.

8. Subsequent to Twin Lakes' acquisition of the system serving the Sagamore Estates community in 2009, Twin Lakes filed three petitions for rate increases before the Commission, first in 2011 (Docket No. R-2011-2246415) ("2011 Rate Case"), again in 2015 (Docket No. R-2015-2506337) ("2015 Rate Case") and most recently in 2019 (Docket No. R-2019-3010958) ("2019 Rate Case").

9. Twin Lakes' sole source of equity capital, debt financing and primary operations support is Middlesex. Twin Lakes is a classic small water utility challenge in that it is unable to establish a credit arrangement at any reasonable cost with any financial institution as a stand-alone entity. This is due to Twin Lakes' inability to demonstrate that it has the net income and cash flow to adequately support debt repayment. Twin Lakes' parent company, Middlesex, made equity investments in, and extended credit to, Twin Lakes in order to maintain service for the Twin Lakes customers since 2009. This capital was provided under an assumption that the Commission would provide sufficient rate relief to not only sustain operations but also, to service the Company's debt and provide a fair return to the equity investor. Middlesex has continued to finance Twin Lakes even though it has no legal or regulatory obligation to provide financial or operational support to the Twin Lakes customers.

---

<sup>2</sup> *Joint Application of Middlesex Water Company and Twin Lakes Water Services, LLC*, Order, Docket Nos. A-2008-2050092 and A-2008-2050089 (Pa. P.U.C. Mar. 2, 2009).

10. Middlesex has extended financial credit to Twin Lakes through three outstanding Unsecured Revolving Promissory Notes, the first executed in January 2016, the second executed on October 18, 2019 and the third executed on October 29, 2019. All three Promissory Notes provide Middlesex with the right as Lender to demand payment from Twin Lakes as Borrower the total amount due on the Notes together with interest payable on the unpaid principal at the rate of 7.0% per annum. All three Promissory Notes were previously disclosed to the Commission and submitted as discovery responses on the record in the 2015 and 2019 Rate Cases. Copies of the three notes are attached to this Petition as Appendix D.<sup>3</sup>

11. Since Twin Lakes' acquisition of the system, Twin Lakes' sole source of equity capital, debt financing and primary operations support is Middlesex. Since the acquisition, Middlesex has invested, loaned or advanced over \$2.4 million to Twin Lakes.

12. Middlesex provides operations support to Twin Lakes through a Service Agreement executed between Middlesex and Twin Lakes dated December 1, 2009 ("Service Agreement"). Under the terms of the Service Agreement, Middlesex provides operations support for Twin Lakes including, but not limited to: Customer Service, Accounting, Administration, Communications, Corporate Secretarial, Engineering, Financial, Human Resources, Information Systems, Operations, Rates and Revenue, Risk Management and Water Quality. Per the Service Agreement, either party may terminate the Agreement by giving the other party 90 days advance written notice. The Service Agreement was previously disclosed to the Commission and

---

<sup>3</sup> Pursuant to a Secretarial Letter dated July 13, 2020 and issued in Docket. No. M-2020-3020390, Twin Lakes is separately filing an application with the Secretary's Bureau of the Commission for Commission approval, *nunc pro tunc*, of the three outstanding Unsecured Revolving Promissory Notes.

submitted as a discovery response on the record in the 2011, 2015 and 2019 Rate Cases. A copy of the Service Agreement is attached to this Petition as Appendix E.<sup>4</sup>

13. Soon after Twin Lakes began operating the system, it became apparent that the condition of the assets was significantly poorer than had been represented by the former owner, or had been visible from the inspection and assessment that was part of the due diligence work performed. As the Commission stated in its March 26, 2020 Opinion and Order<sup>5</sup> in Twin Lakes' most recently concluded 2019 Rate Case: "Twin Lakes maintains a water distribution system consisting of: one functional well (Well No. 2); one non-functional well (Well No. 1); a small treatment/pumping station with an integral atmospheric 20,000 gallon storage tank; approximately 3.7 miles of water main of various diameters; and, an approximate combined 120 active and inactive services."<sup>6</sup>

14. Beginning in July 2011, shortly after Twin Lakes filed its 2011 Rate Case petition for an increase in base rates of 370%, and extending through early 2020 Twin Lakes has engaged in discussions with other water companies to discuss acquisition of the water system serving the Sagamore Estates community. During this period, Twin Lakes senior executives have travelled to Harrisburg, Pennsylvania to meet with the Chairman of the Pennsylvania Public Utility Commission, Commission Staff and the Pennsylvania Office of Consumer Advocate ("OCA"). The sole purpose of these meetings was to request assistance in identifying a system takeover solution that would mitigate the inevitable need for Twin Lakes to petition for repeated

---

<sup>4</sup> Pursuant to a Secretarial Letter dated July 13, 2020 issued in Docket No. M-2020-3020390, Twin Lakes is separately filing an application with the Secretary's Bureau of the Commission for Commission approval, *nunc pro tunc*, of the Service Agreement.

<sup>5</sup> *Pennsylvania Public Utility Comm'n et al. v. Twin Lakes Utilities, Inc.*, Opinion and Order, Docket No. R-2019-3010958 (Pa. P.U.C. Mar. 26, 2020) ("2019 Rate Case Order").

<sup>6</sup> 2019 Rate Case Order at 4.

triple-digit percentage base rate increases to mitigate the risk of losing the only source of supply serving the residents of the Sagamore Estates community. None of these efforts has resulted in a successful system takeover solution.

15. Twin Lakes has considered two alternative source options for water service for the Sagamore Estates community. The first alternative considered the nearby public water system in Milford, Pennsylvania. This alternative was deemed financially and operationally impractical given its location approximately 5 to 6 miles from Sagamore Estates. This is because this alternative would require the installation of water main within the Pennsylvania Route 6 corridor and necessitate booster pumping stations along the route due to the terrain. The second alternative considered the utilization of private wells for each customer of Twin Lakes. This alternative was deemed legally impossible as Shohola Township Ordinance No. 59 prohibits such private well installations.

16. On numerous occasions between 2009 and 2020, Twin Lakes representatives have stated that the current financial and operational arrangements for Twin Lakes were, are and remain unsustainable. Twin Lakes has reiterated and underscored this assessment in all three of its rate cases before the Commission – the 2011 Rate Case, the 2015 Rate Case and the 2019 Rate Case, the latter of which was a fully litigated case.

17. On March 26, 2020, the Commission issued the 2019 Rate Case Order in Docket No. R-2019-3010958, approving an annual increase of \$117,374 (87.91%) compared to Twin Lakes' requested annual increase of \$211,793 (158.63%). As the Commission noted, Twin Lakes sought its requested rate increase as a reflection of "the business challenges the Company currently faces, including required investments in the repair/replacement or improvement of the distribution system; and the high costs associated with maintaining a distribution system while

serving a small customer base.”<sup>7</sup> Part of the Commission’s basis for approving a rate increase far below the level requested by Twin Lakes was “the concerns with affordability of rates of customers.”<sup>8</sup>

18. In its 2019 Rate Case Order, the Commission rejected recommendations made by both Twin Lakes and the OCA to initiate a Section 529 proceeding to determine whether the Commission should direct a “capable public utility,” as that term is defined in Section 529 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §529, to acquire Twin Lakes. The Commission’s reasons for its rejection of these recommendations were twofold: “Based on the Company’s increased revenue via the rate increase granted in this proceeding, and the record evidence of Twin Lakes’ prospective opportunity to secure PENNVEST loans for the necessary improvements, we conclude that initiation of a Section 529 proceeding is not warranted *at this time*.”<sup>9</sup>

19. On August 7, 2019, Twin Lakes submitted an application to PENNVEST for grants and/or loans to finance system improvements for the Twin Lakes system. On January 29, 2020, Twin Lakes was notified that PENNVEST had approved a grant of \$4.66 million. Subsequently, Twin Lakes concluded that an award of a PENNVEST grant would be considered a Contribution In Aid of Construction (CIAC) that is subject to income tax under the Tax Cuts and Jobs Act of 2017. Therefore, an award of a PENNVEST grant of \$4.66 million would carry with it an income tax liability of \$1.358 million, all properly recoverable from Twin Lakes’ customers under the Commission’s rate setting compact. A copy of Twin Lakes’ PENNVEST

---

<sup>7</sup> *Id.* at 5.

<sup>8</sup> *Id.* at 73 (quoting the Recommended Decision of Administrative Law Judge Marta Guhl at 87).

<sup>9</sup> *Id.* at 64 (emphasis added).

application and the PENNVEST award notification to Twin Lakes is attached to this Petition as Appendix F.

20. Given the Commission's decision in the 2019 Rate Case Order, basing its final decision in part on affordability of rates, there will exist an increased concern with the rate recovery of a significant income tax burden on Twin Lakes' customers should Twin Lakes accept the PENNVEST grant award. This burden would be in addition to the significant remaining investment required for various capital improvements not funded by the PENNVEST grant award. The tenor of the 2019 Rate Case Order issued on March 26, 2020 provides Twin Lakes with zero assurance that this significant tax burden would be recoverable in customers' rates given the Commission's clearly stated views on affordability.

21. On May 28, 2020, Middlesex issued a letter to Twin Lakes demanding from Twin Lakes immediate payment of the total amounts due on the three outstanding Unsecured Revolving Promissory Notes between Middlesex as Lender and Twin Lakes as Borrower. A copy of Middlesex's payment demand is attached to this Petition as Appendix G.

22. On May 29, 2020, Twin Lakes issued a letter to Middlesex responding to this payment demand. In this response letter, Twin Lakes stated that it was unable to meet Middlesex's payment demand requirements and did not expect to have the ability to satisfy any repayment of the three outstanding Notes. A copy of Twin Lakes' letter response is attached to this Petition as Appendix H.

23. The obvious practical impact of these repayment demands is that Middlesex no longer provides any form of financial support to Twin Lakes effective May 28, 2020. Twin Lakes' sole source of funding for its working capital and infrastructure needs is customer receipts from billings. In addition, Twin Lakes' inability to demonstrate that it has the

net income and cash flow to adequately support debt repayment will further render it impossible to establish a credit arrangement with any financial institution as a stand-alone entity. Twin Lakes will also not be able to accept an award of a \$4.66 million PENNVEST grant without imposing a \$1.358 million income tax burden on Twin Lakes' 113 residential customers.

24. On June 1, 2020, Middlesex issued a letter notice of termination of the Service Agreement between Middlesex and Twin Lakes, advising that pursuant to section 1 of the Service Agreement, the termination would become effective on September 1, 2020. On that same date, June 1, 2020, Twin Lakes issued a letter to Middlesex confirming receipt of Middlesex's notice of termination. Both letters are attached to this Petition as Appendix I.

25. On July 14, 2020, Twin Lakes issued a "Request For Proposal – Contract Operations & Maintenance Services For The Twin Lakes Utilities, Inc. Community Water System Located In Shohola Township, Pike County, Pennsylvania" ("RFP"). The purpose of the RFP is to solicit proposals for the operation and maintenance of the Twin Lakes system following the anticipated departure of Middlesex as of the termination of the Service Agreement effective September 1, 2020. A copy of this RFP is attached to this Petition as Appendix J.

26. With the termination of the Service Agreement by, and the end of financial support from Middlesex, Twin Lakes will no longer have a source of financing or operations support and therefore, will likely not have the ongoing ability to pay its vendors, including its Licensed Operator, for basic needs associated with delivering water service. At that time, without a qualified Licensed Operator and without adequate financial support, Twin Lakes will unfortunately have no possible means to maintain water quality or distribute water of any quality to its customers and therefore, water service will likely cease.

27. The following chart details the Company's projected cash position in connection with the timing of the service termination:

|                                    | ---Projected Cash Flow--- |           |            |
|------------------------------------|---------------------------|-----------|------------|
|                                    | 06/30/20                  | 07/31/20  | 08/31/20   |
| Cash Balance - Beginning           |                           | \$ 11,163 | \$ 9,651   |
| Inflows - Billing Receipts         |                           | 21,647    | 7,216      |
| Outflows - Expenses <sup>(1)</sup> |                           | (23,159)  | (23,616)   |
| Cash Balance - Ending              | \$ 11,163                 | \$ 9,651  | \$ (6,749) |

Includes operating & debt service expenditures

28. On June 10, 2020, Twin Lakes issued a letter to Mr. Paul Diskin, Director of the Commission's Bureau of Technical Utility Services, Richard Kanaskie, Director and Chief Prosecutor of the Commission's Bureau of Investigation and Enforcement, and Tanya McCloskey, Acting Consumer Advocate of the Pennsylvania OCA. In this letter, Twin Lakes notified these parties of the above-referenced facts and requested initiation of a proceeding under 66 Pa. C.S. §529. A copy of this letter is attached to this Petition as Appendix K.

29. Subsequently, the Commission Secretary accepted Twin Lakes' June 10, 2020 letter for filing and the Commission assigned to it a docket number captioned Docket No. M-2020-3020390 (Notice of Termination of Service Agreement Between Middlesex Water Company and Twin Lakes Utilities, Inc.).

30. On June 17, 2020, the Commission Staff of the Bureau of Technical Utility Services issued a First Set of Data Requests, sequentially numbered M-1 through M-19, in Docket No. M-2020-3020390. On July 1, 2020, Twin Lakes submitted responses to all of these data requests.

31. By letter dated July 13, 2020, the Commission informed Twin Lakes that its June 10, 2020 request for the initiation of a proceeding pursuant to 66 Pa. C.S. §529 was not

in the form of an official filing with the Commission. Despite the Commission having subsequently assigned a docket number to and promulgated discovery on the June 10, 2020 request, the Commission rejected Twin Lakes' June 10, 2020 request without prejudice for refiling as a proper pleading such as a petition or application.

32. As of the date of filing of this Petition, Twin Lakes' sole creditor, Middlesex, has indicated that it is unwilling to renegotiate the terms of Twin Lakes' obligations pursuant to the three outstanding Unsecured Revolving Promissory Notes executed in 2016 and 2019. Twin Lakes is unable to establish a credit arrangement at any reasonable cost with any financial institution as a stand-alone entity due to Twin Lakes' inability to demonstrate that it has the net income and cash flow to adequately support debt repayment. As a result, Twin Lakes is considering all options including the filing of a petition for bankruptcy protection.

## **II. PRAYER FOR RELIEF PURSUANT TO 66 PA. C.S. §529**

33. All of Twin Lakes' annual reports and tariffs and other regulatory reports and approvals are incorporated herein by reference.

34. All of Twin Lakes' July 1, 2020 responses to the First Set of Data Requests, sequentially numbered M-1 through M-19 by the Commission Staff of the Bureau of Technical Utility Services in Docket No. M-2020-3020390, are incorporated herein by reference.

35. Pursuant to 66 Pa. C.S. §529(a)(3), "The Commission may order a capable public utility to acquire a small water or sewer utility if the Commission, after notice and an opportunity to be heard determines...that the small water or sewer utility cannot reasonably be expected to furnish and maintain adequate, efficient, safe and reasonable service and facilities in the future."

36. For the reasons set forth above in this Petition, Twin Lakes no longer has the adequate financial capability or support to furnish and maintain adequate, efficient, safe and reasonable service and facilities to the customers of Sagamore Estates in Shohola Township, Pike County, Pennsylvania. In addition to the financial capability inadequacy, unless Twin Lakes is able to secure another contract operator through the RFP process discussed above, effective September 1, 2020 Twin Lakes will likely not have the operational capability or support to furnish and maintain adequate, efficient, safe and reasonable service and facilities with the termination of the Service Agreement.

WHEREFORE, Twin Lakes respectfully requests the Commission to issue on an expedited basis an Order which approves its Petition and finds and concludes that:

1. Twin Lakes has established that it “cannot reasonably be expected to furnish and maintain adequate, efficient, safe and reasonable service and facilities in the future;” 66 Pa. C.S. §529(a)(3), thereby warranting the acquisition of Twin Lakes by a “capable public utility” as defined by Section 529 of the Pennsylvania Public Utility Code

2. Pursuant to 66 Pa. C.S. §529(d), issue an order for the acquisition of Twin Lakes by a “capable public utility” as defined by 66 Pa. C.S. §529.

Respectfully submitted,



Jay L. Kooper

Secretary

Petitioner Twin Lakes Utilities, Inc.

485C Route One South, Suite 400

Iselin, New Jersey 08830

(732) 638-7506

[jkooper@middlesexwater.com](mailto:jkooper@middlesexwater.com)

Dated: July 16, 2020

## APPENDICES

- Appendix A** Asset Purchase Agreement For The Acquisition of the Assets of Twin Lakes Water Services, LLC By Twin Lakes Utilities, Inc., dated November 3, 2009
- Appendix B** Recorded Deed Between Twin Lakes Water Services, LLC and Twin Lakes Utilities, Inc., dated November 3, 2009 and recorded November 9, 2009
- Recorded Mortgage Satisfaction Piece Between Twin Lakes Water Services, LLC and Susan Rogers, dated September 17, 2009 and recorded November 9, 2009
- Title Insurance Policy of Twin Lakes Utilities, Inc., dated November 9, 2009
- Appendix C** Notice of Adoption of the Twin Lakes Water Services, LLC tariff by Twin Lakes Utilities, Inc. and Twin Lakes Utilities, Inc. P.A. P.U.C/ No. 3 Tariff, filed November 16, 2009.
- Appendix D** Unsecured Revolving Promissory Note – January 2016  
Unsecured Revolving Promissory Note – October 18, 2019  
Unsecured Revolving Promissory Note – October 29, 2019
- Appendix E** Service Agreement Between Middlesex Water Company and Twin Lakes Utilities, Inc., dated December 1, 2009
- Appendix F** Twin Lakes Utilities, Inc. Application To PENNVEST (August 7, 2019)  
PENNVEST Notification of Award To Twin Lakes Utilities, Inc. (Jan. 29, 2020)
- Appendix G** Letter From Middlesex Water Company To Twin Lakes Utilities, Inc. Demanding Payment of Amounts Due on Promissory Notes, dated May 28, 2020
- Appendix H** Reply Letter From Twin Lakes Utilities, Inc. To Middlesex Water Company  
Re: Middlesex’s Demand of Payment of Amounts Due on Promissory Notes,  
dated May 29, 2020
- Appendix I** Letter From Middlesex Water Company To Twin Lakes Utilities, Inc. Notifying Twin Lakes of Termination of Service Agreement, dated June 1, 2020
- Reply Letter From Twin Lakes Utilities, Inc. Acknowledging Receipt of Middlesex Water Company’s Notice of Termination of Service Agreement, dated June 1, 2020

**Appendix J** Twin Lakes Utilities, Inc. Request For Proposal – Contract Operations & Maintenance Services For The Twin Lakes Utilities, Inc. Community Water System Located In Shohola Township, Pike County, Pennsylvania, dated July 14, 2020

**Appendix K** Letter From Twin Lakes Utilities, Inc. To Messrs. Paul Diskin and Richard Kanaskie of Pennsylvania Public Utility Commission Staff and Ms. Tanya McClosky, Acting Pennsylvania Consumer Advocate, dated June 10, 2020 (Internal exhibits omitted)

## APPENDIX A

---

ASSET PURCHASE AGREEMENT

FOR THE ACQUISITION

OF

THE ASSETS OF TWIN LAKES WATER SERVICES LLC

BY

TWIN LAKES UTILITIES, INC.

---

Dated as of November 3, 2009

---

TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| ARTICLE 1. SALE AND PURCHASE OF COMPANY ASSETS .....                         | 1           |
| 1.1. Company Assets to be Purchased.....                                     | 1           |
| 1.2. Purchase Price.....   | 2           |
| 1.3. No Assumption of Obligations.....                                       | 2           |
| 1.4. Closing.....  | 2           |
| 1.5. Allocation of Purchase Price.....                                       | 2           |
| ARTICLE 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE MEMBER..... | 2           |
| 2.1. Organization and Good Standing.....                                     | 2           |
| 2.2. Subsidiaries and Other Investments.....                                 | 3           |
| 2.3. Compliance with Law.....  | 3           |
| 2.4. Authority and Compliance.....   | 3           |
| 2.5. Accounts Receivable.....  | 3           |
| 2.6. Governmental Approvals.....   | 3           |
| 2.7. Assets and Properties.....  | 4           |
| 2.8. [Intentionally omitted.].....   | 4           |
| 2.9. Legal Proceedings, Etc.....   | 4           |
| 2.10. Transactions with Affiliates.....                                      | 4           |
| 2.11. Contracts and Commitments.....   | 4           |
| 2.12. No Third Party Options.....  | 4           |
| 2.13. Environmental Matters.....   | 4           |
| 2.14. No Name Change.....  | 5           |
| ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.....              | 5           |
| 3.1. Organization and Good Standing.....                                     | 5           |
| 3.2. Authority and Compliance.....   | 5           |
| ARTICLE 4. INDEMNIFICATION.....  | 6           |
| 4.1. Indemnification by the Company and the Member.....                      | 6           |
| 4.2. Indemnification by the Purchaser.....                                   | 6           |
| 4.3. Method of Asserting Claims, Etc.....                                    | 7           |
| ARTICLE 5. RECOVERY AND REIMBURSEMENT OF CERTAIN COSTS.....                  | 8           |
| ARTICLE 6. COLLECTION OF PURCHASED A/R.....                                  | 8           |
| ARTICLE 7. MISCELLANEOUS MATTERS.....  | 9           |
| 7.1. Survival of Representations and Warranties.....                         | 9           |
| 7.2. Right of Collection.....  | 9           |
| 7.3. Further Assurances.....   | 9           |
| 7.4. Mail.....   | 10          |
| 7.5. Changes, Waivers.....   | 10          |
| 7.6. Brokerage, Expenses, Taxes, Etc.....                                    | 10          |

|       |  |    |
|-------|--|----|
| 7.7.  | Cooperation.....   | 10 |
| 7.8.  | Counterparts.....  | 10 |
| 7.9.  | Contents of Agreement; Parties in Interest; Assignment, Etc..... | 10 |
| 7.10. | Section Headings and Gender.....                                 | 10 |
| 7.11. | Certain Term.....  | 11 |
| 7.12. | Notices.....   | 11 |
| 7.13. | Governing Law.....   | 12 |

## ASSET PURCHASE AGREEMENT

This AGREEMENT, dated as of this 3rd day of November, 2009, among Twin Lakes Water Services, LLC, a New Jersey limited liability company (the "Company"); Nicholas P. Braco, Jr. (the "Member"); and Twin Lakes Utilities, Inc. a Pennsylvania corporation (the "Purchaser").

### Preliminary Statement

A. The Company is engaged in the business of providing public water supply services in the Township of Shohola, Pike County, Pennsylvania, and owns certain real and personal property used in connection therewith.

B. The Member owns one hundred percent (100%) of the outstanding membership interests of the Company.

C. The Purchaser is a wholly owned subsidiary of Middlesex Water Company, a New Jersey corporation ("Middlesex").

D. The Company desires to sell, and the Purchaser desires to purchase, certain assets and business of the Company, all on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the covenants, representations, warranties and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

### ARTICLE 1. SALE AND PURCHASE OF COMPANY ASSETS

1.1. Company Assets to be Purchased. Subject to the terms and conditions hereinafter set forth, the Purchaser shall purchase from the Company, and the Company shall sell, assign, transfer, convey and deliver to the Purchaser, at the Closing (as hereinafter defined), (a) the real property known as Block No. 1, Lot 1, Account No./Control # 12-0-109553 in the Tax Map of the Township of Shohola, Pike County, Pennsylvania, consisting of approximately 1.15 acres (the "Property"); (b) (i) any and all privileges, tenements, hereditaments, rights of way, easements and appurtenances of the Property; (ii) any and all streets, ways, strips or gores of land adjoining the Property; (iii) any and all buildings, wells, improvements and fixtures on or attached to the Property (the "Appurtenant Rights"); (c) all easements, rights of way, rights of use, licenses, privileges and other property rights related to the water distribution system owned by the Company (the "Other Rights"); (d) any and all equipment, water distribution lines, pump stations, pump house meters, and water meters (the "System Equipment"); (e) any and all governmental approvals and permits relating to the Property (the "Approvals"); (f) any and all rights, warranties, and guarantees relating to the Property or the System Equipment; (g) all accounts receivable as set forth on Schedule 1.1(b) (the "Purchased A/R"), free and clear of all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever (the "Encumbrances") (hereinafter collectively called the "Company Assets").

1.2. Purchase Price. The purchase price shall be payable by the Purchaser as follows:

- (a) Thirty Five Thousand Dollars (\$35,000), to be delivered at the Closing; plus
- (b) A payment of \$7,410.75 representing the amount of the Purchased A/R less the Deferred A/R (as defined below) at the Closing; plus
- (c) A payment of \$7,050.75 at the Closing; representing unbilled revenue for the three month period from August 1, 2009 through October 31, 2009;
- (d) A payment in the amount of \$28,450 at the Closing, representing reimbursement for the Company's costs of acquisition and installation of certain pumps included with the System Equipment; plus
- (e) Payment after the Closing of the amounts of Deferred A/R and unbilled revenue set forth in Section 6.2 when, as and if the condition set forth in Section 6.2 is satisfied.

As used herein, the term "Deferred A/R" means the accounts and balances identified in Section 6.2 below as Deferred A/R.

All of the payments in respect of the Purchase Price, less the amount (if any) of the escrow imposed by the New Jersey Division of Taxation in accordance with its bulk transfer notification procedures, shall be made at Closing in the form of certified or bank check, attorney trust account check or wire transfer of immediately available funds.

1.3. No Assumption of Obligations. Purchaser is not assuming any liabilities or obligations of the Company, expressly or impliedly, in connection with the transactions contemplated hereby.

1.4. Closing. The closing of the transaction contemplated hereby (the "*Closing*") is taking place at the offices of Norris McLaughlin & Marcus, PA, counsel to the Purchaser, in Bridgewater, New Jersey concurrently with the execution and delivery hereof.

1.5. Allocation of Purchase Price. The purchase price payable by the Purchaser shall be allocated among the Company Assets as provided in Schedule 1.5 hereto.

## ARTICLE 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE MEMBER.

The Company and, with respect to the representations in Sections 2.5 and 2.13 only, the Member, hereby jointly and severally represent and warrant to the Purchaser that except as described in a Schedule attached hereto (with specific reference in such Schedule to the Section of this Agreement to which each exception or addition disclosed in such Schedule applies):

2.1. Organization and Good Standing. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of State of New Jersey and has all requisite power and authority and all necessary licenses and permits to conduct its

business as now conducted and to own or lease and operate the assets and properties now owned or leased and operated by it.

2.2. Subsidiaries and Other Investments. The Company does not have any investments in or own any securities of any business, enterprise, corporation, partnership, joint venture or other entity or organization.

2.3. Compliance with Law. Neither the Company, nor its use or occupancy of any of the Company Assets, is in violation of any applicable federal, state, local or other governmental law or ordinance, or any order, rule or regulation of any federal, state, local or other governmental authority, to which the Company or any of its business, operations, assets or properties are subject. The licenses, permits, approvals, registrations, qualifications, certificates and other governmental authorizations that are listed on Schedule 2.3 hereof are the only governmental authorizations that are necessary for the operations of the Company. There are no proceedings pending or, to the best of the Company's knowledge, threatened which seek the revocation, cancellation, suspension or any adverse modification of any permits or approvals of the Company.

2.4. Authority and Compliance. Each of the Company and the Member has full power and lawful authority to execute and deliver this Agreement and, subject to PAPUC approval, to consummate and perform the transaction contemplated hereby. The execution and delivery of this Agreement by the Company and the Member and the consummation and performance of the transaction contemplated hereby have been duly and validly authorized by all necessary proceedings, and this Agreement constitutes the legal, valid and binding obligation of the Company and each Member, enforceable against each of them in accordance with its terms. Neither the execution and delivery of this Agreement by the Company or the Member nor the consummation and performance of the transaction contemplated hereby in accordance with the terms hereof (A) requires the approval or consent of, or notice to, any governmental authority, or (B) will conflict with or result in the breach or default under, or cause an acceleration of any payments pursuant to (i) the Certificate of Formation or Operating Agreement of the Company, or (ii) any law or any rule, regulation, order, writ, injunction or decree of any court or other governmental authority, or (iii) any mortgage, note or other agreement or instrument to which the Company or any Member is a party or by which any of them (or the property of any of them) is bound.

2.5. Accounts Receivable. All of the Purchased A/R have been acquired or have arisen only in the ordinary course of business for goods sold and delivered or services performed. All of such accounts receivable are due within 30 days after the date hereof, and are collectible in full within 90 days after billing in the aggregate recorded amounts thereof, subject to no defenses, offsets or counterclaims; except that no representation is made as to the collectability of Deferred A/R.

2.6. Governmental Approvals. To the best of the Company's knowledge, except for PAPUC approval and any exceptions set forth on Schedule 2.6, no consent, approval, or authorization of, or designation, declaration, notification, or filing with any court, tribunal, administrative agency or commission, or other governmental or other regulatory authority or

agency on the part of the Company or the Member is required in connection with the valid execution, delivery and performance of this Agreement or the consummation of this transaction.

2.7. Assets and Properties. On the date of closing, the Company will convey good, valid and marketable title to, all of the Company Assets, free and clear of all Encumbrances. No person other than the Company owns any of the System Equipment. None of the Company Assets are leased or licensed by the Company.

2.8. [Intentionally omitted.]

2.9. Legal Proceedings, Etc. There is no dispute, claim, action, suit, proceeding, arbitration or investigation, either administrative or judicial, pending or, to the best knowledge of the Company and the Member, threatened by or against or affecting the Company or its business, or any of its assets, properties or prospects, whether or not covered by insurance, before or by any court or governmental authority, or before an arbitrator of any kind. The Company is not subject to or in default with respect to any indictment, order, injunction, decree or award of any court, arbitrator or governmental agency. Neither the Company nor the Member has any knowledge of any state of facts or the occurrence of any event that might reasonably form the basis of any claim against the Company. The Company has not violated any local, state or federal law, rule or regulation with respect to its used and operation of the Purchased Assets. No notices, citations, summons or order have been issued and remain outstanding, or to the Company's knowledge, threatened, by any authority with respect to the ownership and operation of the Purchased Assets.

2.10. Transactions with Affiliates. No officer or Member of the Company, or any member of his immediate family, owns, directly or indirectly, or has an ownership interest, (a) in any business (corporate or otherwise) which is a party to, or in any property which is the subject of, business arrangements or relationships of any kind with the Company, or (b) in any business (corporate or otherwise) which conducts the same business as, or a business similar to, that conducted by the Company.

2.11. Contracts and Commitments. The Company is not a party to any outstanding contracts of any type relating to the Company Assets.

2.12. No Third Party Options. There are no existing Contracts with any person to acquire any of the assets or properties of the Company or any interest therein, except for this Agreement.

2.13. Environmental Matters. To the Knowledge of the Member, the Company is in compliance with all Environmental Laws. The Company has not received any summons, citation, directive, order, claim, investigation, communication or other action from the United States Environmental Protection Agency, the PA DEP or any other governmental authority seeking any information under or alleging any violation of any Environmental Law with respect to the Property. The Company has not caused or permitted the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any Hazardous Materials. The Company has not caused or permitted, nor does the Company have

any Knowledge of, any release, spill, leak, emittance, discharge, leaching, seeping, draining or dumping of any Hazardous Materials on the Property or off site emanating from the Property. To the best of the Company's knowledge, there are no underground or above-ground tanks at the Property. To the Knowledge of the Member there are no Hazardous Substances at the Property in excess of tolerances allowed by Environmental Laws. To the Knowledge of the Member, there is no asbestos-containing material, and there are no PCB's, incorporated, installed or otherwise located in or on the Property. "Hazardous Material" means the collective meanings given to the terms "hazardous material", "hazardous substances" and "hazardous waste" in the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC §9601 et seq., as amended, the Resource Conservation and Recovery Act, 42 USC §6901 et seq., as amended, the Federal Water Pollution Control Act, 33 USC §1251 et seq., as amended, the Oil Pollution and Control Act of 1990, the Hazardous Materials Transportation Act, 49 USC §1801 et seq., as amended, and shall also include any meanings given to such terms in any similar federal, state or local statutes, ordinances, regulations, or executive orders concerning or relating to industrial hygiene or the protection of health or the environment ("Environmental Laws"). Without limiting the generality of the foregoing, the term "Hazardous Material" shall include oil and any other substance known to be hazardous, such as hazardous waste, lead-based paint, asbestos, methane gas, radon gas, urea formaldehyde insulation, oil, polychlorinated byphenyls ("PCB's"). As used herein, the term "Knowledge" means the actual knowledge of the Member, without having made any investigation or inquiry in connection with the transactions contemplated by this Agreement, and with due regard to the following considerations: (i) the Company acquired the Property and the System Equipment on June 30, 2006 and did not conduct any environmental audit or investigation of the Property or System Equipment in connection with the acquisition, (ii) the Company has not conducted any environmental audit of the Property or System Equipment during the period of its ownership and is not otherwise in possession of any environmental report or information with respect to the environmental condition of the Property conducted by any third party; (iii) the Purchaser acknowledges that it has had the opportunity to engage third parties to perform environmental investigations of the Property and the System Equipment in connection with the transactions contemplated hereby and has not done so.

2.14. No Name Change. The operations now being conducted by the Company have not been conducted under any other name during the period of its ownership, which commenced on June 30, 2006. Prior to that date, the subject water system was owned and operated by the Company's predecessor, Twin Lakes Water Company, Inc.

### ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

The Purchaser hereby represents and warrants to the Company as follows:

3.1. Organization and Good Standing. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania.

3.2. Authority and Compliance. The Purchaser has full corporate power and lawful authority to execute and deliver this Agreement. The consummation and performance by the Purchaser of the transaction contemplated by this Agreement have been duly and validly

authorized by all necessary corporate proceedings, and this Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms. The execution, delivery and performance of this Agreement by the Purchaser will not conflict with or result in the breach or violation of any term or provision of, or constitute a default under, the certificate of incorporation or by-laws of the Purchaser, or any mortgage, note or other agreement or instrument to which the Purchaser is a party or by which it is bound.

#### ARTICLE 4. INDEMNIFICATION.

4.1. Indemnification by the Company and the Member. From and for a limited period of two years after the Closing, the Company and the Member (subject to the limitations below) shall, jointly and severally, indemnify the Purchaser and Middlesex, and hold the Purchaser and Middlesex harmless, against and in respect of:

- (a) any and all liabilities and obligations of the Company of any nature whatsoever;
- (b) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against the Purchaser that relate to the Company or its business and operations, in which the event giving rise thereto occurred prior to the date hereof or which result from or arise out of any action or inaction prior to the date hereof on the part of the Company or any member, manager, officer, employee, agent, representative or subcontractor of the Company;
- (c) any and all damage, loss, liability or deficiency resulting from any misrepresentation, or any breach of any warranty or of any covenant or agreement, on the part of the Company or the Member under this Agreement;
- (d) any and all damage, loss, liability or deficiency for payment of or failure on the part of the Company or the Member to pay any taxes or the filing of or failure to file any reports required in connection therewith; and
- (e) any and all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and other expenses (including, without limitation, reasonable audit and legal fees) incident to any of the foregoing.

The liability of the Member pursuant to this Section 4.1 shall be limited to claims arising from (i) a breach of the representations in Sections 2.5 and 2.13 above, (ii) breach by the Member of the covenant set forth in Section 6 below, (iii) failure by the Company or the Member to pay any taxes (including penalties or interest, if any, with respect thereto); (iv) actions by any creditor of the Company or the Member to collect from Purchaser any liabilities and obligations of the Company and/or the Member.

4.2. Indemnification by the Purchaser. From and after the Closing, the Purchaser shall indemnify the Company and the Member, and hold the Company and the Member harmless, from and against:

(a) any and all damage, loss, liability or deficiency resulting from any misrepresentation, or any breach of any warranty or of any agreement or covenant, on the part of the Purchaser under this Agreement;

(b) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against the Company that relate to the Purchased Assets or the operation thereof, in which the event giving rise thereto occurred after the date hereof or which result from or arise out of any action or inaction after the date hereof on the part of the Purchaser or any director, officer, employee, agent, representative or subcontractor of the Purchaser and all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and other expenses (including, without limitation, reasonable legal fees) incident to any of the foregoing.

4.3. Method of Asserting Claims, Etc. All claims for indemnification under this Article 4 shall be asserted and resolved as follows:

(a) In the event that any claim or demand for which the Company or the Member would be liable to the Purchaser hereunder is asserted against or sought to be collected from the Purchaser by a third party, the Purchaser shall promptly notify the Company and the Member of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "*Claim Notice*"). The Company and the Member shall have 10 days from their receipt of the Claim Notice (the "*Notice Period*") to notify the Purchaser (i) whether or not they dispute their liability to the Purchaser hereunder with respect to such claim or demand and (ii) whether or not they desire, at their sole cost and expense, to defend the Purchaser against such claim or demand. In the event that the Company or the Member notify the Purchaser within the Notice Period that they desire to defend the Purchaser against such claim or demand, except as hereinafter provided, the Company and the Member shall have the right to defend the Purchaser by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by them to a final conclusion in such a manner as to avoid any risk of the Purchaser becoming subject to liability for any other matter. If the Purchaser desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If, in the reasonable opinion of the Purchaser, any such claim or demand involves an issue or matter which could have a materially adverse effect on the business, operations, properties, assets or prospects of the Purchaser, the Purchaser shall have the right to control the defense or settlement of any such claim or demand and its reasonable costs and expense shall be included as part of the indemnification obligations of the Company and the Member hereunder. If the Purchaser elects to exercise such right, the Company and the Member shall have the right to participate in, but not control, the defense or settlement of such claim or demand at the sole cost and expense of the Company and the Member. If the Company and the Member elect not to defend the Purchaser against such claim or demand, whether by not giving the Purchaser timely notice as provided above or otherwise, then the amount of any such claim or demand (or, if the same be contested by the Company or the Member or by the Purchaser (but the Purchaser shall have no obligation to contest any such claim or demand), then that portion thereof as to which such defense is unsuccessful), shall be conclusively deemed to be a liability of the Company and the Members hereunder.

(b) In the event the Purchaser shall have a claim against the Company or the Member hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Purchaser shall promptly send a Claim Notice with respect to such claim to the Company and the Member. If the Company and the Member do not notify the Purchaser within the Notice Period that they dispute such claim, the amount of such claim shall be conclusively deemed a liability of the Company and the Member hereunder.

(c) Nothing herein shall be deemed to prevent the Purchaser from making a claim hereunder for potential or contingent claims or demands, provided the Claim Notice sets forth the specific basis for any such potential or contingent claim or demand to the extent then feasible and the Purchaser has reasonable grounds to believe that such a claim or demand may be made.

(d) All claims for indemnification by the Company or the Member under this Agreement shall be asserted and resolved under the procedures set forth above, substituting in the appropriate place "*the Company*" or the name of such Member for "*the Purchaser*" and vice versa.

ARTICLE 5. RECOVERY AND REIMBURSEMENT OF CERTAIN COSTS.

The Company installed two lengths of water main in a yet unbuilt portion of the subdivision serviced by the Company. The cost of these installations is \$14,700. The Purchaser shall apply to the Pennsylvania Public Utility Commission (PAPUC) to recover the costs as impact fees from utility customers as they connect to the water mains. In the event that the Purchaser's application is approved by the PAPUC, then the Purchaser agrees to pay the impact fees to the Company if and when the same are collected from the connecting utility customer.

ARTICLE 6. COLLECTION OF PURCHASED A/R AND DEFERRED A/R.

6.1. General. The Company and the Member, jointly and severally, agree to turn over to the Purchaser any and all payments received from customers in respect of Purchased A/R following the Closing. Customer checks received by the Company shall be endorsed to the Purchaser and delivered to the Purchaser once weekly. The Company and the Member agree that all payments so received from customers shall be held in trust for the Purchaser pending delivery thereof to the Purchaser. At Purchaser's request, the Company shall give written notification to the Company's customers of the assignment of the Purchased A/R to the Purchaser and instructions to forward payments to the address specified by the Purchaser.

6.2. Deferred A/R and Unbilled Revenue. The Purchaser has held back payment of \$5,074.55 representing balances due on the following accounts receivable identified in Schedule 1.1(b) (collectively, the "Deferred A/R") and unbilled revenue for the period August 1 – October 31, 2009, in the amount of \$70.50 per customer:

| <u>Account No.</u> | <u>Name</u> | <u>Balance</u> | <u>Unbilled Rev</u> | <u>Total</u> |
|--------------------|-------------|----------------|---------------------|--------------|
| 20123              | Figuroa     | \$535.81       | \$70.50             | \$606.31     |
| 40533              | Babcock     | \$492.50       | \$70.50             | \$563.00     |

|       |         |            |         |            |
|-------|---------|------------|---------|------------|
| 40576 | Guensch | \$822.67   | \$70.50 | \$893.17   |
| 40743 | King    | \$1,004.57 | \$70.50 | \$1,075.07 |
| 40749 | Manzoni | \$ 597.50  | \$70.50 | \$ 668.00  |
| 40759 | Garcia  | \$493.50   | \$70.50 | \$ 564.00  |
| 40760 | Edwards | \$493.50   | \$70.50 | \$ 564.00  |

For each of the above accounts, the Purchaser shall pay the Company the respective totals of accounts receivable plus unbilled revenue listed above if and when the applicable customer enters into a written payment plan with the Purchaser for payment of the entire balance. If they do not enter a written payment plan, Purchaser shall pay the Company when, as and if the account debtor pays the Company the balances thereof. The Purchaser shall use commercially reasonable efforts to locate and offer payment plans to the above customers.

Two accounts listed on Schedule 1.1(b) – no. 40757 (Quill) and 20117 (Weldon), are deemed written off by the Company and are not Purchased A/R.

Purchaser shall give an accounting to the Company of all amounts collected by Purchaser in respect of Deferred A/R once monthly for six months after the Closing, and thereafter as and when necessary by reason of receipt of collections.

ARTICLE 7. MISCELLANEOUS MATTERS.

7.1. Survival of Representations and Warranties. All representations and warranties made by the Company, the Member or the Purchaser in this Agreement shall survive for a limited period of two years following the Closing, notwithstanding any investigation made by or on behalf of the Purchaser, provided however that any action or suit thereon must be commenced by the date that is two years after the Closing.

7.2. Right of Collection. The Purchaser shall be entitled to collect for its own account all Purchased A/R and other items transferred to the Purchaser, and to endorse with the name of the Company any checks received on account of such receivables or other items. The Company agrees that it shall, at all times after the Closing, maintain any cash or property in trust, and promptly transfer and deliver such cash or property to the Purchaser, which the Company may receive in respect of such Purchased A/R. The Company shall at Purchaser's request give written notice to customers of the change in address for payment of invoices.

7.3. Further Assurances. At any time and from time to time after the Closing, at the request of the Purchaser and without further consideration, the Company and the Member shall execute, acknowledge and deliver all such further documents, and shall do and perform all such further acts and deeds, as may reasonably be requested to more effectively vest in the Purchaser the rights and benefits intended to be conferred hereby.

7.4. Mail. After the Closing, the Purchaser may receive and open all mail addressed to the Company and deal with the contents thereof at its discretion. The Purchaser shall remit to the Company all mail that does not relate to the Company Assets or the obligations of the Company assumed by the Purchaser.

7.5. Changes, Waivers. No provision of this Agreement may be changed or waived orally or by any course of dealing, but only by an instrument in writing signed by the party to be charged with such change or waiver.

7.6. Brokerage, Expenses, Taxes, Etc.

(a) The Purchaser, the Company and the Members represent and warrant that all negotiations relative to this Agreement have been carried on by them directly without the intervention of any person, firm or corporation. The Company and the Members shall indemnify the Purchaser and hold it harmless against and in respect of any claim for brokerage or other commissions relative to this Agreement or the transaction contemplated hereby made by any person, firm or corporation claiming through the Company, the Members, or any of them. The Purchaser shall similarly indemnify the Company and the Members as to any such claim made by any person, firm or corporation claiming through the Purchaser.

(b) Each party shall pay all of its own legal, accounting and other fees and expenses incurred by it in connection with this Agreement and the transaction contemplated hereby.

7.7. Cooperation. Subject to the terms and conditions herein provided, each of the parties hereto shall use its best efforts to take (or cause to be taken) such action, to execute and deliver (or cause to be executed and delivered) such additional documents and instruments, and to do (or cause to be done) all things necessary, proper or advisable under the provisions of this Agreement and under applicable law, to consummate and make effective the transaction contemplated by this Agreement.

7.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of such counterparts together shall be deemed to be one and the same instrument.

7.9. Contents of Agreement; Parties in Interest; Assignment, Etc. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. All previous agreements and understandings between the parties regarding the subject matter hereof are merged into and superseded by this Agreement. The Purchaser may assign its rights and benefits hereunder, including the benefit of any representation, warranty, covenant or indemnification, to any third party, but no other party hereto shall assign this Agreement or any right or benefit hereunder without the prior written consent of the Purchaser. Subject to the foregoing, all representations, warranties, covenants, terms and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, legal representatives, successors and assigns of the parties hereto.

7.10. Section Headings and Gender. The section headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof. The use of the masculine or any other pronoun herein when referring to any

party is for convenience only and shall be deemed to refer to the particular party intended regardless of the actual gender of such party.

7.11. Certain Term. As used in this Agreement, the term "*including*" means "*including, without limitation*".

7.12. Notices. All notices, consents, waivers or other communications which are required or permitted hereunder shall be in writing and shall be sufficient if delivered personally (including by means of recognized courier service for which a written receipt is given) or by registered or certified mail, return receipt requested, postage prepaid, as follows (or to such other address as shall be set forth in a notice given in the same manner):

If to the Purchaser:

Twin Lakes Utilities, Inc.  
c/o Middlesex Water Company  
1500 Ronson Road  
P.O. Box 1500  
Iselin, New Jersey 08830  
Attn: Richard M. Risoldi  
Vice President – Subsidiary Operations

With a copy to:

Kenneth J. Quinn, Esq.  
Vice President and General Counsel

If to the Company and/or the Member:

Twin Lakes Water Services, LLC  
23 Sutton Road  
Lebanon, New Jersey 08833  
Attention: Nicholas P. Braco, Jr.

With a copy to:

Douglas R. Henshaw, Esq.  
Porzio, Bromberg & Newman P.C.  
100 Southgate Parkway  
PO Box 1997  
Morristown, NJ 07962

All such notices shall be deemed to have given on the date personally delivered or mailed in the manner provided above.

7.13. Governing Law. This Agreement shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

TWIN LAKES WATER SERVICES, LLC

By: Nicholas P. Braco, Jr.  
Name Nicholas P. Braco, Jr.  
Title: Managing Member

Nicholas P. Braco, Jr.  
Nicholas P. Braco, Jr., Individually, as to  
Sections 2.5, 2.13, 4.1 and 6

TWIN LAKES UTILITIES, INC.

By: Richard M. Risoldi  
Richard M. Risoldi  
President

## SCHEDULES

Each schedule number corresponds to the section of the Agreement in which such schedule is referred to.

Schedule 1.1(b)      [Purchased A/R]:  
See Attached Excel Spreadsheet

Schedule 1.5      [Allocation of purchase price]:

|                          |             |
|--------------------------|-------------|
| Utility Plant in Service | \$35,000.00 |
| System Equipment         | \$28,450.00 |
| Accounts Receivable      | \$14,461.50 |
| Total                    | \$77,911.50 |

Schedule 2.3      [Licenses and Permits]:  
Certificate of Public Convenience from Pennsylvania Public Utilities Commission, described in the Order referred to in Schedule 2.6

Schedule 2.6      [Governmental Authorizations]:  
Order of the Pennsylvania Public Utilities Commission (Docket Nos. 2050089 and 2050092) adopted February 26, 2009 and entered March 2, 2009

Schedule 2.13      [Environmental Matters]  
The PA DEP has issued "boil water advisories" in connection with pump failures. There are no such advisories currently pending.

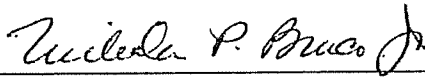
BILL OF SALE

For value received, TWIN LAKES WATER SERVICES, LLC, a New Jersey limited liability company ("Transferor"), does hereby sell, transfer and convey to TWIN LAKES UTILITIES, INC., a Pennsylvania corporation ("Transferee"), pursuant to the Asset Purchase Agreement dated as of November 3, 2009 between Transferor and Transferee (the "Purchase Agreement") all of Transferor's right, title and interest in and to the Company Assets(as such term is defined in the Purchase Agreement).

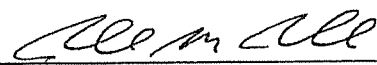
This Bill of Sale is given pursuant to the Purchase Agreement and is subject to the representations, warranties, and covenants of the parties contained therein. Except as expressly stated in the Purchase Agreement, Transferor makes no representations and warranties, express or implied, with respect to the Purchased Assets.

**IN WITNESS WHEREOF**, the undersigned have each executed and delivered this Bill of Sale as of the 3<sup>rd</sup> day of November, 2009.

TWIN LAKES WATER SERVICES, LLC

By:   
Nicholas P. Braco, Jr.  
Managing Member

TWIN LAKES UTILITIES, INC.

By:   
Richard M. Risoldi  
President

## OPTION AND SALE AGREEMENT

AGREEMENT made this day November 3, 2009, by and between: TWIN LAKES UTILITIES, INC. ("OPTIONOR"), and Nicholas P. Braco, Jr. ("OPTIONEE").

### WITNESSETH:

WHEREAS, Optionor is the owner of certain unimproved real property premises commonly known as Block No. 1, Lot 1, Account No./Control # 12-0-109553 in the Tax Map of the Township of Shohola, Pike County, Pennsylvania, consisting of approximately 1.15 acres (the "Property") and more particularly described on Exhibit A attached hereto and made a part hereof, having acquired the same by deed from Optionee dated the date hereof; and

WHEREAS, Optionee desires to enter into an option to purchase a portion of the Property from Optionor to be defined and determined as set forth below (the "Premises") in accordance with the terms and conditions hereof, provided that Optionee can obtain necessary governmental approvals to subdivide the Property and develop the portion thereof to be conveyed to Optionee with a single family residence; and

WHEREAS, Optionor is willing to grant the Option provided that any proposed subdivision and development of the Premises does not adversely affect the ability of Optionor to construct, maintain and operate the public water supply system located on and adjacent to the Property; and

WHEREAS, the parties hereto intend to be bound by the provisions of this Agreement and set forth their entire mutual understanding with respect to the terms of the option and the potential sale as contemplated herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows:

1. **GRANT OF OPTION.** Optionor does hereby grant to Optionee the sole and exclusive option to purchase the Premises. The Premises shall be defined and described by agreement of the parties as set forth below, and shall in no event include the existing well, pump house or areas within 100 feet of either structure. The area of the Property reserved to Optionor following subdivision shall have pedestrian and vehicular access to a public street and shall be satisfactory to Optionor, in its sole discretion, for the construction, maintenance and operation by Optionor of the public water supply system located on and adjacent to the Property. Optionee shall obtain, at Optionee's expense, an engineer's subdivision plan depicting the proposed subdivision line of the Premises and depicting each of the Premises and remaining part of the Property by metes and bounds. The proposed subdivision plan shall be subject to Optionor's approval.
2. **PURCHASE PRICE.** The purchase price to be paid by Optionee to Optionor for purchase of the Premises shall be One Hundred Dollars (\$100.00), payable in full at closing.
3. **TERM OF OPTION.** The term of this option shall commence on the date hereof and shall terminate on November 3, 2011, unless exercised by Optionee.

4. *CONSIDERATION FOR OPTION.* This Option has been granted by Optionor for and in consideration of the conveyance of the Property by Optionee to Optionor and for other good and valuable consideration, receipt of which is hereby acknowledged.

5. *EXERCISE OF OPTION.* At any time prior to the expiration of the option period(s), Optionee shall have the right to exercise its option to purchase the Premises; Optionee shall exercise its option by giving written notice to that effect to Optionor. In that event, closing of title shall take place not more than thirty (30) days after the Approvals are obtained in satisfaction of the condition set forth in Section 6.

6. *APPROVAL CONTINGENCY, OPTIONEE'S OBLIGATIONS.* The obligation of the Optionor to close title shall be subject to satisfaction of the condition that Optionee, at its own cost and expense, obtain all requisite governmental (federal, state, county, and local) approvals and permits in form and substance reasonably satisfactory to the Optionor, including, without limitation, preliminary and final site plan approval, any necessary relief by way of variances (any variances sought being subject to the limitations set forth below), final subdivision approval, sewer extension permits, sewer connection permits, utility connection permits, road opening permits and curb cut permits needed to enable Optionee to subdivide the Property and construct on the Premises a single family residence (hereinafter "Approvals" and "Contemplated Use"). The Optionee shall be responsible for obtaining, and paying any and all costs associated with obtaining, all Approvals. Optionor shall cooperate with the Optionee in executing any land use application or authorizations necessary for the Optionee to obtain the appropriate governmental approves. The Optionee or its engineer shall provide the Optionor with a complete copy of all filed applications and any subsequent amendments thereto within five (5) days of filing the application or amendment. In addition, the Optionee shall provide Optionor with timely notification of any board meetings at which the Optionee's application may be considered. In the event the Optionee is unable to obtain the Approvals within eighteen (18) months after the date of exercise of this Option, then the Optionor shall have the option of canceling this contract by written notice thereof to Optionor..

7. *OPTIONOR'S OBLIGATIONS.* Optionor represents, covenants and agrees that it shall abide by each and every provision hereinafter, and, as applicable, represents that each and every statement hereinafter is true as of the date hereof and shall remain true throughout the term of the option:

(a) Optionor shall not sell or offer to sell or in any way dispose of the Premises.

(b) Optionor shall execute any and all documents reasonably necessary to enable Optionee to proceed with any application or litigation in connection with the rezoning of the Premises, provided, however, that all such documents shall be prepared by Optionee at Optionee's expense, shall contain only accurate statements and the cost of all such proceedings shall be borne by Optionee.

(c) Optionor represents that no person, firm or other entity has any right or option to acquire the Premises, or any portion thereof, or any interest therein.

8. *ENTRY ONTO THE PREMISES.* During the term of this Option and Sale Agreement, before and after the exercise of the option given hereunder, Optionee, its assigns, designees, nominees, agents and servants shall have the right to enter upon the Premises for the purpose of conducting such engineering tests, studies, surveys and other procedures as it shall deem necessary. Optionee agrees to indemnify and save Optionor harmless from and against any and all claims, demands, charges, expenses or judgments with respect to any personal injury, property damage or other liability which Optionor may incur arising out of such entry and activity by Optionee, including reasonable attorneys' fees. Optionor shall restore the Premises to their condition prior to such entry. The provisions of this Paragraph 8 shall survive the termination or closing hereunder, except that if Optionee exercises the option and purchases the Premises, it shall have no obligation to restore the Premises if it had not theretofore restored the Premises as above provided.

9. *CONSEQUENCES OF FAILURE TO EXERCISE OPTION OR TERMINATION OF OPTION.* If Optionee has not exercised its option to purchase the Premises prior to the expiration of the option period, TIME BEING OF THE ESSENCE, then this Option and Sale Agreement shall terminate. In that event, Optionee shall have no further rights under this Option and Sale Agreement. In such event, neither Optionor nor Optionee shall have any further liability to the other, except that Optionee shall execute any and all documents necessary to signify of record the termination of this Option and Sale Agreement.

10. *NO RECORDING OF OPTION AND SALE AGREEMENT OR A MEMORANDUM THEREOF.* Optionor and Optionee agree that neither this Option and Sale Agreement nor any memorandum thereof may be recorded by Optionee, in the land records of the County wherein the Premises are located. If this Option and Sale Agreement is recorded, then by its recordation hereof the parties hereto agree that this Option and Sale Agreement shall thereupon be null and void and of no force and effect.

11. *TERMS AND PROVISIONS OF THE AGREEMENT OF SALE.* The parties hereto agree that if and when Optionee exercises its option to purchase, the following terms and conditions shall apply.

(a) Property taxes shall be prorated through the date of Closing, with the date of Closing being an item of expense to Optionee;

(b) At Closing, Optionor shall convey to Optionee good and marketable title to the Premises, free and clear of mortgages and monetary encumbrances; and

(c) Optionee shall furnish to Optionor prior to Closing, such documents and proofs as are necessary in the judgment of Optionor and its counsel, to establish that the Approvals have been obtained and the conditions in Section 6 have been satisfied.

12. *MISCELLANEOUS PROVISIONS.* The parties hereto agree that the provisions of this paragraph shall apply to this entire Option and Sale Agreement and shall continue to apply if and when Optionee exercises its option as if the following provisions were incorporated in Paragraph 12 hereof.

A. *HEADINGS.* The article headings contained in this Option and Sale Agreement are for reference only for the convenience of the parties. They shall not be deemed to constitute a part of this Option and Sale Agreement nor shall they alter or supersede the contents of the articles themselves.

B. *GOVERNING LAW.* This Option and Sale Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to agreements made and to be performed wholly within the State of New Jersey.

C. *NOTICES.* Any notice required, permitted or appropriate hereunder shall be served upon the respective parties by certified mail, return receipt requested, as follows:

If to the Optionor:

Twin Lakes Utilities, Inc.  
c/o Middlesex Water Company  
1500 Ronson Road  
P.O. Box 1500  
Iselin, New Jersey 08830  
Attn: Richard M. Risoldi  
Vice President Subsidiary Operations

With a copy to

Kenneth J. Quinn  
Vice President and General Counsel

If to the Optionee::

Nicholas P. Braco, Jr.  
23 Sutton Road  
Lebanon, New Jersey 08833  
Attention: Nicholas Braco

With a copy to:

Douglas R. Henshaw, Esq.  
Porzio, Bromberg & Newman P.C.  
100 Southgate Parkway  
PO Box 1997  
Morristown, NJ 07962

D. *ASSIGNMENT AND SALE.* This Agreement is personal to Optionee and shall be non assignable, except to another legal entity entirely owned by Nicholas P. Braco, Jr. . For purposes hereof, a merger or consolidation of Optionee with one or more legal entities, or a change in voting control of Optionee such that Nicholas P. Braco, Jr. is not the sole member of Optionee, shall be deemed an assignment hereof.

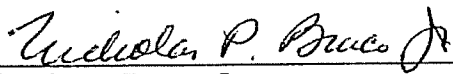
E. *EFFECT OF AGREEMENT.* This Option and Sale Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns.

F. *ENTIRE AGREEMENT.* This Option and Sale Agreement represents the entire agreement and understanding between the parties hereto and no oral representations or promises have been made with respect thereto.

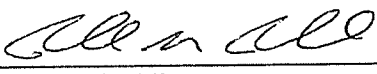
G. *MODIFICATION OF AGREEMENT.* This Option and Sale Agreement may not be altered or modified orally, except by written agreement executed by the parties hereto.

H. *COUNTERPARTS.* This Option and Sale Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals and caused this Option and Sale Agreement to be executed the day and year first above written.

  
\_\_\_\_\_  
Nicholas P. Braco, Jr.

TWIN LAKES UTILITIES, INC.

By:   
\_\_\_\_\_  
Richard M. Risoldi  
President

**CLOSING STATEMENT**

Reference is made to the Asset Purchase Agreement dated the date hereof between Twin Lakes Utilities, Inc. ("Purchaser") and Twin Lakes Water Services, LLC ("Seller"). The parties acknowledge and confirm the closing figures and sources of uses of funds set forth below:

**I. Seller Transaction**

**Due to Seller:**

|                             |              |
|-----------------------------|--------------|
| Base Purchase Price         | \$ 35,000.00 |
| Equipment Reimbursement     | 28,450.00    |
| Accounts Receivable Payment | 7,410.75     |
| Unbilled Revenue Payment    | 7,050.75     |

**Payments to or on behalf of Seller**

|                                     |                    |                    |
|-------------------------------------|--------------------|--------------------|
| Satisfaction of Mortgage            | \$30,000.00        |                    |
| Dennis Corcoran (Seller Contractor) | 23,000.00          |                    |
| NJ Division of Taxation Escrow      | 3,726.62           |                    |
| Shohola Twp. 2009 Co/Twp. Tax       | 66.31              |                    |
| Shohola Twp. 2008-2009 School Tax   | 286.83             |                    |
| Shohola Twp. 2009-2010 School Tax   | 226.96             |                    |
| Recording Fees                      | 55.00              |                    |
| County Stamp Tax                    | 350.00             |                    |
| Proceeds to Seller                  | <u>20,199.98</u>   |                    |
|                                     | <u>\$77,911.50</u> | <u>\$77,911.50</u> |

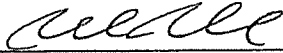
**II. Sources and Uses Statement**

|                                   | <u>Uses</u>        | <u>Sources</u>     |
|-----------------------------------|--------------------|--------------------|
| Purchaser Funds                   |                    | \$83,000.00        |
| Susan Rogers (Mortgage Discharge) | \$30,000.00        |                    |
| Dennis Corcoran                   | 23,000.00          |                    |
| NMM - NJ Bulk Transfer Escrow     | 3,726.62           |                    |
| Brokers Abstract and Insurance Co | 2,267.59           |                    |
| Twin Lakes Water Services LLC     | 20,199.98          |                    |
| Middlesex Water Company           | <u>3,805.81</u>    |                    |
|                                   | <u>\$83,000.00</u> | <u>\$83,000.00</u> |

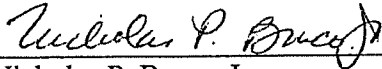
**III. Title Company Charges and Payments**

|                                   |                   |
|-----------------------------------|-------------------|
| Title Insurance Premiums          | \$ 456.25         |
| Recording Fees                    | 150.00            |
| Transfer Taxes                    | 700.00            |
| Closing Fee                       | 225.00            |
| Shohola Twp. 2009 Co/Twp. Tax     | 75.81             |
| Shohola Twp. 2008-2009 School Tax | 433.57            |
| Shohola Twp.2009-2010 School Tax  | <u>226.96</u>     |
|                                   | <u>\$2,267.59</u> |


TWIN LAKES UTILITIES, INC.

By:   
Rich Risoldi, President

TWIN LAKES WATER SERVICES, LLC.

By:   
Nicholas P. Braco, Jr.  
Member

BROKERS ABSTRACT AND SEARCH COMPANY  
(as to Part III)

By: 

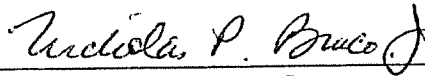
TWIN LAKES WATER SERVICES, LLC

MEMBER'S CERTIFICATE

The undersigned, the sole member of TWIN LAKES WATER SERVICES, LLC, a New Jersey limited liability company ("Company"), does hereby certify to TWIN LAKES UTILITIES, INC., a Pennsylvania corporation ("Purchaser"), pursuant to the Asset Purchase Agreement dated as of November 3, 2009 between the Company and the Purchaser (the "Purchase Agreement") as follows:

1. Nicholas P. Braco, Jr. is the sole member and manager of the Company.
2. The Company is authorized to enter into and perform its obligations under the Purchase Agreement.
3. Nicholas P. Braco, Jr. is authorized to execute and deliver on behalf of the Company the Purchase Agreement, and deeds, bills of sale, assignments, and other agreements, instruments and documents, and to do such other acts or things, which may be necessary and desirable to carry out the Purchase Agreement and the transactions contemplated thereby.

IN WITNESS WHEREOF, the undersigned have each executed and delivered this Bill of Sale as of the 3<sup>rd</sup> day of November, 2009.



Nicholas P. Braco, Jr.

TWIN LAKES UTILITIES, INC.

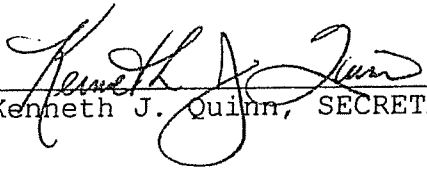
SECRETARY'S CERTIFICATE

The undersigned, Secretary of TWIN LAKES UTILITIES, INC., a Pennsylvania corporation (the "Company"), in connection with the Company's execution and delivery of the Asset Purchase Agreement dated the date hereof (the "Agreement") by and between the Company and Twin Lakes Water Services, LLC (the "Purchaser") does hereby certify to the Lender that:

- (A) Attached hereto as Exhibit A is a true and correct copy of resolutions (the "Resolutions") duly adopted by the Board of Directors of the Company approving the transactions contemplated by the Agreement, which Resolutions have not been modified or rescinded since their adoption, are in full force and effect as of the date hereof, and were adopted in accordance with the Articles of Incorporation and the Bylaws of the Company as in effect at such time; and
- (B) The following are the duly elected, qualified and acting officers of the Company, and that the signatures set forth opposite their respective names below are the true signatures of said officers.

| <u>NAME</u>       | <u>OFFICE</u>                                 |
|-------------------|---|
| RICHARD RISOLDI   | PRESIDENT                                     |
| A. BRUCE O'CONNOR | VICE PRESIDENT<br>AND CHIEF FINANCIAL OFFICER |
| KENNETH J. QUINN  | SECRETARY                                     |

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of November 3, 2009.

  
Kenneth J. Quinn, SECRETARY

The undersigned, President of the Company, certifies that Kenneth J. Quinn is the duly elected, qualified and acting Secretary of the Company and that the signature set forth immediately above is his genuine signature.

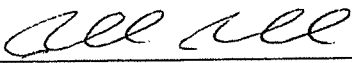
  
Richard Risoldi

EXHIBIT A

Board Resolutions

Adopted by unanimous vote at a meeting duly called and held on October 30, 2009.

**RESOLVED**, that the Company is authorized to purchase substantially all of the business assets of TWIN LAKES WATER SERVICES LLC ("Seller") upon the terms and conditions set forth in the draft of the Asset Purchase Agreement by and between the Company and the Seller in the form attached hereto as Exhibit A (the "Purchase Agreement"), with such changes and additions as the officer authorized below may deem appropriate; and be it further

**RESOLVED**, in connection with the transactions contemplated by the Purchase Agreement, the Company is authorized to enter into an Option and Sale Agreement by and between the Company and Nicholas P. Braco, Jr., the sole member of the Seller in the form attached hereto as Exhibit B (the "Option Agreement") with such changes and additions as the officer authorized below may deem appropriate; and be it further

**RESOLVED**, that that Richard Risoldi, in his capacity as President of the Company, and Kenneth J. Quinn, in his capacity as Secretary of the Company be and they hereby are, authorized to execute, acknowledge and deliver on behalf of the Company the Purchase Agreement, the Option Agreement and all agreements, certificates, documents and other instruments, and to do such other acts and things, as are called for under the Purchase Agreement and the Option Agreement, and which otherwise are necessary or desirable to effectuate the transactions described in the immediately preceding paragraphs, and his execution of such documents shall constitute conclusive evidence of his or her authority to do so.

Exhibit A - Form of Asset Purchase Agreement  
Exhibit B - Form of Option and Sale Agreement

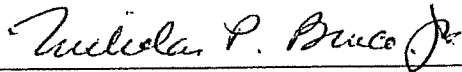
CERTIFIED ACCOUNTS RECEIVABLE LIST

For value received, TWIN LAKES WATER SERVICES, LLC, a New Jersey limited liability company ("Transferor"), does hereby certify to TWIN LAKES UTILITIES, INC., a Pennsylvania corporation ("Transferee"), pursuant to the Asset Purchase Agreement dated as of November 3, 2009 between Transferor and Transferee (the "Purchase Agreement") that attached hereto is a list of the Transferor's Accounts Receivable and the outstanding balances thereof as of the date hereof, and that the list represents a true and accurate statement of the uncollected balances due to the Transferor from customers for the provision of water service.

The last billing by Transferor to its customers was for the three months ended July 31, 2009.

**IN WITNESS WHEREOF**, the undersigned have each executed and delivered this Bill of Sale as of the 3<sup>rd</sup> day of November, 2009.

TWIN LAKES WATER SERVICES, LLC

By:   
Nicholas P. Braco, Jr.  
Managing Member



File No. **BT-56730**

Parcel ID No. **12-0-109553**

**This Indenture**, made the 3rd day of November, 2009,

**Between**

**TWIN LAKES WATER SERVICES, LLC, A NEW JERSEY LIMITED LIABILITY COMPANY**

(hereinafter called the Grantor), of the one part, and

**TWIN LAKES UTILITIES, INC., A PENNSYLVANIA CORPORATION**

(hereinafter called the Grantee), of the other part,

**Witnesseth**, that the said Grantor for and in consideration of the sum of **thirty-five thousand and 00/100 Dollars (\$35,000.00)** lawful money of the United States of America, unto it well and truly paid by the said Grantee, at or before the sealing and delivery hereof, the receipt whereof is hereby acknowledged, has granted, bargained and sold, released and confirmed, and by these presents does grant, bargain and sell, release and confirm unto the said Grantee

ALL THAT CERTAIN lot, parcel and piece of land, situate in the Township of Shohola, County of Pike and State of Pennsylvania, more particularly described as follows, to wit:

BEGINNING at a point in the center of Sagamore Road, said point being the extension of the Easterly line of Lot 1 Block 1; thence (1) leaving said road and along the Easterly said line of Lot 1 Block 1 revised, State 1, as shown and laid out on a map entitled "Plan of Lots, Sagamore Estates, State 1 revised, Block 1, Block 2 and Block 3, Shohola Township, Pike County, Penna.", Scale 1"=100 feet, filed December 1967, in Plat Book 6, at page 120 and again filed in Plat Book 6, at page 196, North 17 degrees 16 minutes, East 148.99 feet to a point, said point being the Northeasterly corner of said Lot 1; thence (2) North 24 degrees, 04 minutes, East 150 feet more or less to an iron pipe; thence (3) South 62 degrees, 11 minutes, East 320 feet more or less to a point where the Northerly line of Tee Pee Drive intersects the Northerly line of the whole tract of which this is a part; thence (4) in a Southwesterly direction 20 feet more or less to a point at the center of Tee Pee Drive; thence (5) in a Westerly direction along the center of said Tee Pee Drive the various courses to a point at the center line intersection of said Tee Pee Drive with Sagamore Road; thence (6) along the center of said Sagamore Road, North 70 degrees, 22 minutes, West 145.00 feet to the point and place of beginning.

TOGETHER with a water distribution system including, but not limited to those facilities, lines, pipes, conduits, valves and accessories shown, detailed and laid out on a map or drawing incorporated herein by referenced, prepared and made by Edward C. Hess Associates, Inc., Consulting Engineers and Surveyors, Stroudsburg, PA, dated

August 27, 1976, Scale 1"=200 feet. Said map or drawing embraces the several maps filed in the Office of the Recorder of Deeds, including Section 1, Section 2 and the several Stage maps heretofore filed by Sagamore Estates, Inc. and Deabel Inc., and is embraced or contained within the boundaries of the tax assessment maps of the Township of Shohola, County of Pike, more particularly, Map #78.02 and Map #78.04.

TOGETHER with the right, privilege and authority to construct, reconstruct, operate and maintain aerial and/or underground lines, equipment and appurtenant facilities as said Grantee may deem necessary and proper for the operation of water transmission and distribution systems and communication systems or utility services which the Grantee may be authorized to provide now or in the future, upon, over, across, under and along the private roads, streets or highways, including the service extensions of these lines to individual lots as may be from time to time necessary, including the right of ingress and egress to and from the said lines and service extensions at all times for any of the aforesaid purposes; and also the right to trim or cut trees and other obstructions within ten feet from either side of said water, electric or communication lines which in the judgment of the Grantee may at anytime interfere with the construction, reconstruction, maintenance or operation of the said water, electric or communication lines or menace the same and in connection therewith the right to remove, if necessary, the root systems of said trees, brush or other undergrowth and to treat said brush or undergrowth with non-toxic chemicals for their removal and/or control.

TOGETHER with and including nonetheless, the right and privilege of laying under, over and along the public or private passageways or roadways as set forth on the aforesaid maps or lots, at any time, pipes, drainage pipes, conduits, sewers, electric lines, telephone and gas lines; with further right and privilege to trim and cut any trees that may overhand on said private passageways or roadways and interfere with or menace with aforesaid lines without obtaining permission.

TOGETHER with unto the Grantee, its successors and assigns, in common, however, with the Grantor, its successors and assigns, the right of ingress, egress and regress in, over and upon and through any and all of the private roadways situate upon the premises of the Grantor. Also, together with unto the Grantee, its successors and assigns, in common with the Grantor, its successors and assigns, the right to use the private roadways as shown on recorded Plats hereinbefore referred to, contained within that subdivision commonly known as Sagamore Estate, Pike County, together with such other rights-of-way over other lands of the Grantor, its successors and assigns, as the Grantor, its successors and assigns, may designate from time to time for the purpose of ingress, egress and regress to and from Legislative Route 51008 or United States Route #6. The granting of this right by the Grantor to the Grantees does not constituted a dedication of such private roadways to the public.

THE Grantee shall be under no duty or obligation of any kind whatsoever to join Sagamore Estates Maintenance, Inc., or any other community or property owner association and shall be under no duty or obligation to pay or contribute to any maintenance fees, assessments, dues or fees of any kind or nature whatsoever for the upkeep, maintenance or capital improvement to any road, way, lane, drive, street or access nor any amenity within Sagamore Estates and the Grantor specifically exempts or

is not responsible for the payment of any association, maintenance or other assessments, dues and fees to the Sagamore Estates Inc. or Sagamore Estates Property Owners Association.

TOGETHER with all and singular the land, improvements, ways, waters, watercourses, rights, liberties, privileges, hereditaments and appurtenances whatsoever thereunto belonging or in anywise appertaining, and the reversions and remainders, rents, issues and profits thereof; and all the estate, right, title interest, property, claim and demand whatsoever of the said original Grantor, in law, equity or otherwise howsoever, in and the same and every part thereof.

THE premises herein described, the roads, ways, lanes, streets and accesses are contained within the lands described in a certain deed dated March 2, 1965, between Camp Sagamore Inc. and Sagamore Estates, Inc. Corporations, Grantors, unto Deabel, Inc., Grantee, recorded in the Office of the Prothonotary for the County of Pike in Deed Book 191 page 299.

CERTAIN water lines extend through and beneath lots within Sate 1 revised, Blocks 1, 2 and 3 and particularly extending through and beneath Lot 8 and Lot 11 in Block 2, Stage 1, together with a structure, an original well housing facility servicing Sagamore Estates wherein the Grantor herein has rights by way of easement and proprietary interest. The Grantor's rights above enumerated, together with the right to enter, construct, reconstruct said facilities are hereby granted and conveyed to the Grantee named herein, its successors and assigns,

BEING THE SAME PREMISES which TWIN LAKES WATER COMPANY, INC., a Pennsylvania Corporation by Indenture bearing the date of June 30, 2006 and recorded in the Office of the Recorder of Deeds, in and for the County of Pike, COMMONWEALTH OF PENNSYLVANIA on November 1, 2006 in Book 2202 Page 1839 granted and conveyed unto TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, in fee.

**Together with** all and singular the buildings and improvements, ways, streets, alleys, driveways, passages, waters, water-courses, rights, liberties, privileges, hereditaments and appurtenances, whatsoever unto the hereby granted premises belonging, or in anywise appertaining, and the reversions and remainders, rents, issues, and profits thereof; and all the estate, right, title, interest, property, claim and demand whatsoever of it, the said grantor, as well at law as in equity, of, in and to the same.

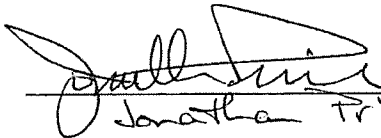
**To have and to hold** the said lot or piece of ground described above, with the buildings and improvements thereon erected, hereditaments and premises hereby granted, or mentioned and intended so to be, with the appurtenances, unto the said Grantee, its successors and assigns, to and for the only proper use and behoof of the said Grantee, its successors and assigns, forever.

And the said Grantor, for itself and its successors, does, by these presents, covenant, grant and agree, to and with the said Grantee, its successors and assigns, that it, the said Grantor, and its successors and assigns, all and singular the hereditaments and premises herein described and granted, or mentioned and intended so to be, with the appurtenances, unto the said Grantee, its successors and assigns, against it, the said Grantor, and its successors and assigns, and against all and every other person and persons whosoever lawfully claiming or to claim the same or any part thereof, by, from or under him, her, it, or any of them, shall and will

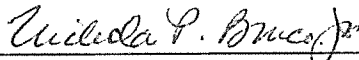
**Warrant and Foreber Defend.**

In Witness Whereof, the party of the first part has caused these presents to be property signed.  
Dated the day and year first above written.

**Sealed and Delibered**  
IN THE PRESENCE OF US:

  
Jonathan Prince

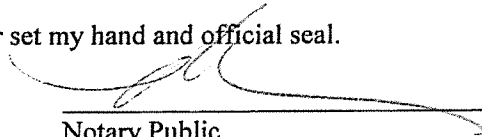
**TWIN LAKES WATER SERVICES, LLC, A NEW JERSEY LIMITED LIABILITY COMPANY**

By:  {SEAL}  
NICHOLAS P. BRACO, JR., MANAGING MEMBER

STATE OF NEW JERSEY      } ss  
COUNTY OF SOMERSET

AND NOW, this 3rd day of November, 2009, before me, the undersigned Notary Public, appeared NICHOLAS P. GRACO, JR., who acknowledged himself/herself to be the MANAGING MEMBER of TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, and he/she, as such Managing Member being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Limited Liability Company by himself/herself as Managing Member.

IN WITNESS WHEREOF, I hereunder set my hand and official seal.

  
\_\_\_\_\_  
Notary Public  
My commission expires \_\_\_\_\_

Marci LaDage  
Notary Public  
My Commission  
Expires on 4/23/2010  
State of New Jersey

Instrument      Book Page  
200900011541 OR 2323 1566

The address of the above-named Grantee is:  
C/O MIDDLESEX WATER COMPANY  
1500 RONSON ROAD  
P.O. BOX 1500  
ISELIN, NEW JERSEY 08850



On behalf of the Grantee  
Richard M. Risoldi, President

File No. **BT-56730**

Record and return to:  
**Brokers Abstract and Search Company**  
245 Jacksonville Road  
Ivyland, Pa 18974

200900011541  
Filed for Record in  
PIKE COUNTY, PA  
SHARON SCHROEDER  
11-09-2009 At 01:53 pm.  
DEED                      745.50  
OR Book 2323 Page 1562 - 1566

200900011541  
Exempt Status - N  
STATE RE    \$    350.00  
LOCAL RE    \$    350.00  
\$    175.00 SHONDLA TWP  
\$    175.00 DELAWARE VALLEY SCHOOL DISTRICT

I hereby CERTIFY that this document is  
recorded in the Recorder's Office of  
Pike County, Pennsylvania.



*Sharon Schroeder*  
Sharon Schroeder,  
Recorder of Deeds

File No. BT-56730

Instrument 200900011542 OR Book Page 2323 1567

Mortgage Satisfaction Piece

KNOW ALL MEN BY THESE PRESENTS that SUSAN ROGERS does hereby certify to have received payment of the full amount due on the Mortgage secured upon the premises, SITUATE at 21-0-078.02-02-11.001, Pike County.

MORTGAGOR: TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company

MORTGAGEE: SUSAN ROGERS

MORTGAGE DATED: 06/30/2006

AMOUNT \$75,000.00

RECORDED 11/01/2006 IN MORTGAGE BOOK 2202 PAGE 1846. Township of Shohola

This Mortgage has not been assigned, except as follows, N/A and that upon the recordation of this Indenture the said Mortgage shall be and is hereby forever discharged.

Mortgaged Premises:

21-0-078.02-02-11.001,

Shohola Township

IN WITNESS WHEREOF, the said Mortgagee has hereunto set (his/her/its) hand and seal. Dated the 17 day of Sept, 2009.

*Susan Rogers*  
SUSAN ROGERS

2308 River Rd., Ft. Pleasant NJ 08742

ADDRESS OF MORTGAGEE OR ASSIGNEE

State of NEW JERSEY  
County of Ocean

AND NOW, this 17 day of Sept, 2009, before me, the undersigned Notary Public appeared the above named Susan Rogers and acknowledged the above release to be her act and deed, and desired the same to be recorded as such.

IN WITNESS WHEREOF, I hereunder set my hand and official seal.

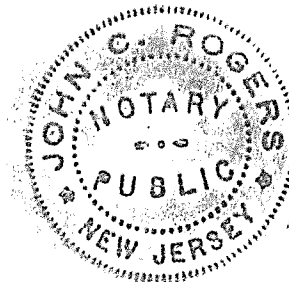
My Commission Expires: 1/30/2014

*JCR*  
NOTARY PUBLIC

After recording return to:  
Brokers Abstract and Search Company  
245 Jacksonville Road  
Ivyland, PA 18974

Return to:  
BROKERS ABSTRACT & SEARCH CO. INC  
245 JACKSONVILLE ROAD  
IVYLAND, PA 18974  
215-674-8600

JOHN C ROGERS  
NOTARY PUBLIC / NEW JERSEY  
COMMISSION EXPIRES 1/30/2014



Instrument      Book Page  
200900011542 DR 2323 1568

200900011542  
Filed for Record in  
PIKE COUNTY, PA  
SHARON SCHROEDER  
11-09-2009 At 01:53 pm.  
SATISFACT      33.50  
DR Book 2323 Page 1567 - 1568

I hereby CERTIFY that this document is  
recorded in the Recorder's Office of  
Pike County, Pennsylvania.



*Sharon Schroeder*  
Sharon Schroeder,  
Recorder of Deeds

Form No. 1402.06  
ALTA Owner's Policy (6-17-06)  
1100302P120600  
(As Modified by TIRBOP)



N<sup>o</sup>106258733 PAO

# OWNER'S POLICY OF TITLE INSURANCE

## ISSUED BY

*First American Title Insurance Company*

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

### COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
  - (a) A defect in the Title caused by
    - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
    - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
    - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
    - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
    - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
    - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
    - (vii) a defective judicial or administrative proceeding.
  - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (a) the occupancy, use, or enjoyment of the Land;
  - (b) the character, dimensions, or location of any improvement erected on the Land;
  - (c) the subdivision of land; or
  - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police

power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.

7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
  - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
  - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
    - (i) to be timely, or
    - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

*First American Title Insurance Company*

*Carl B. Johnson*

*Christy H. Hays*

*Nellie H. Hays*



*First American  
Title Insurance Company*

Name and Address of Title Insurance Company: **First American Title Insurance Company, 1 First American Way,  
Santa Ana, CA 92707**

**SCHEDULE A**

File No. **BT-56730**

Policy No. **106258733**

Amount of Insurance: **\$35,000.00**

Date of Policy: **November 9, 2009 at 1:53 pm**

1. Name of Insured:

**TWIN LAKES UTILITIES, INC.**

2. The estate or interest in the Land that is covered by this policy is:

**FEE SIMPLE**

3. Title is vested in:

**TWIN LAKES UTILITIES, INC. by virtue of a deed from TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, dated November 3, 2009, and recorded November 9, 2009 at 1:53 pm in the Office of the Recorder of Deeds for the County of Pike, in Book 2323, at Page 1562.**

4. The Land referred to in this policy is described as follows:

*For informational purposes only:*

**21-0-078.02-02-11.001,  
Shohola Township  
County of Pike**

**SEE CONTINUATION OF SCHEDULE A FOR LEGAL DESCRIPTION**



*First American  
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**OWNER'S POLICY  
SCHEDULE A**  
*(continued)*

**LEGAL DESCRIPTION**

ALL THAT CERTAIN lot, parcel and piece of land, situate in the Township of Shohola, County of Pike and State of Pennsylvania, more particularly described as follows, to wit:

BEGINNING at a point in the center of Sagamore Road, said point being the extension of the Easterly line of Lot 1 Block 1; thence (1) leaving said road and along the Easterly said line of Lot 1 Block 1 revised, State 1, as shown and laid out on a map entitled "Plan of Lots, Sagamore Estates, State 1 revised, Block 1, Block 2 and Block 3, Shohola Township, Pike County, Penna.", Scale 1"=100 feet, filed December 1967, in Plat Book 6, at page 120 and again filed in Plat Book 6, at page 196, North 17 degrees 16 minutes, East 148.99 feet to a point, said point being the Northeasterly corner of said Lot 1; thence (2) North 24 degrees, 04 minutes, East 150 feet more or less to an iron pipe; thence (3) South 62 degrees, 11 minutes, East 320 feet more or less to a point where the Northerly line of Tee Pee Drive intersects the Northerly line of the whole tract of which this is a part; thence (4) in a Southwesterly direction 20 feet more or less to a point at the center of Tee Pee Drive; thence (5) in a Westerly direction along the center of said Tee Pee Drive the various courses to a point at the center line intersection of said Tee Pee Drive with Sagamore Road; thence (6) along the center of said Sagamore Road, North 70 degrees, 22 minutes, West 145.00 feet to the point and place of beginning.

TOGETHER with a water distribution system including, but not limited to those facilities, lines, pipes, conduits, valves and accessories shown, detailed and laid out on a map or drawing incorporated herein by referenced, prepared and made by Edward C. Hess Associates, Inc., Consulting Engineers and Surveyors, Stroudsburg, PA, dated August 27, 1976, Scale 1"=200 feet. Said map or drawing embraces the several maps filed in the Office of the Recorder of Deeds, including Section 1, Section 2 and the several Stage maps heretofore filed by Sagamore Estates, Inc. and Deabel Inc., and is embraced or contained within the boundaries of the tax assessment maps of the Township of Shohola, County of Pike, more particularly, Map #78.02 and Map #78.04.

TOGETHER with the right, privilege and authority to construct, reconstruct, operate and maintain aerial and/or underground lines, equipment and appurtenant facilities as said Grantee may deem necessary and proper for the operation of water transmission and distribution systems and communication systems or utility services which the Grantee may be authorized to provide now or in the future, upon, over, across, under and along the private roads, streets or highways, including the service extensions of these lines to individual lots as may be from time to time necessary, including the right of ingress and egress to and from the said lines and service extensions at all times for any of the aforesaid purposes; and also the right to trim or cut trees and other obstructions within ten feet from either side of said water, electric or communication lines which in the judgment of the Grantee may at anytime interfere with the construction, reconstruction, maintenance or operation of the said water, electric or communication lines or menace the same and in connection therewith the right to remove, if necessary, the root systems of said trees, brush or other undergrowth and to treat said brush or undergrowth with non-toxic chemicals for their removal and/or control.



*First American  
Title Insurance Company*

File No. BT-56730

Policy No. 106258733

**OWNER'S POLICY  
SCHEDULE A**  
*(continued)*

TOGETHER with and including nonetheless, the right and privilege of laying under, over and along the public or private passageways or roadways as set forth on the aforesaid maps or lots, at any time, pipes, drainage pipes, conduits, sewers, electric lines, telephone and gas lines; with further right and privilege to trim and cut any trees that may overhand on said private passageways or roadways and interfere with or menace with aforesaid lines without obtaining permission.

TOGETHER with unto the Grantee, its successors and assigns, in common, however, with the Grantor, its successors and assigns, the right of ingress, egress and regress in, over and upon and through any and all of the private roadways situate upon the premises of the Grantor. Also, together with unto the Grantee, its successors and assigns, in common with the Grantor, its successors and assigns, the right to use the private roadways as shown on recorded Plats hereinbefore referred to, contained within that subdivision commonly known as Sagamore Estate, Pike County, together with such other rights-of-way over other lands of the Grantor, its successors and assigns, as the Grantor, its successors and assigns, may designate from time to time for the purpose of ingress, egress and regress to and from Legislative Route 51008 or United States Route #6. The granting of this right by the Grantor to the Grantees does not constitute a dedication of such private roadways to the public.

THE Grantee shall be under no duty or obligation of any kind whatsoever to join Sagamore Estates Maintenance, Inc., or any other community or property owner association and shall be under no duty or obligation to pay or contribute to any maintenance fees, assessments, dues or fees of any kind or nature whatsoever for the upkeep, maintenance or capital improvement to any road, way, lane, drive, street or access nor any amenity within Sagamore Estates and the Grantor specifically exempts the parcel of land conveyed herein from the date of this instrument to the end of the world.

TOGETHER with all and singular the land, improvements, ways, waters, watercourses, rights, liberties, privileges, hereditaments and appurtenances whatsoever thereunto belonging or in anywise appertaining, and the reversions and remainders, rents, issues and profits thereof; and all the estate, right, title interest, property, claim and demand whatsoever of the said original Grantor, in law, equity or otherwise howsoever, in and the same and every part thereof.

THE premises herein described, the roads, ways, lanes, streets and accesses are contained within the lands described in a certain deed dated March 2, 1965, between Camp Sagamore Inc. and Sagamore Estates, Inc. Corporations, Grantors, unto Deabel, Inc., Grantee, recorded in the Office of the Prothonotary for the County of Pike in Deed Book 191 page 299.

CERTAIN water lines extend through and beneath lots within Sate 1 revised, Blocks 1, 2 and 3 and particularly extending through and beneath Lot 8 and Lot 11 in Block 2, Stage 1, together with a structure, an original well housing facility servicing Sagamore Estates wherein the Grantor herein has rights by way of easement and proprietary interest. The Grantor's rights above enumerated, together with the right to enter, construct, reconstruct said facilities are hereby granted and conveyed to the Grantee named herein, its successors and assigns,

BEING THE SAME PREMISES which TWIN LAKES WATER COMPANY, INC., a Pennsylvania Corporation by Indenture bearing the date of June 30, 2006 and recorded in the Office of the



*First American  
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**OWNER'S POLICY  
SCHEDULE A**  
*(continued)*

Recorder of Deeds, in and for the County of Pike, COMMONWEALTH OF PENNSYLVANIA on November 1, 2006 in Book 2202 Page 1839 granted and conveyed unto TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, in fee.



*First American  
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**SCHEDULE B  
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage and the Company will not pay costs, attorneys' fees or expenses that arise by reason of:

1. Any variation in location of lines or dimensions or other matters which an accurate survey would disclose.
2. Easements, or claims of easements, not shown by the Public Records.
3. Rights or claims of parties in possession or under the terms of any unrecorded lease or agreement of sale.
4. Possible additional tax assessments for new construction and/or major improvements.
5. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.
6. Accuracy of area content not insured.
7. Deed of Easement by Drabel, Inc. and Chris R. Arnold, Sr. and Catherine A. Arnold, his wife dated 06/14/1998 and recorded 06/14/1998 in Record Book 1245 page 97.
8. Rights granted to Pennsylvania Power and Light Company dated 11/02/1966 and recorded 12/12/1966 in Record Book 204 page 232.
9. Conditions, easements, etc. as contained in Record Books 1312 page 251 and 2202 page 1839.
10. Title to that portion of the premises within the beds of Sagamore Road and Tee Pee Drive are subject to public and private rights therein.

## APPENDIX C

**TWIN LAKES**  
**UTILITIES, INC.**

A Middlesex Water Company Affiliate

RECEIVED

2009 NOV 18 AM 9:37

PA P.U.C.  
SECRETARY'S BUREAU

November 16, 2009

Commonwealth of Pennsylvania  
Pennsylvania Public Utility Commission  
Mr. James J. McNulty, Secretary  
PO Box 3265  
Harrisburg, PA 17105-3265

Re: **Notice of Adoption of the Twin Lakes Water Service Tariff by Twin Lakes Utility, Inc.**

Dear Secretary McNulty:

Attached please find an original and three (3) copies of the Pennsylvania Public Utility Commission Adoption Supplements notating the adoption of the PA P.U.C. No. 3 Tariff; the tariff that is presently in effect for Twin Lakes Water Services, LLC.

Should you have any questions, please feel free to call me.

Very truly yours,



Richard M. Risoldi  
President

Enclosures

**Pennsylvania Public Utility Commission Adoption Supplements**

Twin Lakes Water Services, LLC (Seller) Tariff – Water - PA. P.U.C. No.3

Twin Lakes Utilities, Inc. (Buyer) Tariff – Water - PA. P.U.C. No.3

Twin Lakes, Inc, hereby adopts as its Tariff Water- Pa. P.U.C. No. 3 that tariff presently in effect forTwin Lakes Water Services, LLC designated as Tariff Water - Pa. P.U.C. No.3 and all Supplements thereto.

Twin Lakes Utilities, Inc.

By: *W. McAll*  
(Name of Officer)  
*President*  
(Title)

Twin Lakes Water Services, LLC hereby withdraws it Tariff - Water - Pa. P.U.C. No. 3 and all Supplements thereto.

Twin Lakes Water Services, LLC

By: \_\_\_\_\_  
(Name of Officer)  
\_\_\_\_\_  
(Title)

RECEIVED

2009 NOV 18 AM 9:38

PA P.U.C.  
SECRETARY'S BUREAU

ISSUED: November 3, 2009

EFFECTIVE: November 3, 2009

## APPENDIX D

original - Corp. Secy  
cc: ABE

**Unsecured Revolving Promissory Note**  
Due on Demand

Borrower: Twin Lakes Utilities, Inc.

1500 Ronson Road

Iselin, NJ 08830

("Borrower")

Lender: Middlesex Water Company

1500 Ronson Road

Iselin, NJ 08830

("Lender")

**I. Revolving Loan**

Lender agrees to make available to the Borrower cash funds under a revolving loan ("Revolver") facility with a maximum advance of \$1,000,000. The Revolver allows Borrower to drawdown, repay and re-draw loans advanced to it. Lender is agreeable to satisfy vendor and trade payables on behalf of the Borrower, which shall be deemed to be a Revolver drawdown. In consideration of these flexibilities, Borrower agrees to an annual interest rate of 7.0% on any and all outstanding loans under the Revolver.

**II. Promise to Pay Upon Demand**

Borrower agrees to pay Lender the total amount due upon demand, together with interest payable on the unpaid principal at the rate of 7.0% per annum. Payment will be delivered to Lender in a form and manner mutually agreeable to both parties.

### **III. Additional Costs**

In case of default in the payment of any principal or interest of this Revolving Promissory Note, Borrower will pay to Lender such further amount as will be sufficient to cover the cost and expenses of collection, including, without limitation, reasonable attorney's fees, expenses, and disbursements. These costs will be added to the outstanding principal and will become immediately due.

### **IV. Transfer of the Revolving Promissory Note**

Borrower hereby waives any notice of the transfer of this Revolving Promissory Note by Lender or by any subsequent holder of this Revolving Promissory Note, agrees to remain bound by the terms of this Revolving Promissory Note subsequent to any transfer, and agrees that the terms of this Revolving Promissory Note may be fully enforced by any subsequent holder of this Revolving Promissory Note.

### **V. Amendment; Modification; Waiver**

No amendment, modification or waiver of any provision of this Revolving Promissory Note or consent to departure therefrom shall be effective unless by written agreement signed by both Borrower and Lender.

### **VI. Successors**

The terms and conditions of this Revolving Promissory Note shall inure to the benefit of and be binding jointly and severally upon the successors, assigns, heirs, survivors and personal representatives of Borrower and shall inure to the benefit of any holder, its legal representatives, successors and assigns.

### **VII. Termination of Revolving Promissory Note**

Lender has the absolute and exclusive right to terminate the Revolver at any time with no prior notice to the Borrower.

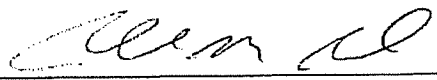
**VIII. Breach of Promissory Note**

No breach of any provision of this Revolving Promissory Note shall be deemed waived unless it is waived in writing. No course of dealing and no delay on the part of Lender in exercising any right will operate as a waiver thereof or otherwise prejudice Lender's rights, powers, or remedies. No right, power, or remedy conferred by this Revolving Promissory Note upon Lender will be exclusive of any other rights, power, or remedy referred to in this Revolving Promissory Note, or now or hereafter available at law, in equity, by statute, or otherwise.

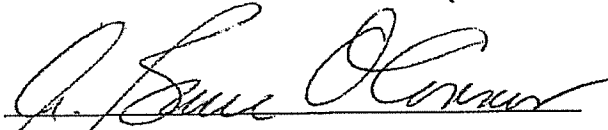
**IX. Governing Law**

The validity, construction and performance of this Revolving Promissory Note will be governed by the laws of New Jersey, excluding that body of law pertaining to conflicts of law. Borrower hereby waives presentment, notice of non-payment, notice of dishonor, protest, demand and diligence.

The parties hereby indicate by their signatures below that they have read and agree with the terms and conditions of this agreement in its entirety.

Borrower Signature: 

Richard M. Risoldi, President  
Twin Lakes Utilities, Inc.

Lender Signature: 

A. Bruce O'Connor, Vice President and CFO  
Middlesex Water Company

**Second Unsecured Revolving Promissory Note**

Due on Demand

Borrower: Twin Lakes Utilities, Inc.

485C Route One South, Suite 400

Iselin, NJ 08830

("Borrower")

Lender: Middlesex Water Company

485C Route One South, Suite 400

Iselin, NJ 08830

("Lender")

**I. Revolving Loan**

Lender agrees to make available to the Borrower cash funds under a revolving loan ("Revolver") facility with a maximum advance of \$1,165,486. The Revolver allows Borrower to drawdown, repay and re-draw loans advanced to it. Lender is agreeable to satisfy vendor and trade payables on behalf of the Borrower, which shall be deemed to be a Revolver drawdown. In consideration of these flexibilities, Borrower agrees to an annual interest rate of 7.0% on any and all outstanding loans under the Revolver.

**II. Promise to Pay Upon Demand**

Borrower agrees to pay Lender the total amount due upon demand, together with interest payable on the unpaid principal at the rate of 7.0% per annum. Payment will be delivered to Lender in a form and manner mutually agreeable to both parties.

### **III. Additional Costs**

In case of default in the payment of any principal or interest of this Revolving Promissory Note, Borrower will pay to Lender such further amount as will be sufficient to cover the cost and expenses of collection, including, without limitation, reasonable attorney's fees, expenses, and disbursements. These costs will be added to the outstanding principal and will become immediately due.

### **IV. Transfer of the Revolving Promissory Note**

Borrower hereby waives any notice of the transfer of this Revolving Promissory Note by Lender or by any subsequent holder of this Revolving Promissory Note, agrees to remain bound by the terms of this Revolving Promissory Note subsequent to any transfer, and agrees that the terms of this Revolving Promissory Note may be fully enforced by any subsequent holder of this Revolving Promissory Note.

### **V. Amendment; Modification; Waiver**

No amendment, modification or waiver of any provision of this Revolving Promissory Note or consent to departure therefrom shall be effective unless by written agreement signed by both Borrower and Lender.

### **VI. Successors**

The terms and conditions of this Revolving Promissory Note shall inure to the benefit of and be binding jointly and severally upon the successors, assigns, heirs, survivors and personal representatives of Borrower and shall inure to the benefit of any holder, its legal representatives, successors and assigns.

### **VII. Termination of Revolving Promissory Note**

Lender has the absolute and exclusive right to terminate the Revolver at any time with no prior notice to the Borrower.

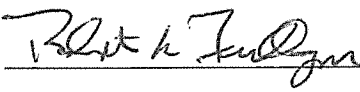
**VIII. Breach of Promissory Note**

No breach of any provision of this Revolving Promissory Note shall be deemed waived unless it is waived in writing. No course of dealing and no delay on the part of Lender in exercising any right will operate as a waiver thereof or otherwise prejudice Lender's rights, powers, or remedies. No right, power, or remedy conferred by this Revolving Promissory Note upon Lender will be exclusive of any other rights, power, or remedy referred to in this Revolving Promissory Note, or now or hereafter available at law, in equity, by statute, or otherwise.

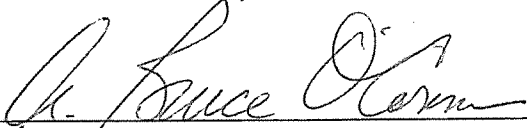
**IX. Governing Law**

The validity, construction and performance of this Revolving Promissory Note will be governed by the laws of New Jersey, excluding that body of law pertaining to conflicts of law. Borrower hereby waives presentment, notice of non-payment, notice of dishonor, protest, demand and diligence.

The parties hereby indicate by their signatures below that they have read and agree with the terms and conditions of this agreement in its entirety.

Borrower Signature:  \_\_\_\_\_

Robert K. Fullagar, President  
Twin Lakes Utilities, Inc.

Lender Signature:  \_\_\_\_\_

A. Bruce O'Connor, Senior Vice President, Treasurer and  
Chief Financial Officer  
Middlesex Water Company

Dated: October 18, 2019

**Third Unsecured Revolving Promissory Note**  
Due on Demand

Borrower: Twin Lakes Utilities, Inc.

485C Route One South, Suite 400

Iselin, NJ 08830

("Borrower")

Lender: Middlesex Water Company

485C Route One South, Suite 400

Iselin, NJ 08830

("Lender")

**Whereas**, prior to this Third Unsecured Revolving Promissory Note ("Promissory Note No. 3"), Lender and Borrower entered into two similar debt instruments identified as the Unsecured Revolving Promissory Note in principal amount of \$1,000,000 ("Promissory Note No. 1") and the Second Unsecured Revolving Promissory Note in principal amount of \$1,165,486 ("Promissory Note No. 2");

**Whereas**, Borrower acknowledges that the cumulative principal amount of \$2,165,486 for Promissory Notes No. 1 and No. 2 was drawn down by Borrower and remains outstanding as of the date of Promissory Note No. 3. Interest is charged at 7.0% per annum on the Promissory Notes No. 1 and No. 2 outstanding balances; and

**Whereas**, Borrower desires to enter into an additional debt instrument (Promissory Note No. 3) with Lender, and therefore the following terms have been agreed to:

**I. Revolving Loan**

Lender agrees to make available to the Borrower cash funds under a revolving loan ("Revolver") facility with a maximum advance of \$500,000. The Revolver allows

Borrower to drawdown, repay and re-draw loans advanced to it. Lender is agreeable to satisfy vendor and trade payables on behalf of the Borrower, which shall be deemed to be a Revolver drawdown. In consideration of these flexibilities, Borrower agrees to an annual interest rate of 7.0% on any and all outstanding loans under the Revolver.

**II. Promise to Pay Upon Demand**

Borrower agrees to pay Lender the total amount due upon demand, together with interest payable on the unpaid principal at the rate of 7.0% per annum. Payment will be delivered to Lender in a form and manner mutually agreeable to both parties.

**III. Additional Costs**

In case of default in the payment of any principal or interest of this Revolving Promissory Note, Borrower will pay to Lender such further amount as will be sufficient to cover the cost and expenses of collection, including, without limitation, reasonable attorney's fees, expenses, and disbursements. These costs will be added to the outstanding principal and will become immediately due.

**IV. Transfer of the Revolving Promissory Note**

Borrower hereby waives any notice of the transfer of this Revolving Promissory Note by Lender or by any subsequent holder of this Revolving Promissory Note, agrees to remain bound by the terms of this Revolving Promissory Note subsequent to any transfer, and agrees that the terms of this Revolving Promissory Note may be fully enforced by any subsequent holder of this Revolving Promissory Note.

**V. Amendment; Modification; Waiver**

No amendment, modification or waiver of any provision of this Revolving Promissory Note or consent to departure therefrom shall be effective unless by written agreement signed by both Borrower and Lender.

**VI. Successors**

The terms and conditions of this Revolving Promissory Note shall inure to the benefit of and be binding jointly and severally upon the successors, assigns, heirs, survivors and personal representatives of Borrower and shall inure to the benefit of any holder, its legal representatives, successors and assigns.

**VII. Termination of Revolving Promissory Note**

Lender has the absolute and exclusive right to terminate the Revolver at any time with no prior notice to the Borrower.

**VIII. Breach of Promissory Note**

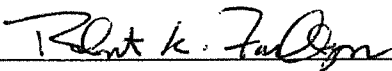
No breach of any provision of this Revolving Promissory Note shall be deemed waived unless it is waived in writing. No course of dealing and no delay on the part of Lender in exercising any right will operate as a waiver thereof or otherwise prejudice Lender's rights, powers, or remedies. No right, power, or remedy conferred by this Revolving Promissory Note upon Lender will be exclusive of any other rights, power, or remedy referred to in this Revolving Promissory Note, or now or hereafter available at law, in equity, by statute, or otherwise.

**IX. Governing Law**

The validity, construction and performance of this Revolving Promissory Note will be governed by the laws of New Jersey, excluding that body of law pertaining to conflicts of law. Borrower hereby waives presentment, notice of non-payment, notice of dishonor, protest, demand and diligence.

The parties hereby indicate by their signatures below that they have read and agree with the terms and conditions of this agreement in its entirety.

Borrower Signature:

  
\_\_\_\_\_

Robert K. Fullagar, President  
Twin Lakes Utilities, Inc.

Lender Signature:

  
\_\_\_\_\_

A. Bruce O'Connor, Senior Vice President, Treasurer and  
Chief Financial Officer  
Middlesex Water Company

Dated: October 29, 2019

## APPENDIX E

## SERVICE AGREEMENT

This Service Agreement (the "Service Agreement") made as of the 1<sup>st</sup> day of December, 2009 between MIDDLESEX WATER COMPANY, a public utility and corporation organized under the laws of the State of New Jersey, with offices at 1500 Ronson Road, Iselin, New Jersey 08830 ("Middlesex") and Twin Lakes Utilities, Inc., a corporation organized under the laws of Commonwealth of Pennsylvania with offices at 1500 Ronson Road, Iselin, New Jersey 08830 ("Twin Lakes").

The background of this Service Agreement is that:

A. Both Middlesex and Twin Lakes have been organized as public utilities of the States of New Jersey and Pennsylvania, respectively.

B. It has been determined by the Managements of Middlesex and Twin Lakes that the most effective and economical method of providing and obtaining certain services and materials to and for Twin Lakes and Middlesex is for Twin Lakes and Middlesex each to utilize, to the extent appropriate and practicable, the facilities, services, materials and expertise of management, supervisory, clerical and technical personnel provided by the other.

NOW THEREFORE in consideration of the premises and the mutual covenants and conditions contained herein and other good and valuable consideration, the parties agree as follows:

1. DURATION OF SERVICE AGREEMENT:

The services to be rendered hereunder shall commence on the Effective Date hereof and this Service Agreement shall continue in full force and effect until terminated by either of the parties hereto, giving the other party hereto 90 days notice in writing.

2. SERVICES:

Middlesex and Twin Lakes each agree to provide to the other certain facilities and services and the expertise of their personnel, and certain other services and materials as set forth herein, and each of the parties agrees to utilize and pay for same as set forth herein.

3. PERSONNEL AND SERVICES TO BE PROVIDED:

During the term of this Service Agreement and upon the terms and conditions set forth herein, Middlesex shall provide for Twin Lakes and, at times, Twin Lakes shall provide for Middlesex, the services of their respective officers and employees including management, supervisory, technical and clerical personnel for services which shall include, but not be limited to the following: Accounting, Administration, Communications, Corporate, Secretarial, Engineering, Financial, Human Resources, Information Systems, Operations, Rates and Revenue, Risk Management and Water Quality, together with such other services as Middlesex and Twin Lakes may agree; provided, however, that Middlesex and Twin Lakes may perform any such services with its own personnel or, by mutual consent, engage another company or person to provide such services on its behalf.

4. PAYMENT FOR SERVICES:

A. Allocation of salaries and hourly wages of employees who render service by Middlesex for Twin Lakes, or by Twin Lakes for Middlesex, shall be determined based on their actual time spent as reflected in daily time sheets or other mutually acceptable means of determination. The salaries and hourly wages shall be such actual salaries and wages as are in effect from time to time. Salaries shall be pro-rated to an hourly basis by dividing the annual salary by the hours worked by the employee in the immediately preceding calendar year. The amount of payment required to be made shall be determined by adding an overhead factor to the salaries and wages of the employees performing the services. This overhead factor is intended to reflect benefits and overhead costs such as support personnel, depreciation, insurance, utilities, lease payments and other costs associated with building space and equipment, not otherwise charged as an expense. This overhead factor shall be reviewed and revised from time to time.

B. All expenses of Middlesex or Twin Lakes incurred in connection with services rendered by it to the other, including facilities, materials, supplies and expenses, shall be based upon actual costs incurred and shall be charged directly by Middlesex or Twin Lakes to the other.

C. This method of allocation and payment of costs will be reviewed, and may be altered, from time to time, based on actual experience.

5. BILLING AND PAYMENT:

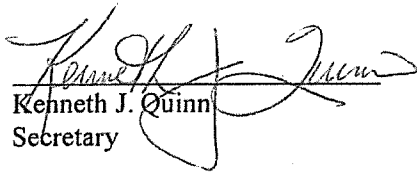
The Middlesex Accounting Department shall record all costs, determined and identified in accordance with the methods in Section 4 above, to the appropriate Company accounts. Upon request, Middlesex and Twin Lakes shall provide monthly journal entries and other supporting documentation to each other reflecting services provided and expenses incurred as defined in Sections 3 and 4 above. Such documentation shall be in sufficient detail to show separately the charge for each class of service rendered. Payments according to such statements shall be made within 30 days of receipt of such statements.

6. MISCELLANEOUS:


All covenants and agreements herein by or on behalf of Middlesex or Twin Lakes shall bind their respective successors and assigns whether expressed or not.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be  
duly executed as of the date first written above.


ATTEST:

  
Kenneth J. Quinn  
Secretary

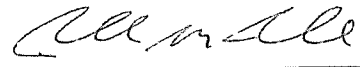
MIDDLESEX WATER COMPANY

By:   
A. Bruce O'Connor  
Vice President

ATTEST:

  
Kenneth J. Quinn  
Secretary

TWIN LAKES UTILITIES, Inc.

By:   
Richard M. Risoldi  
President

(KJQ – Twin Lakes-MWC Service Agreement)

## APPENDIX F

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

PENNVEST APPLICATION FORMS

**DESCRIPTION**

|  |                                      |
|--|--------------------------------------|
| <b>Project Name:</b> Twin Lakes Utilities System Upgrade                                       |                                      |
| <b>Project ID:</b><br>52036021907-CW   | <b>Type:</b><br>Drinking Water       |
| <b>Sub Type:</b><br>System   | <b>Status:</b><br>Submitted          |
| <b>Stage:</b><br>Construction  |                                      |
| <b>Filing Date:</b><br>7/18/2019   | <b>Population Served:</b><br>285     |
| <b>Amount Requested:</b><br>\$4,964,600.00   | <b>Total Cost:</b><br>\$4,964,600.00 |
| <b>What is the estimated number of construction-related jobs created through this project?</b> | 10                                   |
| <b>What is the number of these jobs that expect to employ Pennsylvania Residents?</b>          | 10                                   |

**Service Area:**

The System serves approximately 115 residential customers in the Sagamore Estates Development in Shohola Township, Pike County, PA.

The Project is located in Shohola and Milford Townships, Pike County, PA and will serve the entire Service Area.

**Problems:**

The Twin Lakes Utilities, Inc. (TLU) Twin Lakes Utilities System Upgrade Project (Project) is being completed to address chronic water outages, eliminate significant water main leaks and reduce unaccounted for water, provide adequate volume of water storage, increase reliability of sources and during power outages, improve customer metering, improve regulatory compliance, improve finished water quality, and improve communications and security. The water system currently has two (2) production wells, a primary well (PW#2) and a reserve well (PW#1), which share the same groundwater aquifer. Capacity of the reserve well is reduced due to a collapsed borehole from over-pumping. With the reduction in capacity of PW#1, PW#2 is continuously pumped, further stressing the local aquifer. The existing wells are in close proximity to each other and it appears the continuous operation of PW#2 has resulted in further collapse of PW#1 and the lowering of groundwater in both wells. Usage out of the wells is greater than intended due to the excessive amount of leakage in the distribution system. The chronic over-pumping has the potential to cause the continued collapse of PW#1 and the collapse and failure of PW#2 which would result in the community of approximately 300 +/- residents having no potable water for an extended duration.

In addition to the deteriorating and unreliable source of supply, high unaccounted-for water loss, water main breaks, and other water system facilities are also an issue. The excessive number of leaks existed prior to system acquisition by TLU and are a result of a variety of factors, including but not limited to: poor original installation practices, poor quality of

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

original pipe material, lack of maintenance and sub-standard repair practices. The existing 20,000 gallon in-ground water storage tank is aging and in need of repair and rehabilitation due to corrosion. In addition, the storage volume is currently insufficient to supply the community with water on an average day, especially while considering volume lost to leaks within the distribution system. The system also lacks emergency power for the well and distribution pumps. System monitoring and security are also limited and are in need of upgrades.

Documentation of the problems and additional benefits of the Project are provided below.

The following summary of Project Benefits subheadings correspond to the April 22, 2014 PADEP Attachment 1, Drinking Water State Revolving Loan Fund Intended Use Plan Ranking Framework for PENNVEST Drinking Water Projects.

**PUBLIC HEALTH (25 of 30 Point Category: Chronic Water Outage & Leaking Waterlines):**

While since installation, the existing well systems have maintained compliance meeting treatment standards despite becoming severely degraded from over pumping and partial collapse, a single well providing the source water results in a high risk to the community in the event of PW#2 failure or groundwater source contamination. On June 20, 2018, the well pump failed and was replaced, resulting in a water outage to 100% of the system for 30 hours. In the event of a power outage or failure of PW#2, the lack of operational redundancy in the existing system would result in another chronic water outage. If PW#2 needs to be turned off for any reason, 100% of services would be impacted for the duration of the shutdown period after the stored volume is exhausted (approximately half a day). In addition to the June 2018 extended outage, there have been ten (10) system-wide outages averaging 4 hours each in the past two (2) years. There were also eleven (11) partial system outages averaging 5 hours each during the same timeframe. A table documenting the date, location, number of customers affected, cause, and outage duration is uploaded to the Additional Documentation Section of the Application.

The high water main leakage rate in the distribution system also poses a public health risk and falls into this ranking category. Leaking water mains, if resulting in a negative or loss of pressure situation, can pose a risk of cross contamination, thus potentially reducing water quality delivered to customers. There are a significant number of water leaks due to poor original installation practices, poor quality of original pipe material, lack of maintenance, and sub-standard repair practices, as evidenced by the history of repairs and fifteen (15) break repairs and/or replacements required in the past two years. The leaking water mains is also evidenced by the high unaccounted-for-water (UAFW) experienced in the system – ranging from 79% to 87% between 2016 and the first two quarters of 2019 as shown on the UAFW table uploaded to the Additional Documentation Section of the Application. Boil water notices are distributed to customers when breaks occur; however, to hold the consumer responsible to adequately and often treat the water is an additional risk to customer health. In 2018, five (5) boil water notices were issued.

**COMPLIANCE (10 of 30 Point Category: Will Address Non-Compliance in which No Order is Issued):**

With the reserve well mostly collapsed due to over pumping, a single production well, PW#2, is currently providing the source of water for the entire community with no alternative sources of supply. Pennsylvania Department of Environmental Protection (PADEP) indicates that each system should maintain more than one source of supply according to the PADEP Public Water Supply Manual and, in the event in which water outages occurred in two (2) or more consecutive years, investigate and develop additional

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

sources (PA Code Chapter 109.603(d)). Therefore, the Project is necessary to assure that safe and potable water is continuously supplied.

In addition to the water supply redundancy requirements, PADEP requires sufficient storage capacity based on daily system demand. PA Code Chapter 109.609(a) states: "A new community water system shall be designed to provide an adequate supply of finished water during periods of peak demand. To assure continued service in the event of source contamination or outage, the design shall provide a minimum of 1 day of reserve capacity based on average daily demand or usage. Reserve capacity may be provided through finished water storage."

The TLU System's 20,000 gallons of storage is not adequate to provide for 1 day of average daily demand based on the current demand conditions of approximately 43,000 gpd. A significant reduction in demand is anticipated after replacement of the distribution system mains.

### COMMUNITY HEALTH (5-8 of 15 Point Category)

#### Consolidation (3 Points)

The Project implementation will result in increased available source water, provide water conservation through the replacement of leaking water mains and improve TLU's ability to operate and maintain the facility and increase reliability of water service.

#### Green Infrastructure (2-5 points)

The Project will include installation of all new residential meters located near the property line to more accurately track water usage. Customers are currently metered near the home, such that leaks in the majority of service lines go unmetered. The Project also includes approximately 27,100 linear feet of new 2-inch, 3-inch, and 4-inch High Density Polyethylene (HDPE) and ductile iron (DI) water main to replace existing distribution mains and connect a new well to the system. The current system experiences approximately 85% UAFW; therefore, the Project will provide significant water savings compared to the existing system. The Project also saves energy through the use of variable frequency drive (VFD) motor for varied flow outputs.

### SOURCE WATER PROTECTION:

The System does not have a DEP-Approved SWPP.

### INFRASTRUCTURE HEALTH (15 of 25 Point Category):

#### Drinking Water System Adequacy:

The following system issues fall into this category: greater than 40% UAFW, storage in poor condition, lack of reliable emergency power, less than one (1) day (based on current usage) of storage available, as well as other infrastructure upgrades. As discussed previously, UAFW of 85% is greater than 40%, the storage tank is corroding and its capacity of 20,000 gallons is not adequate to meet one (1) day of average daily demand (approximately 43,000 gpd) based on the current system condition.

Other infrastructure upgrades include upgrades to systems required to support WTP operations including electrical, mechanical, and structural systems which are also showing age, reduced reliability, limited availability of spare parts, and need for repair.

Communication and security will also be improved through the installation of new telemetry for communication and data collection between facilities and security improvements would allow for a more reliable supply of water to TLU customers.

INFRASTRUCTURE HEALTH (Proactive Infrastructure Management (To be determined by PADEP):

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

ECONOMIC DEVELOPMENT – The system consists of all residential customers.

COMPREHENSIVE PLANNING – Land Use letters were sent to planning agencies of both municipalities (Shohola and Milford Townships) and the county (Pike County) in which the Project is located. Responses indicating that the Project is in compliance with land use regulations were received from all three (3) planning agencies and are uploaded to this Application. A letter was also sent to Pike County Agricultural Land Preservation Board and an approval response received. These letters are uploaded to the Application.

## Description:

The Project includes a new well house, equipped with metering, chemical treatment equipment (disinfection), a new emergency generator, I&C controls, security, telemetry, site fencing, and access road at the site of PW#3. There will be approximately 8,700 linear feet of new 3-inch and 4-inch High Density Polyethylene (HDPE) transmission line installed from the PW#3 well house to connect to a new 20,000-gallon storage tank located at the existing well field parcel on the north end of the service area. The existing well site facilities will be rehabilitated to include a new emergency generator, telemetry, I&C control, security improvements, and site fencing. An additional 4,000 linear feet of 4-inch HDPE main and 12,000 linear feet of 2-inch HDPE mains will be installed to replace existing mains servicing approximately 115 house connections within Sagamore Estates. A new meter and meter pit will be installed at each house connection. Following successful start-up of PW#3 and associated facilities, Twin Lakes plans to perform a thorough inspection of PW#2 to assess its condition. Based on the results of this assessment, PW#2 will be rehabilitated accordingly. This rehabilitation is not anticipated to involve any modifications to the well configuration, depth or casing. The existing 20,000-gallon storage tank will also be inspected and depending on assessment results, rehabilitated accordingly. PW#1 will be abandoned as part of the Project. This Project will address chronic water outages, eliminate significant water main leaks and reduce unaccounted for water, provide adequate volume of water storage, increase reliability of sources and during power outages, provide improved customer metering, improve regulatory compliance, improve finished water quality, and improve communications and security.

## Other(s) Funding Sources:

| Source Type | Source Name | Source Amount |
|-------------|-------------|---------------|
|-------------|-------------|---------------|

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|  |                                 |
|--|---------------------------------|
| <b>System:</b>   |                                 |
| <b>Does the Applicant own the System?</b>  | YES                             |
| <b>Does the Applicant operate the System?</b>  | YES                             |
| <b>Does the Applicant Maintain the System?</b>   | YES                             |
| <b>Does the Applicant Construct the System?</b>  | YES                             |
| <b>Does this project include costs associated with the purchase of system capacity from another entity?</b>  | NO                              |
| <b>Does this project include costs associated with the construction of capacity in your system for use and/or purchase by other entity (ies)?</b>  | NO                              |
| <b>Is, or does the Applicant intend to be, a party to any inter-municipal agreements which affect this project or your system?</b>   | NO                              |
| <b>Has the Applicant issued debt or borrowed money, or does the Applicant intend to issue debt or borrow money, under a trust indenture?</b>   | N/A                             |
| If yes, you will be required to upload copies of the original trust indenture and all supplemental trust indenture to the Support Documents section when you complete this portion of the application. |                                 |
| <b>Do you charge residential or commercial user fees?</b>  | YES                             |
| <b>NPDES Number:</b>   | <b>PWSID Number:</b><br>2520051 |
| <b>Do you have a current Bond Rating?</b>  | NO                              |
| <b>Rating Agency</b>   | <b>Rating</b>                   |
|  |                                 |
|  |                                 |
|  |                                 |

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

## Contacts:

|   |                   |  |
|---|-------------------|--|
| <b>Twin Lakes Utilities, Inc</b>                                      |                   | Applicant  |
| <b>Address:</b><br>Route 6 Sagamore Estates<br><br>Milford, PA 18337- |                   | <b>Phone:</b> 732-658-7658<br><b>Fax:</b> 732-985-2248<br><b>Email:</b> mbarnes@middlesexwater.com |
| <b>SAP Vendor #:</b>  | <b>DUNS:</b><br>1 | <b>Federal ID/FIN:</b><br>264629370  |

|  |  |  |
|--|--|--|
| <b>Gannett Fleming</b>   |  | Engineer   |
| <b>Address:</b><br>207 Senate Avenue<br>Camp Hill, PA 17011-7100 |  | <b>Phone:</b> 717-763-7211<br><b>Phone Ext.:</b><br><b>Fax:</b> 717-763-1808 |

|   |  |   |
|---|--|---|
| <b>Middlesex Water Company</b>  |  | Legal   |
| <b>Address:</b><br>485 C Route 1 South, Suite 400<br>Iselin, NJ 08830 |  | <b>Phone:</b> 7326387506<br><b>Phone Ext.:</b><br><b>Fax:</b> |

|   |  |   |
|---|--|---|
| <b>Middlesex Water Company</b>  |  | Financial   |
| <b>Address:</b><br>485 C Route 1 South, Suite 400<br>Iselin, NJ 08830 |  | <b>Phone:</b> 7326387506<br><b>Phone Ext.:</b><br><b>Fax:</b> |

|                               |  |   |
|-------------------------------|--|---|
| <b>Barnes, Michael</b>        |  | Applicant   |
| <b>Address:</b><br><br>, PA 0 |  | <b>Phone:</b> 7325460719<br><b>Phone Ext.:</b><br><b>Fax:</b><br><b>Email:</b> mbarnes@middlesexwater.com |

|  |  |  |
|--|--|--|
| <b>Govelovich, Rachel</b>                                    |  | Engineer   |
| <b>Address:</b><br>PO Box 67100<br>Harrisburg, PA 17106-0000 |  | <b>Phone:</b> 7212<br><b>Phone Ext.:</b> 2629<br><b>Fax:</b> 7177631808<br><b>Email:</b> rgovelovich@gfnet.com |

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

## PROJECT SITE(S)

|   |  |                   |             |
|---|--|-------------------|-------------|
| <b>Twin Lakes Utilities System</b>                                  |  | Primary Site      |             |
| <b>Address:</b><br>Sagamore Estates<br>Route 6<br>Shohola, PA 18458 |  | <b>Latitude:</b>  | 41.3726135  |
|   |  | <b>Longitude:</b> | -74.9018774 |

|   |  |                   |             |
|---|--|-------------------|-------------|
| <b>New Well Site PW#3</b>                       |  | Other Site        |             |
| <b>Address:</b><br>Route 6<br>Milford, PA 18337 |  | <b>Latitude:</b>  | 41.3226526  |
|   |  | <b>Longitude:</b> | -74.8028800 |

## Counties and Municipalities

|                        |                        |   |
|------------------------|------------------------|---|
| <b>Primary</b><br>True | <b>County</b><br>Pike  | <b>Municipality</b><br>Shohola Township |
| <b>System</b><br>True  | <b>Project</b><br>True | <b>Households served</b><br>114         |

## Legislative Districts

|  |                                 |                              |
|--|---------------------------------|------------------------------|
| <b>Congress</b><br>Matthew, Cartwright | <b>House</b><br>Michael, Peifer | <b>Senate</b><br>Lisa, Baker |
|--|---------------------------------|------------------------------|

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

## PROJECT PLAN

Indicate the important dates for Pre-Construction, Construction and Major Milestones.

### Pre Construction Planning Dates

|                                    |             |
|------------------------------------|-------------|
| <b>Planning Consultation</b>       | Dec 12 2018 |
| <b>Planning Completed</b>          | Apr 1 2019  |
| <b>Design Completed</b>            | Oct 30 2019 |
| <b>Obtained all needed permits</b> | Oct 21 2019 |
| <b>Bid Date</b>                    | Feb 3 2020  |
| <b>Bid Opening</b>                 | Mar 2 2020  |
| <b>Awarded Contract</b>            | May 20 2020 |
| <b>Pre-Construction Conference</b> | Jul 20 2020 |

### Letter of No-Prejudice

Letter of No-Prejudice (LONP) issued (if required). Date is entered by PENNVEST Project Management Office upon request and issue of letter.

### Construction Dates

|                           |             |
|---------------------------|-------------|
| <b>Start Construction</b> | Jul 20 2020 |
| <b>End Construction</b>   | Sep 1 2021  |

### Award Design Dates

|                     |             |
|---------------------|-------------|
| <b>Begin Design</b> | Apr 1 2019  |
| <b>End Design</b>   | Oct 30 2019 |

### Project Plan Major Milestones

**NOTES:**

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

| <b>MEASURES</b>  |                |
|--|----------------|
| <b>Land Use:</b>   |                |
| Has the area served by this project been covered by an adopted municipal comprehensive plan?   | YES            |
| Is this project located in an area where there is an adopted county comprehensive plan?  | YES            |
| Is there an adopted multi-municipal or multi-county comprehensive plan for the area(s) covered by this project?                      | YES            |
| Is there an adopted county or municipal zoning ordinance or a joint municipal zoning ordinance for the area covered by this project? | YES            |
| Is the proposed project consistent with these comprehensive plans and/or zoning ordinances?  | YES            |
| <b>DrinkingWater Breakdown</b>   |                |
| Planning & Design only   | \$0.00         |
| Source Development Amount  | \$1,920,200.00 |
| Transmission Amount  | \$0.00         |
| Treatment Amount   | \$0.00         |
| Finished Water Storage Amount  | \$343,000.00   |
| Distribution System Amount   | \$2,340,000.00 |
| Pump Stations Amount   | \$0.00         |
| Meters Amount  | \$361,400.00   |
| Safety/Security Amount   | \$0.00         |
| Purchase of Systems Amount   | \$0.00         |
| Restructuring Amount   | \$0.00         |
| Land Acquisition Amount  | \$0.00         |
| <b>DrinkingWater Compliance:</b>   |                |
| Does the project help the facility to bring out of compliance system back into compliance?   | YES            |
| If yes, enter what percentage of the project meets that criteria:  | 44.00%         |
| Does the project help the facility to maintain current compliance?   | YES            |
| If yes, enter what percentage of the project meets that criteria:  | 100.00%        |
| Does the project help the facility to achieve compliance with upcoming requirements?   | NO             |
| Does the project assist the facility with other non-compliance related activities?   | YES            |
| If yes, enter what percentage of the project meets that criteria:  | 100.00%        |

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

| <b>DrinkingWater Enhancements:</b>   |          |
|--|----------|
| Does the project help enhance well capacity? (source development/upgrade)  | YES      |
| If yes, the impact is:   | INDIRECT |
| Does the project enhance treatment plant capacity?                         | NO       |
| Does the project enhance security measures at the drinking water facility? | YES      |
| If yes, the impact is:   | DIRECT   |
| Does project enhance public safety? (Fire hydrants and related)            | NO       |

### **Notes:**

See Problem Description Section for details on Problems to be addressed and PADEP ranking discussion.

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

## BENEFITS

### Narrative:

The Twin Lakes Utilities, Inc. community water supply system serves Sagamore Estates, which is a residential housing development in Shohola Township, Pike County, PA consisting of approximately 115 homes. The existing system includes two (2) wells, disinfection treatment, a 20,000-gallon in-ground storage tank, booster pumping station, distribution mains, and other appurtenances. The project includes replacement of the distribution system, installation of new customer meters, rehabilitation of the existing well station, installation of a new storage tank, construction of a new well and well station, installation of back-up generators, and system monitoring and security upgrades (Project).

Current issues and concerns with the existing water system include significant water leaks within the distribution piping, the loss of production from Production Well #1 (PW#1) due to a collapsed borehole, stress on the local aquifer because Production Well #2 (PW#2) must be continuously pumped to make up for the loss of PW#1, and the inability to rapidly repair and rehabilitate the distribution piping and PW#1. The existing wells are in close proximity to each other and it appears the continuous operation of PW#2 has resulted in further collapse of PW#1 and the lowering of groundwater levels in both wells.

Twin Lakes Utilities conducted a hydrogeological study in 2016 and ultimately purchased property, drilled, developed and tested a new alternate well source. The new well and associated improvements are to be permitted for public water supply and become part of the existing system. The new well source to be placed in service has been identified as PW#3, and is located on the northern side of Route 6 behind the Dollar General store in Milford Township.

A new well house, equipped with metering and chemical treatment equipment (disinfection), will be installed at the site of PW#3. Access to the well house and well site will be provided by the installation of a stone access driveway from Route 6. There will be approximately 27,100 linear feet of new 2-inch, 3-inch, and 4-inch HDPE and DI water main installed from the well house and within the distribution system to service approximately 115 house connections within Sagamore Estates and also connect to a new 20,000 gallon storage tank located at the existing well field on the north end of Sagamore Estates.

The Project includes the following main components:

- New 50 gallon per minute submersible well pump (PW#3) and pitless adapter
- Replacement level and pressure monitors for the existing PW#2
- Inspection and rehabilitation of existing PW#2
- Abandon PW#1
- New 20,000 gallon above ground gravity storage tank
- Inspection and rehabilitation of existing 20,000 gallon storage tank
- New level sensors for existing and new storage tank
- Upgrades to two (2) booster pumps drawing from storage tank
- New well station for PW#3 including electrical, HVAC, chemical treatment (sodium hypochlorite), and standby power (diesel generator).
- New magnetic flow meter at well station
- 
- 27,100 linear feet of HDPE and DI piping
- In-kind laboratory upgrades
- Process monitoring and control system upgrades
- Communications upgrades including installation of fiber optics.
- New customer meters

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

The Project addresses the system problems as follows: (a) significant UAFW and water main leakage will be addressed through water main replacement, (b) inadequate and unreliable water supply and outages will be addressed through development and connection of a new well supply and upgrades to existing well PW#2, (c) inadequate storage capacity will be addressed through the addition of a new 20,000 gallon storage tank which when combined with the existing 20,000 gallon tank provides storage sufficient (based on current usage) to comply with PADEP requirements, (d) lack of backup power will be addressed with the addition of diesel generators providing an uninterrupted supply of water in the case of a power outage, (e) inadequate metering will be addressed with installation of new customer meters allowing for improved water loss detection and control, and (f) need for monitoring and security improvements are also being addressed with the installation of fiberoptics and security upgrades.

---

---

### **Comparison:**

---

Alternatives considered included (a) no action alternative, (b) replace PW#1 with new production well PW#3 and new distribution system

- The no action alternative is not considered a feasible option due to the deteriorating conditions of the single production well PW#2 and existing distribution system. High volume pumping due to the collapse of PW#1 has led to stress on PW#2 which resulted in the failure of the well pump resulting in a water outage to 100% of the system for 30 hours in June 2018. The potential for future long-term outages due to lack of production well redundancy coupled with the severe leaks in the distribution system has determined the no action alternative to not be feasible.
- With the lack of a redundant source, the TLU system is currently not in compliance with PADEP requirements. Therefore, it was determined that an additional production well is necessary to provide the additional source water production in the event of PW#2 failure.
- Replacement of PW#1 with new production well PW#3 is the selected alternative for the benefits discussed throughout this application. TLU has conducted a hydrogeological study and production well drilling/testing. Further effort to design and construct the well, new storage tank, and distribution system is necessary to bring the new well system to service.

Related to actions necessary to get the Project under construction, the Project requires a PADEP Public Water Supply Permit –the application for the permit was submitted on June 26, 2019 and permit has been received.

---

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Drinking Water Development:**

|                       |           |
|-----------------------|-----------|
| Capacity              | 72000 gpd |
| Dam                   | NO        |
| Well                  | YES       |
| Water Surface Intake  | NO        |
| Interconnection       | NO        |
| New Source            | YES       |
| Rehab Existing Source | YES       |

**Drinking Water Source Transmission:**

|                   |           |
|-------------------|-----------|
| Total Pipe Length | 8700 feet |
| New               | YES       |
| Clean/Reline      | NO        |
| Replace           | NO        |

**Drinking Water Source Treatment:**

|                            |     |
|----------------------------|-----|
| Existing Capacity          | gpd |
| Proposed Designed Capacity | gpd |
| New Plant                  | NO  |
| Plant Addition             | NO  |
| Plant Renovations          | NO  |

OTHER:

**Drinking Water Source Finished Water Storage:**

|                        |               |
|------------------------|---------------|
| Total Pipe Length      | 40000 gallons |
| New Tank               | YES           |
| Cover Existing Tank    | NO            |
| Renovate Existing Tank | YES           |

**Drinking Water Source Distribution System:**

|                                   |            |
|-----------------------------------|------------|
| Total Pipe Length                 | 18400 feet |
| Number of Residential Connections | 115        |
| Number of Commercial Connections  | 0          |
| New                               | NO         |
| Replace                           | YES        |
| Extension                         | NO         |
| Clean/Reline                      | NO         |

**Drinking Water Source Pump Stations:**

|                 |     |
|-----------------|-----|
| Design Capacity | gpd |
|-----------------|-----|

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|                   |    |
|-------------------|----|
| New               | NO |
| Renovate Existing | NO |

**Drinking Water Source Meters:**

|                           |     |
|---------------------------|-----|
| Number of Master meters   | 2   |
| Number of Customer meters | 115 |
| New Meters                | NO  |
| Replace Meters            | YES |

**Drinking Water Source Other:**

|                             |     |
|-----------------------------|-----|
| Number of New Fire Hydrants |     |
| Plant Access Road           | YES |
| Administration Building     | NO  |

**Green Infrastructure Components**

|   |    |
|---|----|
| Does the project result in reduced (minimum 20%) water use? | NO |
|---|----|

If 'Yes' explain:

|                                 |    |
|---------------------------------|----|
| Does the project recycle water? | NO |
|---------------------------------|----|

If 'Yes' explain:

|   |    |
|---|----|
| Does the project reduce (minimum 20%) infiltration of water into the sewer pipes being repaired/replaced? | NO |
|---|----|

If 'Yes' explain:

|   |     |
|---|-----|
| Does the project reduce (minimum 20%) leakage from the water pipes being repaired/replaced? | YES |
|---|-----|

If 'Yes' explain: The leaking water mains is evidenced by the high unaccounted-for-water (UAFW) experienced in the system – ranging from 79% to 87% between 2016 and the first two quarters of 2019 as shown on the UAFW table uploaded to the Additional Documentation Section of the Application.

|   |     |
|---|-----|
| Does the project save energy (minimum 20%)? | YES |
|---|-----|

If 'Yes' explain: The Project will save energy through the use of a Variable Frequency Drive on PW#3 pump motor.

|   |    |
|---|----|
| Does the project infiltrate, evapo-transpire or control stormwater? | NO |
|---|----|

If 'Yes' explain:

|   |    |
|---|----|
| Does the project implement Ag BMP's, or Low-Impact Development, or wetland restoration or construction, or greenhouse gas reduction, or apply differential uses of water treated to varying levels? | NO |
|---|----|

If 'Yes' explain:

**Cost Effectiveness**

Describe the alternatives that were considered to solve the problem in the Project Description and the cost of those alternatives.

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

See Cost Comparison Section.

### Drinking Water Public Health:

|   |     |
|---|-----|
| Will this project eliminate critical or chronic health hazards? | YES |
|---|-----|

If 'Yes' explain: True

|  |    |
|--|----|
| Violation of a primary MCL or maximum containment concentration: | NO |
|--|----|

|   |    |
|---|----|
| Presence of coliform or fecal coliform: | NO |
|---|----|

|                                |     |
|--------------------------------|-----|
| No water available at the tap: | YES |
|--------------------------------|-----|

|                                     |    |
|-------------------------------------|----|
| Giarda cysts in the filtered water: | NO |
|-------------------------------------|----|

### Drinking Water DEP Compliance

|   |    |
|---|----|
| Will this project satisfy an order issued by DEP, the Federal Government or the Courts that addresses problems with acute health or safety hazard, potable water treatment and/or storage facilities? | NO |
|---|----|

|   |    |
|---|----|
| Will this project satisfy a non-compliance consent order and agreement related to a health or safety hazard, potable water treatment and/or storage facilities? | NO |
|---|----|

|   |     |
|---|-----|
| Will this project protect water sources under the supplier's control? | YES |
|---|-----|

|   |     |
|---|-----|
| Provide treatment adequate to assure that public health is protected? | YES |
|---|-----|

|  |     |
|--|-----|
| Provide and effectively operate and maintain public water system facilities? | YES |
|--|-----|

|   |     |
|---|-----|
| Take corrective action necessary to assure safe and potable water is continuously supplied to the user: | YES |
|---|-----|

### Cost Effectiveness

|  |  |
|--|--|
| Describe any actions necessary to get the project under construction, when they will be done, and what will be required in order to maintain the facility through its design life. |  |
|--|--|

See Cost Comparison Section.

### Drinking Water Environmental/Social

|   |  |
|---|--|
| Explain any existing environmental condition that will be addressed with the project (example: sludge handling facility). |  |
|---|--|

|   |  |
|---|--|
| How will this project improve the quality of life for the system customers? |  |
|---|--|

The Project will provide a more reliable source of water supply through the development of an additional well, additional water storage, and emergency power backup - Reducing frequent water outages.

|   |     |
|---|-----|
| Is this project consistent with local, county and regional land use planning? | YES |
|---|-----|

If 'No' explain:

|   |     |
|---|-----|
| Is this project consistent with county agricultural preservation efforts? | YES |
|---|-----|

If 'No' explain:

### Drinking Water Adequacy and Efficiency

|   |     |
|---|-----|
| Will this project increase the available water? | YES |
|---|-----|

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

If 'Yes' explain: Project will add additional water supply source, reduce water lost through leaking water mains also increasing water available to customers.

|   |     |
|---|-----|
| Does this project include or promote water system conservation? | YES |
|---|-----|

If 'Yes' explain: New residential meters are being installed to each home. Accurate water metering combined with consumption usage billing encourages water conservation.

|  |    |
|--|----|
| Does this project include or promote water system consolidation? | NO |
|--|----|

### Drinking Water Public Safety

|   |     |
|---|-----|
| Will this project address replacement or major rehabilitation of an unsafe water supply storage tank? | YES |
| Will this project allow the system to meet fire code - quantity/pressure for fire protection?         | NO  |
| Does this project include installation or replacement of fire hydrants?                               | NO  |
| Does this project include work to address safety standards with OSHA?                                 | YES |
| Will this project address issues related to water source and/or system security?                      | YES |

### Keystone:

|  |    |
|--|----|
| Have any of the communities served by this project been designated as distressed under the Municipalities Financial Recovery Act 47 of 1987?                         | NO |
| Does this project directly serve a Brownfield site as designated by the PA Department of Environmental Protection?   | NO |
| Does this project serve a City, Borough or Township of the 1st Class?  | NO |
| Have any of the communities served by this project been designated as a Community Action Team [CAT] project by the Department of Community and Economic Development? | NO |

municipality: county:

|   |     |
|---|-----|
| Does the Community(ies) where this project is located have a Comprehensive Land Use Plan?   | YES |
| If yes, is this project consistent with that plan? If yes, please upload a copy of correspondence indicating consistency in Supporting Documents. | YES |

|  |     |
|--|-----|
| Does the County(ies) where this project is located have a Comprehensive Land Use Plan? | YES |
| If yes, is this project consistent with that plan?                                     | YES |

|   |     |
|---|-----|
| Does the County(ies) where this project is located have an Agricultural Land Preservation Plan? | YES |
| If yes, is this project consistent with that plan?  | YES |

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**INCOME AND EXPENSES**

| <b>Billing:</b>                             | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|---|--|--|
| Estimated Population                        | 285  | 283  |
| Households served by System                 | 115  | 114  |
| Total EDUs served by system                 | 115  | 114  |
| Residential EDUs served by system           | 115  | 114  |
| Average annual Residential bill             | \$1,112.54                                 | \$4,017.54                                     |
| Total residential bills levied              | \$127,942.00                               | \$458,000.00                                   |
| Total Residential bills collected           | \$127,942.00                               | \$458,000.00                                   |
| Total Commercial/Industrial bills levied    | \$0.00                                     | \$0.00   |
| Total Commercial/Industrial bills collected | \$0.00                                     | \$0.00   |

| <b>Income for Profit Entity:</b> | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|----------------------------------|--|--|
| Sales of Products                | \$127,942.00                               | \$458,000.00                                   |
| Investment Income                |  |  |
| Rental Income                    |  |  |
| Other Income                     | \$6,446.00                                 | \$0.00   |
| <b>TOTAL INCOME</b>              | <b>\$134,388.00</b>                        | <b>\$458,000.00</b>                            |

Explain other products, income and identify sources of the above information: Other income includes non utility income and miscellaneous service revenues. Projected number of households for 2022 is reduced from 2018 by one (1) household to reflect actual reduction which occurred in 2019.

| <b>Operating Expenses :</b>   | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|-------------------------------|--|--|
| Labor (Salaries and Benefits) | \$10,131.00                                | \$10,966.00                                    |
| Utilities                     |  |  |
| Rent                          |  |  |
| Materials and Supplies        | \$21,326.00                                | \$21,910.00                                    |
| Outside Services              |  |  |
| Cost of Goods Sold            |  |  |
| Program Expenses              | \$16,767.00                                | \$18,861.00                                    |
| Administration Expenses       |  |  |
| Professional Fees             | \$49,404.00                                | \$53,476.00                                    |

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

|  |                     |                     |
|--|---------------------|---------------------|
| Depreciation Expense                             | \$30,317.00         | \$31,785.00         |
| Other Expenses                                   | \$4,109.00          | \$4,808.00          |
| <b>Net Operating Expense (Less Depreciation)</b> | <b>\$101,737.00</b> | <b>\$110,021.00</b> |

| <b>Non-Operating Expenses :</b>            | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|--|--|--|
| Annual debt service excluding this project | \$43,382.00                                | \$70,900.00                                    |
| Other Non-Operating Expense                | (\$28,647.00)                              | (\$31,750.00)                                  |
| <b>Net Non-Operating Expense</b>           | <b>\$14,735.00</b>                         | <b>\$39,150.00</b>                             |
| <b>Total Expenses</b>                      | <b>\$116,472.00</b>                        | <b>\$149,171.00</b>                            |

Explain any Other Expenses and identify sources of the above information: Program expenses include Regulatory and Commission Expense and "Bad Debt Expense" (pdf 45 item 27 of PUC).  
 Other Operating Expenses includes insurance (vehicle, general liability, workman's comp, directors and officers, umbrella, other).  
 Annual Debt service is reported in PUC and is based on on-demand payments to MWC on original loan of \$1,000,000 at 7% interest rate (pdf p. 35 PUC report). Amount shown is from Interest Expense.  
 Other Non-Operating Expense includes federal, state, and local taxes (utility operating income set as negative in expenses).

| <b>Net Cash:</b>     | <b>Per Last Completed Fiscal Year 2018</b> | <b>First Year after Project Completed 2022</b> |
|----------------------|--|--|
| Total Income         | \$140,834.00                               | \$458,000.00                                   |
| Total Cash Expenses  | \$116,472.00                               | \$149,171.00                                   |
| <b>NET CASH FLOW</b> | <b>\$24,362.00</b>                         | <b>\$308,829.00</b>                            |

**Notes:**

2018 information was obtained from the Twin Lakes Annual PUC Report. A Consolidated Statement for the Parent Company, Middlesex Water Company, is prepared which ties the Twin Lakes PUC Report values to the audited Middlesex Water Annual Report. Due to the absence of an audited financial statement directly from Twin Lake Utilities, PENNVEST has agreed the PUC Report in combination with the Middlesex Consolidated Statement is sufficient for the application. 2022 information is based on 2019 Budget and projections of expenses. 2022 Sale of Products is set to provide adequate income to cover 2022 Expenses and provide a net income to pay debt service on the PENNVEST Funding at the blended county cap rate of 1.54075% plus a \$20,000 net revenue.

**FINANCIAL**

| <b>Source:</b>                               | <b>Amount</b> | <b>Committed</b> |
|--|---------------|------------------|
| System Funds (resources, Owner equity, etc.) | \$0.00        | \$0.00           |
| Connection Fees / Tap Fees / Assessments     | \$0.00        | \$0.00           |

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

|                                |                |        |
|--------------------------------|----------------|--------|
| Grants                         | \$0.00         | \$0.00 |
| Other                          | \$0.00         | \$0.00 |
| Amount Requested from PENNVEST | \$4,964,600.00 | \$0.00 |

| <b>Special Assessments :</b>         | <b>Amount</b> |
|--------------------------------------|---------------|
| Amount of Assesment per EDU          | \$0.00        |
| No. of EDUs to be Charged            |               |
| Anticipated Collection Rate          |               |
| Total to be Generated by Assessments |               |

**Explanation of Sources :**

If you have chosen not to utilize other available sources of funding for this project, please explain the basis for your decision:

Other sources, such as bank loans, have higher interest rates resulting in significantly higher debt service. A bond issue would have higher borrowing costs and higher interest rates than a PENNVEST loan. Higher debt service increases the already high user fees.

Describe any constitutional, statutory, charter, or other limitation on debt that apply to the applicant:

None

**Debt Obligations :**

| <b>For Governmental entities:</b>     | <b>For non-Governmental entities:</b>  |
|---------------------------------------|--|
| a) First lien on user charge revenues | a) Guarantee of the parent company     |
| b) Guarantee of municipality          | b) Pledge of stock                     |
| c) Municipal taxing power             | c) Mortgage lien on company facilities |

Are there any liens or other encumbrances by existing debt obligations which would prevent PENNVEST from requesting any of the above forms of loan security? YES

**Closely Held for Profit Entities :**

| <b>Owner</b>            | <b>Percent</b> |
|-------------------------|----------------|
| MIDDLESEX WATER COMPANY | 100.00%        |

**NOTES:**

A guarantee of the parent company or other forms for security involving the parent company are not available.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**DEBT**

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 1 2010                  | \$14,220.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$14,220.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 31 2011                 | \$10,000.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$10,000.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Dec 31 2013                 | \$354,369.00  | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$354,369.00               |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 31 2014                 | \$5,000.00  | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$5,000.00                 |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Aug 31 2014                 | \$50,677.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$50,677.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jun 4 2015                  | \$28,000.00   | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$28,000.00                |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**Current Debt as of Date of Submittal:**

**Note Holder:** Middlesex Water Company

| <b>Date of Loan / Issue</b> | <b>Original Principal</b>                           | <b>Interest Rate</b>       |
|-----------------------------|---|----------------------------|
| Jan 1 2016                  | \$537,734.00  | 7.00%                      |
| <b>Term Months</b>          | <b>Annual Repayment of Principal &amp; Interest</b> | <b>Remaining Principal</b> |
| 0                           | \$0.00  | \$537,734.00               |

**Additional Information on Current Debt:**

Affiliated Company Loans are Revolving Loans with a maturity date of On Demand. Interest only payments are made.

**Notes:**

**RATES**

**Billing:**

Select the appropriate rate structure and billing frequency from the drop down list that is provided. In the space provided, describe any special rate structure or agreement.

|                | <b>Monthly</b> | <b>Quarterly</b> | <b>Other</b> |
|----------------|----------------|------------------|--------------|
| <b>Metered</b> | NO             | YES              | NO           |
| <b>Flat</b>    | NO             | NO               | NO           |
| <b>other</b>   | NO             | NO               | NO           |

**Special Rate Structure or Agreement:**

See attached Rate Tariff.

**Revenue:**

Indicate the total revenues collected by category as indicated before and after the project.

|                    | <b>Before Project</b> | <b>After Project</b> |
|--------------------|-----------------------|----------------------|
| <b>Residential</b> | \$127,942.00          | \$450,000.00         |
| <b>Commercial</b>  | \$0.00                | \$0.00               |
| <b>Industrial</b>  | \$0.00                | \$0.00               |

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

**Customers :**

Indicate the number of residential households that the system currently serves and the number that you expect to serve once this project is complete. Provide similar information for EDU's (equivalent dwelling units) and population that will be impacted by the project.

|                                      | <b>Currently</b> | <b>After First Year</b> |
|--------------------------------------|------------------|-------------------------|
| <b>Residential Households Served</b> | 115              | 114                     |
| <b>Number of Additional EDU's</b>    | 0                |                         |
| <b>Estimated Population Impacted</b> | 285              |                         |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 8543967860               | 249                           | 249                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 0942390095               | 209                           | 209                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 3904344190               | 209                           | 209                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 8043346943               | 209                           | 209                          |

**Impact on Largest Customers :**

| <b>Systems Largest Customers</b> | <b>Gallons Before Project</b> | <b>Gallons After Project</b> |
|----------------------------------|-------------------------------|------------------------------|
| CUST ID 9108417035               | 193                           | 193                          |

**NOTES:**

## PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

All customers are residential. No significant changes in usage are anticipated other than typical with weather impacts.

A negative one (-1) for Number of Additional EDUs can not be entered without an error message.

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

**BUDGET**

**Engineering Costs:**

This section is used to provide a breakdown of project engineering costs related to planning. For Waste Water projects these costs should represent expenses that are not related to Act 537 planning.

| <b>Tasks</b>               |                       |
|----------------------------|-----------------------|
| Planning                   | \$348,163.00          |
| Pre-Design Services        | \$29,230.00           |
| Design                     | \$297,620.00          |
| Bidding                    | \$11,800.00           |
| Construction Services      | \$376,200.00          |
| <b>Total Engineer Cost</b> | <b>\$1,063,013.00</b> |

**Construction Items:**

This section is used to provide a breakdown of project costs related to construction for Transmission/Interceptor, Mains, Pump Station, Storage, Treatment and Source/Disposal. Use linear feet for length.

|                                  | <b>Units</b>    | <b>Estimated Cost</b> |
|----------------------------------|-----------------|-----------------------|
| Transmission/Interceptor         | 0 linear ft     | \$0.00                |
| Mains                            | 27100 linear ft | \$1,856,000.00        |
| Pump Station                     | 0 stations      | \$0.00                |
| Storage                          | 40000 gallons   | \$236,000.00          |
| Treatment                        | 0 gallons       | \$0.00                |
| Source/Disposal                  | 72000 gallons   | \$1,319,000.00        |
| <b>Total Construction Cost :</b> |                 | <b>\$3,411,000.00</b> |

**Total Major Phases Costs:**

This section is used to provide a breakdown of all project related costs as they relate to pre-design, design and construction components of the project. These figures are typically estimates, based upon consulting services and engineering design specifications.

|                                       | <b>Major Phases</b> |               |                     |
|---------------------------------------|---------------------|---------------|---------------------|
| <b>Cost Category</b>                  | <b>Pre-Design</b>   | <b>Design</b> | <b>Construction</b> |
| Administrative Costs                  |                     |               | \$5,000.00          |
| Legal Fees                            |                     | \$14,950.00   | \$14,950.00         |
| Financial / ...<br>Accounting Charges |                     |               | \$21,000.00         |

**PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**

|                                |                     |                     |                       |
|--------------------------------|---------------------|---------------------|-----------------------|
| Interest during Construction   |                     |                     | \$43,587.00           |
| Engineering, Architecture Fees | \$348,163.00        | \$338,650.00        | \$376,200.00          |
| Permits                        |                     |                     | \$16,000.00           |
| Land Construction              |                     |                     | \$3,411,000.00        |
| Contingency                    |                     |                     | \$341,100.00          |
| Other (Utilities/PennDOT)      | \$0.00              | \$0.00              | \$34,000.00           |
| <b>Grand Totals</b>            | <b>\$348,163.00</b> | <b>\$353,600.00</b> | <b>\$4,262,837.00</b> |

**Total Project Costs :**

| <b>Cost Category</b>               | <b>Total Cost</b>     |
|------------------------------------|-----------------------|
| Administrative Costs               | \$5,000.00            |
| Legal Fees                         | \$29,900.00           |
| Financial / ... Accounting Charges | \$21,000.00           |
| Interest during Construction       | \$43,587.00           |
| Engineering, Architecture Fees     | \$1,063,013.00        |
| Permits                            | \$16,000.00           |
| Land                               | \$0.00                |
| Construction                       | \$3,411,000.00        |
| Contingency                        | \$341,100.00          |
|                                    | \$0.00                |
| Other (Utilities/PennDOT)          | \$34,000.00           |
| <b>Total Project Cost :</b>        | <b>\$4,964,600.00</b> |

**Additional information or comments :**

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

## **IMPACT**

---

### **Industry:**

---

Economic Benefits: Indicate the economic benefits of the project relative to job creation/retention and private investment. Attachments should be clearly identified and forwarded to DCED for review.

---

### **Notes:**

---

No industrial or Commercial Development anticipated. Sagamore Estates is all residential homes.

# PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

---

Last Submission made by Rachel Govelovich (rgovelovich@gfnet.com) at  
08/07/2019 4:35 PM

Last Submission made by Rachel Govelovich (rgovelovich@gfnet.com) at  
10/29/2019 4:13 PM

**PENNVEST Funding Offer**

This Funding Offer is based upon the information submitted for consideration. This offer includes the amount of PENNVEST funding, interest rate, repayment term, as well as the standard terms and conditions that accompany the offer. You must review the offer in order to continue on to the settlement checklist and information collection process.

**Description**

Contact: Michael Barnes  
 Project Number: 52036021907-CW                      Status: Approved  
 Project Title: Twin Lakes Utilities System Upgrade  
 Company: Twin Lakes Utilities, Inc

**Funding Offer**

|  |                        |
|--|------------------------|
| Board Approval Date:                                     | 1/29/2020              |
| Loan Amount:   | \$304,573.00           |
| Non-Repayment Amount:                                    | \$4,660,027.00         |
| Credit Enhancement Amount:                               | \$0.00                 |
| Estimated Monthly Payments for Years 1 through 5:        | \$1,400.71             |
| Estimated Monthly Payments for Years 6 through Maturity: | \$1,400.71             |
| Amortization Period in Months:                           | 240                    |
| Interest Only Period:                                    | (up to) 36             |
| Interest Rate of Loan for Years 1 through 5:             | 1.000                  |
| Interest Rate of Loan for Years 6 through Maturity:      | 1.000                  |
| Credit Enhancement Type:                                 | Bond or Loan Guarantee |
| Credit Enhancement Fee:                                  | \$0.00                 |

**Cost Break Down**

| PHASE                | PENNVEST              | LOCAL         | TOTAL                 |
|----------------------|-----------------------|---------------|-----------------------|
| Administrative       | \$5,000.00            | \$0.00        | \$5,000.00            |
| Legal                | \$29,900.00           | \$0.00        | \$29,900.00           |
| Financial/Accounting | \$21,000.00           | \$0.00        | \$21,000.00           |
| Interest             | \$43,587.00           | \$0.00        | \$43,587.00           |
| Engineering          | \$1,063,013.00        | \$0.00        | \$1,063,013.00        |
| Permits              | \$16,000.00           | \$0.00        | \$16,000.00           |
| Lands                | \$0.00                | \$0.00        | \$0.00                |
| Construction         | \$3,411,000.00        | \$0.00        | \$3,411,000.00        |
| Contingency          | \$341,100.00          | \$0.00        | \$341,100.00          |
| Other                | \$34,000.00           | \$0.00        | \$34,000.00           |
| <b>TOTAL</b>         | <b>\$4,964,600.00</b> | <b>\$0.00</b> | <b>\$4,964,600.00</b> |

## **Collateral**

---

### **Collateral**

1. The Note of Twin Lakes Utilities, Inc.
2. An irrevocable full bank letter of credit with an automatic renewal clause from a domestic financial institution for the outstanding balance of the PENNVEST water construction loan.

### **Special Conditions**

3. Receipt of the annual P.U.C. Reports of Twin Lakes Utilities, Inc. for the term of the PENNVEST water construction loan.

## **Terms And Conditions**

---

### **General Financial Terms & Conditions**

#### **Funding Recipient**

For purposes of this Funding Offer, Company may be referred to herein as Funding Recipient.

#### **Funds Availability**

Funding Recipient agrees that this Funding Offer is subject to the availability of PENNVEST funds.

#### **Repayment**

Funding Recipient agrees to repay PENNVEST in accordance with the terms set forth in this Funding Offer.

#### **Settlement Date**

Funding Recipient agrees to make every effort to confirm the contractual obligations with PENNVEST and to provide consideration for this Funding Offer ("Settlement") within one hundred and eighty two (182) days from the date the Board approved the original funding for this project ("Settlement Date"). In any event, if a Settlement Date does not occur within two hundred and seventy six days (276) days from the date the Board approved the original funding for this project, this Funding Offer will terminate unless there are extenuating circumstances which in PENNVEST's sole discretion require an extension.

#### **Collateral**

Funding Recipient agrees, if applicable, to secure repayment by providing the collateral set forth in this Funding Offer. Any change to the collateral set forth in the Funding Offer shall require a written request from the Funding Recipient and the consent of PENNVEST.

## **General Financial Terms & Conditions**

### **Revenue Stream**

If applicable, Funding Recipient agrees to provide, in a form satisfactory to PENNVEST, evidence that Funding Recipient has a revenue stream sufficient to repay the debt service on the financial assistance provided by PENNVEST, unless PENNVEST has approved the use of other collateral independent of the revenue stream to secure repayment. In addition, the Funding Recipient shall enact an ordinance, adopt a resolution, or take other such official action as may be appropriate, prior to Settlement, which provides for the implementation of sufficient rates or revenues to cover all operational and maintenance costs, the debt service on any PENNVEST loan and the debt service on all other outstanding debt of the Funding Recipient at least three (3) months prior to the scheduled amortization date (as defined in the Funding Agreement). In any event, Funding Recipient shall provide, in a form satisfactory to PENNVEST, a plan for repayment of any PENNVEST loan. If Funding Recipient is regulated by the Public Utility Commission ("PUC"), Funding Recipient agrees to take all necessary actions to obtain PUC approval of revenue stream rates.

### **Payment of Costs**

Funding Recipient agrees, without condition, to pay all reasonable fees, expenses, taxes, costs and charges associated with the financial assistance being provided by PENNVEST, including but not limited to, title insurance premiums and search fees, survey costs, and recording and filing fees, if any.

### **Additional Information**

Funding Recipient agrees that PENNVEST can require additional information or documentation and impose further conditions if PENNVEST deems necessary based upon review of the information submitted by the Funding Recipient.

### **Assignment**

Funding Recipient agrees not to assign the proceeds from the financial assistance provided by PENNVEST without the prior written consent of PENNVEST. Any attempt at assignment without consent shall be void.

### **Modification**

Funding Recipient agrees that no change or modification to this Funding Offer shall be valid unless the Funding Recipient and PENNVEST agree to such change or modification in writing.

### **Entire Agreement**

Funding Recipient further agrees that this Funding Offer represents the entire funding offer agreement between the parties and to the extent this offer represents an increase funding approval this offer integrates and includes any and all prior or contemporaneous agreements between the parties relating to this project.

## **General Financial Terms & Conditions**

### **Survival**

Funding Recipient agrees that the obligations set forth in this Funding Offer shall survive Settlement on the financial assistance and shall be continuing obligations until all required payments, including applicable interest and fees, have been made in full and all other obligations have been fully completed and discharged.

### **Outstanding Financial Assistance**

Funding Recipient agrees that, to the extent that financial assistance requiring repayment was previously provided to funding recipient by the Water Facilities Loan Board or PENNVEST and has not been fully repaid, Funding Recipient is in compliance with obligations under the prior funding documents and is not delinquent on repayment.

### **Refinancing**

Funding Recipient shall not use PENNVEST funds to replace long-term financing that has been offered or committed to the Funding Recipient at reasonable rates as of the date of this Funding Offer.

### **Independent Audits**

Funding Recipient agrees, if required by PENNVEST, to obtain independent audits of its financial documents and condition and to submit certified copies of such audits to PENNVEST.

### **Other Obligations**

Funding Recipient agrees that accepting funding from PENNVEST will not result in a default by Funding Recipient on any other obligation of Funding Recipient, including but not limited to, a default pursuant to the terms of any bond offering, indenture, mortgage, restriction, lease, or other agreement. Funding Recipient agrees to provide PENNVEST with evidence that no such default will occur, in a form satisfactory to PENNVEST, prior to the Settlement Date.

### **Insurance**

Funding Recipient agrees to maintain, or cause to be maintained, adequate business insurance coverage on its business assets for the term of the financial assistance including the construction period and to provide PENNVEST with evidence of such insurance, in a form satisfactory to PENNVEST, prior to the Settlement Date. In the event of a Brownfields project, Funding Recipient also agrees to obtain and cause to be maintained environmental cost cap and remediation liability insurance until such time that Funding Recipient receives a letter from DEP releasing the Funding Recipient from liability of known contaminants under Act 2, a later defined term. In the event PENNVEST obtains a mortgage as collateral, Funding Recipient also agrees to obtain a lenders title insurance policy and endorsements on terms and conditions acceptable to PENNVEST.

## **General Financial Terms & Conditions**

### **Tax-Exempt Financing**

Funding Recipient agrees not to report any funding received from PENNVEST as a tax-exempt financing.

### **Automatic Debit/Credit**

Funding Recipient agrees to comply with any automated debit or credit system that PENNVEST may institute.

### **Attorney**

Funding Recipient agrees, if applicable, to retain an attorney, licensed to practice law in the Commonwealth of Pennsylvania, to provide legal assistance and advice to the Funding Recipient with regard to the terms and conditions of this Funding Offer and to provide the requisite opinions of counsel at Settlement. Funding Recipient agrees to provide PENNVEST with a copy of its engagement letter, which shall include the attorney's total anticipated fee with respect to the project, in a form satisfactory to PENNVEST, prior to the Settlement Date. At Settlement, the Funding Recipient shall furnish to PENNVEST an opinion of the Funding Recipient's counsel, in a form satisfactory to PENNVEST, that, among other things, the Funding Recipient is duly organized and authorized to enter into the transaction; that the transaction and its terms do not violate any rules, regulations, laws, orders or agreements by which the Funding Recipient is bound; that there is no litigation threatened or pending that will affect the Funding Recipient's ability to enter into the transaction or complete this project; and that the Funding Recipient has acquired, and has good and marketable title to, all real property interests necessary to complete this project. The opinion letter will also address any other matters to which PENNVEST wishes the Funding Recipient's counsel to opine.

### **Disclosure of Funding**

Funding Recipient agrees to disclose to the system users the costs and benefits of receipt of funds from PENNVEST (this does not apply to PUC regulated systems or systems without residential ratepayers).

### **Conference Calls**

As a condition of this Funding Offer, Funding Recipient, its licensed engineer and its attorney, if applicable, shall be available to participate in conference calls with PENNVEST to work through the Settlement process effective immediately after approval of this Funding Offer, unless such condition is expressly waived by PENNVEST. All conference call attendees should have electronic access to the PENNVEST Online Funding Request website during all scheduled conference calls.

### **Funds Disbursement Process**

As a condition of this Funding Offer, Funding Recipient understands that it will be required to participate in PENNVEST's funds disbursement process.

## **General Financial Terms & Conditions**

### **Financial Statements**

If applicable, within one hundred eighty (180) days after the end of each fiscal year, the Funding Recipient shall transmit to PENNVEST its financial statements using PENNVEST's facsimile procedure on the PENNVEST website under Annual Financial Statement / Audit Report Submission. The financial statements shall consist of a balance sheet, income statement and statement of source and application of funds. Such financial statements:

- a. Shall be prepared by an independent public accounting firm approved by the Authority;
- b. Shall be prepared in accordance with generally accepted accounting principles and practices consistently applied or generally accepted governmental accounting principles and practices consistently applied, as applicable;
- c. Shall be in a form satisfactory to PENNVEST; and
- d. Shall be certified as true and correct by the chief financial officer of the Funding Recipient.

### **Confidential Information**

The Funding Recipient agrees not to include confidential or proprietary information or trade secrets as part of any submission to PENNVEST in response to this Funding Offer or in preparation for Settlement. If the Funding Recipient determines that it must divulge such information as part of its submissions, the Funding Recipient agrees to submit a signed written statement to that effect in accordance with 65 P.S. § 67.707(b) and agrees to additionally provide a redacted version of its proposal, which removes only the confidential or proprietary information and trade secrets for public disclosure purposes.

### **Right-to-Know Law**

a. The Pennsylvania Right-to-Know Law (hereinafter referred to as the "RTKL"), 65 P.S. §§ 67.101-3104, applies to this Funding Offer and all documents provided to PENNVEST in connection with Settlement (the "Funding Documents"). For the purpose of administering the matters relating to the RTKL set forth in this Section, the applicable "Commonwealth agency" as provided in the RTKL shall be PENNVEST. Capitalized terms used but not otherwise defined herein shall have the same meaning as set forth in the RTKL.

b. If PENNVEST needs the Funding Recipient's assistance in any matter arising out of the RTKL, PENNVEST shall notify the Funding Recipient in writing.

c. Upon written notification from PENNVEST that it requires the Funding Recipient's assistance in responding to a request under the RTKL for information that may be in the Funding Recipient's possession, constituting, or alleged to constitute, a Public Record in accordance with the RTKL, Funding Recipient shall:

(i) Provide PENNVEST, within ten (10) calendar days after receipt of such notification, access to, and copies of, any document or information in the Funding Recipient's possession arising out of this Funding Offer or the Funding Documents that PENNVEST reasonably believes may be a Public Record under the RTKL ("Requested Information"), to permit PENNVEST to evaluate whether such Requested Information is, in fact, a Public Record within the scope of the subject RTKL information request; provided, however, that providing such Requested Information not previously in PENNVEST's possession shall not be considered an admission by the Funding Recipient that such records are Public Records under the RTKL; and

(ii) Provide such other assistance as PENNVEST reasonably may request, in order to comply with the

## RTKL.

If the Funding Recipient fails to provide the Requested Information within ten (10) calendar days after receipt of such request, the Funding Recipient shall indemnify and hold PENNVEST harmless for any damages, penalties, detriment or harm that PENNVEST may incur under the RTKL as a result of the Funding Recipient's failure, including any statutory damages assessed against PENNVEST.

d. If the Funding Recipient considers the Requested Information not to be a Public Record, or exempt from production due to the inclusion of trade secret, confidential proprietary information, or any other reason for exemption from production as a Public Record under the RTKL, the Funding Recipient shall provide a written statement to PENNVEST within seven (7) days of receipt of PENNVEST's request for the Requested Information. This statement shall be signed by a representative of the Funding Recipient, explaining why the Funding Recipient considers the Requested Information exempt from public disclosure.

e. If such a written statement is timely provided, PENNVEST will rely upon it in denying a RTKL request for the information. However, if PENNVEST reasonably determines that such written statement is patently flawed or the Requested Information is, on its face, clearly not protected from disclosure under the RTKL, the Funding Recipient shall, subject to its rights of appeal, provide the Requested Information within five (5) business days of notification of PENNVEST's decision.

If the Funding Recipient fails to provide the Requested Information within the five (5) business days, the Funding Recipient shall indemnify and hold PENNVEST harmless from any damages, legal fees, penalties, detriment or harm, including statutory damages assessed against PENNVEST that PENNVEST may incur under the RTKL as a result of the Funding Recipient's failure to provide the records.

f. The Funding Recipient shall be entitled to challenge or appeal any decision of PENNVEST, the Commonwealth Office of Open Records ("OOR") or any applicable court mandating the release of any record to the public which the Funding Recipient believes is not properly subject to disclosure under the RTKL; provided, however, that (i) the Funding Recipient shall be solely responsible for all costs related to such action; and (ii) the Funding Recipient shall indemnify and hold harmless PENNVEST from and against any and all legal fees, damages, penalties, detriment or harm that PENNVEST may incur under the RTKL as a result of such action, including any statutory damages assessed against PENNVEST, regardless of the outcome of such legal challenge. If the Funding Recipient does not appeal or is not successful after final appeal from a determination by the OOR or Pennsylvania courts, the Funding Recipient agrees to waive all rights or remedies that may be available to it as a result of PENNVEST's subsequent disclosure of Requested Information pursuant to such a decision by the OOR or Pennsylvania courts. PENNVEST will reimburse the Funding Recipient for any costs associated with complying with this provision, but only to the extent allowed under the fee schedule established by the OOR, or as otherwise provided by the RTKL, if the fee schedule is inapplicable.

g. Notwithstanding the foregoing, nothing set forth herein is intended, nor shall it be construed, to expand the Funding Recipient's obligations, or PENNVEST's authority, beyond those obligations and authority, respectively, as are set forth in the RTKL, and the sole remedy for any failure by the Funding Recipient to perform any obligation arising hereunder, or under the RTKL, shall be limited to those specifically provided for pursuant to the RTKL, and the failure of the Funding Recipient to comply with the provisions of this Section shall not constitute a default or Event of Default under the Funding Offer or the Funding Documents.

### **Construction-Related Terms & Conditions**

#### **Construction Start**

Funding Recipient agrees that construction shall not be initiated prior to the Settlement Date unless Funding Recipient has obtained prior written authorization from PENNVEST.

## **Construction-Related Terms & Conditions**

### **Engineering**

Funding Recipient agrees, if applicable, to retain a licensed engineer competent to design and/or implement the project and provide construction oversight. Funding Recipient agrees to provide PENNVEST with evidence of such engineer's agreement, including the engineer's total fee to complete the project, in a form satisfactory to PENNVEST, prior to the Settlement Date.

### **Continuing Education**

Funding Recipient agrees to comply with the continuing education requirements set forth in the Pennsylvania Infrastructure Investment Authority Act, March 1, 1988, P.L.82, No. 16, as amended, 35 P.S. § 751.10(j).

### **Steel Products**

Funding Recipient agrees to comply with the provisions of the Steel Products Procurement Act, March 3, 1978, P.L. 6, No. 3, 73 P.S. § 1881 et seq., in every construction contract awarded for this project.

### **Real Estate**

Prior to Settlement on this Funding Offer, Funding Recipient agrees to acquire all easements, rights-of-way, or other interests in real property needed for the construction of the project, and to have its attorney opine that all real property interests are free and clear of all liens and encumbrances other than those liens and encumbrances which will not adversely interfere with the project. If property interests are being acquired through condemnation and appeal rights have not been waived, PENNVEST will not conduct Settlement until the appeal period has expired and any preliminary objections have been satisfactorily resolved. If PENNVEST assumes an interest in real estate as a part of its collateral securing the PENNVEST funding, Funding Recipient agrees to obtain an appraisal and survey of the real estate and title insurance on the real estate on terms and conditions satisfactory to PENNVEST.

### **Permits**

Funding Recipient agrees to obtain all permits needed for the construction of the project prior to Settlement on this Funding Offer. PENNVEST will not conduct Settlement until all appeal periods for such permits have expired. If an appeal is filed, PENNVEST, in its sole discretion, may choose not to conduct Settlement on this Funding Offer until the appeal is satisfactorily resolved.

### **Compliance**

Funding Recipient agrees to comply with all local, state and federal statutes, regulations, and permit requirements applicable to the construction of the project and the operation of the project or system of which the project is a component part.

## **Construction-Related Terms & Conditions**

### **Bid Requirement**

Funding Recipient agrees that no specification for bids in connection with the project financed by this Funding Offer shall be written in such a manner as to contain proprietary, exclusionary, or discriminatory requirements other than those based upon performance, unless such requirements are necessary to test or demonstrate a specific thing or to provide for necessary interchangeability of parts and equipment and, if available, Funding Recipient shall include at least two brand names or trade names of comparable quality or utility followed by the words "or equal".

### **Construction Contracts**

Funding Recipient agrees to enter into written contracts with parties constructing the project and to require insurance, performance bonds and payment bonds covering the work to be performed. Funding Recipient agrees to provide PENNVEST with evidence of such contracts, insurance and bonds, in a form satisfactory to PENNVEST, prior to the Settlement Date.

### **Performance Certification**

On the one-year anniversary of completion of the project, Funding Recipient agrees, if applicable, to provide PENNVEST with certification from a licensed engineer or other designated professional that the design, construction, maintenance and operation of the project system is consistent with the plans and specifications, as approved by PENNVEST and DEP.

### **Asset Depreciation**

Funding Recipient agrees that it will depreciate the applicable assets purchased or constructed using proceeds of the Loan and or Grant on a straight line basis pursuant to Public Law 98-369, Act of July 11, 1984, known as the "Deficit Reduction Act of 1984".

### **Funding Additional Costs of Construction**

Prior to Settlement on this Funding Offer, Funding Recipient agrees to provide evidence to PENNVEST of all other sources of funding which will be used to finance any portion of the construction costs for this project. Funding Recipient further acknowledges that this Funding Offer does not obligate PENNVEST to finance any increase in the cost of the construction for this project.

### **Project Scope**

Funding Recipient agrees not to change the scope of the project as presented to PENNVEST in its application, and any associated plans and specifications, without the express written consent of PENNVEST. If prior to Settlement a change of scope affects the project priority ranking previously assigned to this project to the extent that it would not have been approved by the PENNVEST Board of Directors, this Funding Offer, and any acceptance thereof, shall be null and void.

## **Construction-Related Terms & Conditions**

### **Land Acquisition Costs**

To the extent this Project will be funded in whole or in part with monies obtained by PENNVEST from the Unconventional Gas Well Fee Act, February 14, 2012, P.L. 87, No. 13, 58 Pa.C.S. §2301 et seq. and Funding Recipient is an authorized organization as defined in 27 Pa.C.S. §6103, the Funding Recipient agrees not to use funds provided through this offer for land acquisition unless the Funding Recipient has obtained the written consent of the county and municipality in which the land is situated in accordance with 58 Pa.C.S. §2315(b)(2).

## **Management Terms & Conditions**

### **Discrimination**

Funding Recipient agrees not to discriminate on the basis of race, color, religious creed, ancestry, age, sex, natural origin, non-job related handicap or disability, or the use of a guide or support animal because of the blindness, deafness or physical handicap against any individual or independent contractor in activities funded by this Funding Offer, and shall be in compliance with the Pennsylvania Human Relations Act, Oct. 27, 1955, P.L. 744, No. 222, as amended, 43 P.S. § 951 et seq.

### **Contractor Responsibility**

Consistent with Commonwealth Management Directive 215.9, Contractor Responsibility Program, dated April 16, 1999, Funding Recipient certifies that neither Funding Recipient nor any contractor or supplier providing services on this project are under suspension or debarment by the Commonwealth of Pennsylvania, any other state, or the federal government. Funding Recipient further certifies that it has no delinquent tax liabilities or other Commonwealth obligations. If any suspension, debarment or delinquent obligation arises during the term of the agreement with PENNVEST for financial assistance, Funding Recipient agrees to notify PENNVEST within 15 days. Moreover, Funding Recipient agrees that failure to provide such notice shall constitute a default of the agreement. Funding Recipient agrees to be responsible for all necessary and reasonable costs incurred by the Office of Inspector General in investigating compliance with this provision when such investigation results in suspension or debarment of Funding Recipient or a contractor providing services on this project.

### **Contractor Integrity**

Funding Recipient agrees to comply, and to require compliance by any contractors providing services on this project, with the contractor integrity provisions set forth in Management Directive 215.8, Contractor Integrity Provisions for Commonwealth Contracts, dated December 20, 1991.

### **Inspection/Audit**

Funding Recipient agrees that PENNVEST, or its agents and representatives, shall have the right to inspect the project and audit the financial condition of Funding Recipient at any and all reasonable times. Funding Recipient further agrees to allow PENNVEST, or its agents and representatives, to examine and make copies of its drawing, plans, books, records, accounting data and other documents pertaining to the project or the financial condition of Funding Recipient.

## **Management Terms & Conditions**

### **Default**

Funding Recipient agrees that PENNVEST, upon the occurrence of any of the following events, may declare Funding Recipient in default and exercise any available rights or remedies as PENNVEST deems necessary and appropriate:

- a. **Material Change.** A material adverse change in conditions represented to PENNVEST at or prior to Settlement on this Funding Offer relating to: (1) the financial condition of the Funding Recipient or any guarantor, (2) the Funding Recipient's ownership interest in or physical condition of the real property required for the project, or (3) the nature/scope of the project; or
- b. **Bankruptcy.** The filing by or against the Funding Recipient or any guarantor of a petition in bankruptcy or insolvency, for reorganization or the appointment of a receiver or trustee; or the making by the Funding Recipient or any guarantor of an assignment for the benefit of creditors, or in the event of any similar act or ordinance.
- c. **Suspension/Debarment.** Failure to notify PENNVEST within 15 days of any suspension or debarment of the Funding Recipient, its contractors or suppliers by the Commonwealth of Pennsylvania, any other state or the federal government, or failure to notify PENNVEST within 15 days of any delinquent tax liability or other Commonwealth obligation of the Funding Recipient.


This provision shall apply from the date of the issuance of this Funding Offer through the Settlement Date.

### **Public Relations, Lobbying, Litigation**

Funding Recipient agrees not to use funds provided through this offer for the purpose of public relations, outreach not directly related to project implementation, communications, lobbying or litigation costs.

---

On behalf of the PENNVEST Board, I Brion Johnson, am hereby authorized to make this Funding Offer.



**Brion T. Johnson**  
Executive Director

### **Disclaimer**

---

PENNVEST recognizes that there may be aspects of this offer that the applicant may need to discuss during the loan closing process. In particular, the applicant may wish to request modifications to some of the terms and conditions contained in this offer. By signing this offer, the applicant is not precluded from raising such issues and making such requests during the loan closing process. PENNVEST will consider the merits of any such issues that the applicant raises during this process.

## APPENDIX G



May 28, 2020

Mr. Robert K. Fullagar  
President  
Twin Lakes Utilities, Inc.  
485C Route One South, Suite 400  
Iselin, New Jersey 08830

Re: Unsecured Revolving Promissory Notes Between Twin Lakes Utilities,  
Inc. (Borrower) and Middlesex Water Company (Lender)

Dear Mr. Fullagar:

On behalf of Middlesex Water Company ("Middlesex"), this letter is in regard to the three outstanding Unsecured Revolving Promissory Notes Between Twin Lakes Utilities, Inc. ("Twin Lakes") and Middlesex. Specifically, these three notes are the Unsecured Revolving Promissory Note Between Twin Lakes and Middlesex executed in January 2016 ("First Note"), the Second Unsecured Revolving Promissory Note Between Twin Lakes and Middlesex executed on October 18, 2019 ("Second Note") and the Third Unsecured Revolving Promissory Note Between Twin Lakes and Middlesex executed on October 29, 2019 ("Third Note"). Copies of all three Notes are enclosed with this letter.

Middlesex is hereby invoking its authority under Section II. of all three Notes and demanding from Twin Lakes immediate payment of the total amounts due on all three Notes plus interest payable on the unpaid principals at the rate of 7.0% per annum. This amount totals \$2,420,398.99.

Payment on this demand is due immediately and shall be delivered by hand no later than June 8, 2020 to Middlesex Water Company, 485C Route One South, Iselin, NJ 08830, attention: Jay L. Kooper, Vice President, General Counsel & Secretary.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Bruce O'Connor', is written over a faint, larger version of the same signature.

A. Bruce O'Connor  
Senior Vice President, Treasurer and  
Chief Financial Officer

Attachments

cc: Dennis W. Doll (Chairman, President and CEO, Middlesex Water Company)  
Jay L. Kooper (Vice President, General Counsel and Secretary, Middlesex Water Company)

## APPENDIX H

**TWIN LAKES**  
UTILITIES, INC.

A Middlesex Water Company Affiliate

May 29, 2020

Mr. A. Bruce O'Connor  
Senior Vice President, Treasurer & Chief Financial Officer  
Middlesex Water Company  
485C Route One South, Suite 400  
Iselin, New Jersey 08830

Re: Unsecured Revolving Promissory Notes Between Twin Lakes Utilities,  
Inc. (Borrower) and Middlesex Water Company (Lender)

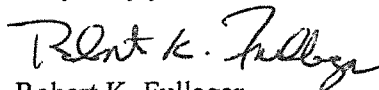
Dear Mr. O'Connor:

On behalf of Twin Lakes Utilities, Inc. ("Twin Lakes"), this letter is in response to your correspondence dated May 28, 2020 in which Middlesex Water Company ("Middlesex") demands immediate payment on the three outstanding Unsecured Revolving Promissory Notes Between Twin Lakes and Middlesex executed in January 2016, October 18, 2019, and October 29, 2019, respectively.

Specifically, Middlesex is demanding immediate payment on the three Notes in the amount of \$2,420,398.99, which Middlesex represents consists of the principal amounts on the Notes plus interest at the rate of 7.0% per annum. In your May 28, 2020 correspondence, you state on behalf of Middlesex that Twin Lakes had until June 8, 2020 to pay this amount by hand delivery to Middlesex.

Please be advised that Twin Lakes is unable to meet your \$2,420,398.99 payment demand requirements currently and does not expect to have the ability to satisfy any repayment of the three Notes including principal and any debt service thereon in the future.

Very truly yours,



Robert K. Fullagar  
President

cc: Dennis W. Doll (Chairman, President and CEO, Middlesex Water Company)  
Jay L. Kooper (Vice President, General Counsel and Secretary, Middlesex Water Company)

## APPENDIX I



June 1, 2020

Mr. Robert K. Fullagar  
President  
Twin Lakes Utilities, Inc.  
485C Route One South, Suite 400  
Iselin, New Jersey 08830

Re: Notice of Termination of Service Agreement Between Middlesex Water Company and  
Twin Lakes Utilities, Inc. Dated December 1, 2009

Dear Mr. Fullagar:

Middlesex Water Company ("Middlesex") is in receipt of your May 29, 2020 response letter in which you indicate that Twin Lakes Utilities, Inc. ("Twin Lakes") is unable to meet the payment demand tendered by Middlesex with respect to the three outstanding Unsecured Revolving Promissory Notes between Twin Lakes (Borrower) and Middlesex (Lender). In your response letter, you state that Twin Lakes does not expect to have the ability to satisfy any repayment of these Notes.

Pursuant to Section 1 of the Service Agreement Between Middlesex Water Company and Twin Lakes Utilities, Inc. dated December 1, 2009 ("Service Agreement") (copy attached), Middlesex hereby provides notice of termination of the Service Agreement with termination effective September 1, 2020 pursuant to the 90-days advance written notice provision set forth in Section 1 of the Service Agreement.

Sincerely,

A handwritten signature in cursive script that reads 'A. Bruce O'Connor'.

A. Bruce O'Connor  
Senior Vice President, Treasurer and  
Chief Financial Officer

cc: Dennis W. Doll (Chairman, President and CEO, Middlesex Water Company)  
Jay L. Kooper (Vice President, General Counsel & Secretary, Middlesex Water Company)

**TWIN LAKES**  
UTILITIES, INC.

A Middlesex Water Company Affiliate

June 1, 2020

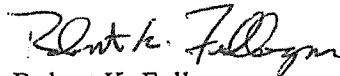
Mr. A. Bruce O'Connor  
Senior Vice President, Treasurer & Chief Financial Officer  
Middlesex Water Company  
485C Route One South, Suite 400  
Iselin, New Jersey 08830

Re: Acknowledgement of Receipt of Notice of Termination of Service Agreement Between  
Middlesex Water Company and Twin Lakes Utilities, Inc. Dated December 1, 2009

Dear Mr. O'Connor:

On behalf of Twin Lakes Utilities, Inc. ("Twin Lakes"), this letter is to acknowledge receipt of Middlesex's letter dated today – June 1, 2020 – providing notice of termination of the Service Agreement Between Middlesex and Twin Lakes dated December 1, 2009. Twin Lakes' position remains unchanged from my correspondence to you dated May 29, 2020.

Very truly yours,



Robert K. Fullagar  
President

cc: Dennis W. Doll (Chairman, President and CEO, Middlesex Water Company)  
Jay L. Kooper (Vice President, General Counsel and Secretary, Middlesex Water Company)

## APPENDIX J

**TWIN LAKES UTILITIES, INC.**  
**485C ROUTE 1 SOUTH, SUITE 400**  
**P.O. BOX 1500**  
**ISELIN, NJ 08830**

**July 14, 2020**

**REQUEST FOR PROPOSAL**

**CONTRACT OPERATIONS & MAINTENANCE SERVICES FOR THE  
TWIN LAKES UTILITIES, INC. COMMUNITY WATER SYSTEM  
LOCATED IN SHOHOLA TOWNSHIP, PIKE COUNTY, PENNSYLVANIA**

Response Due Date: On or Before August 14, 2020

E-Mail Responses to:

[Rebaugh@middlesexwater.com](mailto:Rebaugh@middlesexwater.com)

Ray Ebaugh  
302-747-1312

## TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| <u>SECTION 1 - PURPOSE &amp; GENERAL BACKGROUND</u>          | <u>1</u>    |
| 1.1 - PURPOSE & BACKGROUND                                   | 1           |
| 1.2 - PROCUREMENT PROCESS                                    | 1           |
| a. Schedule  | 1           |
| b. RFP Distribution and Owner Contact Information            | 1           |
| c. Questions Submittal Deadline Inquiries and Correspondence | 1           |
| <u>SECTION 2 - WATER SYSTEM INFORMATION</u>                  | <u>2</u>    |
| 2.1 - WATER FACILITY INFORMATION                             | 2           |
| 2.2 - DISTRIBUTION SYSTEM INFORMATION                        | 2           |
| 2.3 - ASSET CONDITION  | 2           |
| <u>SECTION 3 - TWIN LAKES SERVICE OBJECTIVES</u>             | <u>2</u>    |
| 3.1 - SERVICE OBJECTIVE                                      | 2           |
| 3.2 - ASSET MANAGEMENT OBJECTIVE                             | 3           |
| <u>SECTION 4 - OPERATIONS, MANAGEMENT AND MAINTENANCE</u>    | <u>3</u>    |
| 4.1 - TERM OF THE AGREEMENT                                  | 3           |
| 4.2 - CONTRACTORS SCOPE OF SERVICES                          | 3           |
| a. General   | 3           |
| b. Meter Reading   | 4           |
| c. Billing & Collections                                     | 4           |
| d. Customer Service  | 4           |
| e. Staffing  | 5           |
| f. Training  | 5           |
| g. Plan Development  | 5           |
| h. Regulatory Compliance                                     | 5           |
| i. Capital Improvements                                      | 6           |
| <u>SECTION 5 - PROPOSAL SUBMISSIONS AND EVALUATION</u>       | <u>6</u>    |
| 5.1 - EVALUATION, RANKING AND NEGOTIATIONS                   | 6           |
| 5.2 - QUALIFICATIONS   | 6           |
| 5.3 - BUSINESS INFORMATION                                   | 6           |
| 5.4 - EXPERIENCE OF THE FIRM                                 | 6           |
| <u>SECTION 6 - EVALUATION PARAMETERS</u>                     | <u>7</u>    |

|   |                             |    |
|---|-----------------------------|----|
| 6.1 - EVALUATION                                | 7                           |    |
| <u>SECTION 7 - GENERAL LOCATION INFORMATION</u> | <u>7</u>                    |    |
| <u>APPENDICES</u>                               | <u>8</u>                    |    |
| • APPENDIX I                                    | WATER PUMPED IN 2019        | 8  |
| • APPENDIX II                                   | WATER QUALITY REPORT - 2019 | 9  |
| • APPENDIX III                                  | OPERATION EXPENSES          | 10 |
| • APPENDIX IV                                   | OPERATIONS PERMIT           | 11 |
| • APPENDIX V                                    | PROJECT LOCATION MAP        | 18 |

**Section 1- Purpose & General Background**

**Section 1.1 Purpose & Background**

Twin Lakes Utilities, Inc., (Twin Lakes) located in Shohola Township, Pike County, Pennsylvania is soliciting proposals for the operation and maintenance ("Services") of its residential community water system, which includes water treatment facilities, storage and a distribution system (the "Water System"). Twin Lakes is seeking to establish a sustainable arrangement for the provision of safe drinking water to its customers. With this solicitation, Twin Lakes invites interested parties to propose on the provision of professional Services for the Water System. Twin Lakes intends to select from among the proposals received from Respondents the best option, which in its sole judgment provides the best value in terms of cost and assured reliability of service to its customers. The minimum term of Services acceptable to Twin Lakes is one year.

**Section 1.2 – Procurement Process**

**1.2a. Schedule**

The following is the schedule of events for the Request for Proposal (the "RFP") followed by a brief explanation of each event:

**SCHEDULE**

| <b>Event</b>                         | <b>Date</b>                  |
|--------------------------------------|------------------------------|
| RFP Available                        | July 15, 2020                |
| Pre-bid Meeting/Water Facility Tour* | July 23, 2020** at 9 am      |
| Questions Submittal Deadline         | July 30, 2020 at 4:00 p.m.   |
| RFP Due Date                         | On or before August 14, 2020 |

Note: All times are Eastern Standard Time

\* - Tour limited to two representatives per company because of COVID-19 limitations. Please e-mail Ray Ebaugh at the email below to confirm your attendance.

\*\* - Other dates will be considered.

**1.2b. RFP Responses and Owner Contact Information**

Copies of the RFP can be obtained by e-mailing:  
[rebaugh@middlesexwater.com](mailto:rebaugh@middlesexwater.com)

**1.2c. Questions Submittal Deadline, Inquiries and Correspondence**

Questions may be submitted by email to [rebaugh@middlesexwater.com](mailto:rebaugh@middlesexwater.com) by the deadline date given in Section 1.2a above. Answers to submitted questions that Twin Lakes deems to be of general interest will be sent to all parties.

## **Section 2 - Water System Information**

### **Section 2.1 - Water Facility Information**

Twin Lakes obtains its drinking water from a single groundwater well located on Company owned-property in the Sagamore Estates community. Raw water is withdrawn and chlorinated and then pumped from a 20,000 gallon atmospheric underground storage tank to the distribution system through a network of water mains to meet the residential needs of the area. The service area for the water system includes approximately 113 households. The well is capable of producing approximately 50 gallons per minute while maintaining 25 to 55 psi. This system does not provide fire protection

Included with the RFP are the following documents:

- Appendix I - Pumping Record, 2019
- Appendix II - Water Quality Report, 2019

### **2.2 – Distribution System Information**

The water distribution system consists of approximately 5 miles of water main that range from 2 inch to 6 inch diameter piping. The majority of main sizes are 2, 4 and 6 inch diameter plastic and AC pipe. There are no fire hydrants and approximately 50 valves. The approximate age of the distribution system ranges from 2 to 45 years of age.

Currently, there are approximately 113 three quarter inch (¾”) Sensus meters installed within the crawl spaces of the premises. The water meters are read monthly (billed quarterly) using radio read “touch pad” technology.

### **2.3 - Asset Condition**

The water system’s assets are the property of Twin Lakes. The existing infrastructure’s condition is as follows;

- Water treatment facility - poor
- Distribution system - poor
- Storage Water System - poor
- Valves - fair
- Meters - good

## **Section 3 – Twin Lakes Service Objectives**

### **3.1 - Service Objective**

Twin Lakes is requesting proposals for the operation and maintenance of its water treatment facility and distribution system with the intent of providing the residents of Twin Lakes with the most cost effective and environmentally responsible solution for the operation and maintenance

of their water system. The continued reliable delivery of high-quality drinking water to the residents is of the utmost importance to Twin Lakes. The “Contractor” meaning the Respondent selected by the Owner to provide the Services in accordance with the terms and conditions of the RFP, main objective is to continuously produce an adequate supply of potable water that meets all regulatory requirements, is free of harmful substances and is aesthetically pleasing in taste, odor, and appearance. The most recent Water Quality Report for the system is provided in Appendix II and shows that the system is in compliance with regulations.

### **3.2 – Asset Management Objective**

As noted in the section 2.3 under asset condition, there are identified infrastructure rehabilitation and replacement needs. Twin Lakes expects any future arrangement for service delivery that it enters into will include provisions for prudent management of the assets of the water system to preserve and assure the ability to continue the delivery of safe drinking water.

## **Section 4 – Operations and Maintenance – Scope of Services**

The Respondent shall operate and maintain the Water System on behalf of Twin Lakes in accordance with terms and conditions of this RFP and in compliance with applicable laws of Pennsylvania. Respondent shall, at all times, keep the Water System in good working order and good repair. The Respondent shall manage, operate and maintain the Water System in a professional and safe manner. The Respondent shall maintain the highest generally accepted industry and utility standards, and sound operating practice.

The Respondent must determine to its own satisfaction all activities necessary to operate and maintain the water system.

### **4.1 – Term of the Agreement**

- The minimum term of the agreement shall be one year, with a longer term upon mutual agreement between the Respondent and Twin Lakes.

### **4.2 - Contractor’s Scope of Services**

The Contractor will be responsible for the following:

#### **4.2a. – General**

- Operating and maintaining the Water System continuously, twenty-four (24) hours per day seven (7) days per week including holidays, in a professional and safe manner.
- Contractor, at its own expense, is responsible for undertaking, managing and completing routine maintenance, preventative maintenance and predictive maintenance.
- Assume the responsibility for all operating and maintenance expenses of the system.
- Operating, maintaining and repairing the supply, pumping, treatment and distribution systems.
- Provide timely communication with Twin Lakes’ management.

- Provide Licensed Operator and water quality compliance laboratory services; includes sampling, analysis, monitoring and reporting.
- Provide maintenance, repair and replacement of equipment and instrumentation.
- Other responsibilities requiring particular expertise, experience and the ability to assume complete control of the operation and maintenance of the Water System and related services.
- Exercise valves annually.
- Contractor, at its own expense shall purchase all utilities, services, supplies and all other consumable items necessary to operate and maintain the water facility in accordance with the Agreement and applicable law. These Contractor expenses shall include, without limitation, the removal, transportation and disposal of all spoils generated by repairs to the water system, chemicals, laboratory supplies, janitorial supplies, landscaping services, trash and snow removal, instrumentation calibration, software, storage media, office supplies, electricity, generator service, telephone and telemetry, alarm services, security services and devices, gasoline, diesel and other fuels, laboratory sampling and testing, advertising, public relations costs, safety supplies and consumable items, uniforms, uniform cleaning, wireless phones/radios pagers and paging services.
- Undertake and complete, as applicable, grounds keeping, snow removal, trash removal, janitorial services and all cleaning of the floors, walls, pipes, windows, vehicles and equipment.

#### **4.2b. - Meter Reading**

- The Contractor is responsible for reading the production meter and recording the readings daily in the log book provided at the Facility.
- All flow meters and monitoring instrumentation shall be calibrated annually or more frequently if necessary by the Contractor.

#### **4.2c. - Billing & Collections**

- Not applicable.

#### **4.2d. - Customer Service**

The Contractor shall:

- Provide 24 hours a day/7 days a week response to emergencies transferred by the Twin Lakes' customer call center to [Contractor or Respondent].
- Provide Twin Lakes with an emergency notification phone number that is staffed 24 hours per day, every day, by the Contractor.
- Provide standard industry responses to non-emergency inquiries transferred by the Twin Lakes' customer call center to Contractor or Respondent.
- Maintain an on-call system for its employees.
- Contractor shall interact with all Twin Lakes' customers and stakeholders, as well as the general public, in a professional, responsive and courteous manner.

#### **4.2e. – Staffing**

The Contractor shall:

- Pay for all labor costs for its personnel and/or sub-contractors including, but not limited to, salaries, wages, overtime, payroll taxes, benefits and insurance of any type.
- Be responsible for supplying staff with all tools, equipment, personal protective equipment, uniforms, communication devices and computer equipment necessary to perform daily operations and reporting.
- Provide a listing of the specific individual(s) assigned to Twin Lakes and provide the background and experience of those individuals.

#### **4.2f. - Training**

- Provide ongoing training and education for its employees providing Services in all areas of process control, operation, maintenance, safety and laboratory practices.

#### **4.2g. - Plan Development**

- Review the existing operating plan for the Water System and provide any variations proposed by the Respondent.

#### **4.2h. - Regulatory Compliance**

- Compliance monitoring - Contractor shall conduct, at its own expense, all regulatory monitoring, sampling and analysis and prepare and submit all regulatory reports and correspondence with regulatory agencies within their specified time period and submission dates. (Occupational Safety and Health Administration (OSHA), Pennsylvania Department of Environmental Protection (PADEP), Pennsylvania Public Utilities Commission (PAPUC), and other regulatory agencies as needed.)
- Report all violations of applicable law including all Notices of Violation to Twin Lakes and, as required, all other governmental authorities including state and federal agencies and, if necessary, all other organizations, agencies, persons and entities required in the Emergency Management Plan.
- Maintain operation and maintenance logs in accordance with applicable law & permit requirements including a separate log for the maintenance and repair of major equipment and instrumentation.
- Responsible for monitoring, sampling and analyzing for the purpose of preparing all required regulatory reports.
- Liaison to all relevant regulatory agencies.
- Acceptance of liability for violations of all applicable law.

#### **4.2i. - Capital Improvements**

- Coordinate activities with those of any contractors or other third parties retained by the Twin Lakes to upgrade, modify or expand the Water System.

## **Section 5 - Proposal Submissions and Evaluation**

Submission Requirements: Proposers shall e-mail their proposal on or before Friday, August 14, 2020 to [rebaugh@middlesexwater.com](mailto:rebaugh@middlesexwater.com)

A pre-proposal meeting will be held at 9 a.m. on July 23, 2020 at Twin Lakes located at 101 Sagamore Rd, Shohola, PA 18458. A tour of the Water System will follow the meeting.

### **5.1 - Evaluation, Ranking and Negotiations**

The proposals will be evaluated and ranked on the basis of the following evaluation criteria:

- Qualifications
- Responsiveness of Business Information
- Operating Plan
- Experience
- Other

### **5.2 - Qualifications**

Firms must provide the information below in demonstration of their qualifications for providing the desired Services.

### **5.3 - Business Information**

- Number of years in business under present name; other names under which the firm has operated.
- Clearly identify the entity making the proposal.
- Identify key staff to be assigned to this project, if selected, and associated qualifications.

### **5.4 - Experience of the Firm**

- State the number of years that the Firm has been engaged in the provision of Services described in this RFP.
- Describe the Respondent's specific and relevant experience related to the scope of Services requested herein.
- Describe Respondent's depth and resources which would also be available for the benefit of Twin Lakes.
- Identify and describe the qualifications of the individual/team with primary responsibility for oversight of Service delivery.

## **Section 6 - Evaluation Parameters**

### **6.1 – Evaluation**

Request for Proposal – Twin Lakes Utilities, Inc.

Proposals will be based on the best combination of the parameters listed in Sections 5.1 thru 5.4.

**Section 7 – General Location Information**

The project is located at 101 Sagamore Rd, Shohola, PA 18458. Please see the site map located in Appendix V.

**Appendix I – Water Pumped for Calendar Year 2019**

Approximately 18 million gallons are pumped out of the aquifer annually.

**Appendix II – Twin Lakes 2019 Water Quality Report**

Request for Proposal – Twin Lakes Utilities, Inc.

To View the 2019 Water Quality Report, use the following link:

<https://www.middlesexwater.com/twin-lakes-utilities-inc/>

Click on “View Twin Lakes Water Quality Report”

### **Appendix III – Operation Expenses**

#### **Twin Lakes – Operating Expenses**

Request for Proposal – Twin Lakes Utilities, Inc.

|                        |          |
|------------------------|----------|
| Purchased Power        | \$11,255 |
| Chemicals              | \$ 3,366 |
| Lab Testing & Analysis | \$ 6,578 |
| Materials & Supplies   | \$12,425 |
| Purchased Services     | \$ 6,525 |
| Pest Control           | \$ 74    |
| Telephone/internet     | \$ 1,902 |
| On Call Service        | \$ 98    |
| All Other              | \$ 6,749 |
| <br>                   |          |
| Total                  | \$48,972 |

Approximate # of hours for 420  
daily operations per year,  
including management oversight

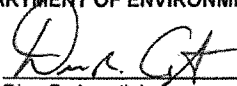
**Appendix IV – Operations Permit**

3800-FM-WSWM0043 Rev. 6/2001

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
BUREAU OF WATER SUPPLY AND WASTEWATER MANAGEMENT

**PUBLIC WATER SUPPLY PERMIT**

NO. 2520051

| <p><b>A. PERMITTEE (Name and Address)</b></p> <p>Twin Lakes Utilities, Inc.<br/>Middlesex Water Company<br/>1500 Ronson Road<br/>Iselin, N.J. 08830</p>  | <p><b>B. PROJECT/PLANT LOCATION</b></p> <p>Municipality <u>Shohola Township</u></p> <p>County <u>Pike</u></p>  |  |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|--|--|--|-------------------|-------------|----------------------------------|--------------------------------------|--|------------------------------------|-----------------------------------|--|--|-------------------------------------|--|---|---|--|--|------------------------------------|---|--|---------------------------------------|---|--|--|--------------------------------------|--|--|---|--|--|--|--|--|---|--|--|--|
| <p><b>C. THIS PERMIT APPROVES FOR: AS INDICATED BELOW:</b></p> <p>1. <input type="checkbox"/> CONSTRUCTION</p> <p>2. <input checked="" type="checkbox"/> OPERATION OF FACILITIES<br/>Approved Under Construction Permit No. <u>NA</u></p> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left; width: 33%;"><u>Source</u></th> <th style="text-align: left; width: 33%;"><u>Facilities</u></th> <th style="text-align: left; width: 33%;"><u>BVRB</u></th> </tr> </thead> <tbody> <tr> <td><input type="checkbox"/> Well(s)</td> <td><input type="checkbox"/> Impoundment</td> <td><input type="checkbox"/> General Corrosion Control</td> </tr> <tr> <td><input type="checkbox"/> Spring(s)</td> <td><input type="checkbox"/> Settling</td> <td><input type="checkbox"/> Corrosion Control for Lead/Copper</td> </tr> <tr> <td><input type="checkbox"/> Surface Water</td> <td><input type="checkbox"/> Filtration</td> <td><input checked="" type="checkbox"/> Disinfection</td> </tr> <tr> <td><input type="checkbox"/> Finished Water</td> <td><input type="checkbox"/> Iron and Manganese Treatment</td> <td><input type="checkbox"/> Pump Station(s)</td> </tr> <tr> <td></td> <td><input type="checkbox"/> Softening</td> <td><input type="checkbox"/> Transmission Lines</td> </tr> <tr> <td></td> <td><input type="checkbox"/> Fluoridation</td> <td><input type="checkbox"/> Finished Water Storage</td> </tr> <tr> <td></td> <td><input type="checkbox"/> Distribution Facility</td> <td><input type="checkbox"/> Other _____</td> </tr> <tr> <td></td> <td></td> <td><input type="checkbox"/> Bottled Water System</td> </tr> <tr> <td></td> <td></td> <td><input type="checkbox"/> Bulk Water Hauling System</td> </tr> <tr> <td></td> <td></td> <td><input type="checkbox"/> Vending Water System</td> </tr> <tr> <td></td> <td></td> <td><input type="checkbox"/> Retail Water Facility</td> </tr> </tbody> </table> <p>KNOWN AS <u>4-Log Disinfection @ EP-101 (Well Nos. 1 &amp; 2)</u></p> |  | <u>Source</u>  | <u>Facilities</u> | <u>BVRB</u> | <input type="checkbox"/> Well(s) | <input type="checkbox"/> Impoundment | <input type="checkbox"/> General Corrosion Control | <input type="checkbox"/> Spring(s) | <input type="checkbox"/> Settling | <input type="checkbox"/> Corrosion Control for Lead/Copper | <input type="checkbox"/> Surface Water | <input type="checkbox"/> Filtration | <input checked="" type="checkbox"/> Disinfection | <input type="checkbox"/> Finished Water | <input type="checkbox"/> Iron and Manganese Treatment | <input type="checkbox"/> Pump Station(s) |  | <input type="checkbox"/> Softening | <input type="checkbox"/> Transmission Lines |  | <input type="checkbox"/> Fluoridation | <input type="checkbox"/> Finished Water Storage |  | <input type="checkbox"/> Distribution Facility | <input type="checkbox"/> Other _____ |  |  | <input type="checkbox"/> Bottled Water System |  |  | <input type="checkbox"/> Bulk Water Hauling System |  |  | <input type="checkbox"/> Vending Water System |  |  | <input type="checkbox"/> Retail Water Facility |
| <u>Source</u>  | <u>Facilities</u>  | <u>BVRB</u>  |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
| <input type="checkbox"/> Well(s)   | <input type="checkbox"/> Impoundment   | <input type="checkbox"/> General Corrosion Control         |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
| <input type="checkbox"/> Spring(s)   | <input type="checkbox"/> Settling  | <input type="checkbox"/> Corrosion Control for Lead/Copper |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
| <input type="checkbox"/> Surface Water   | <input type="checkbox"/> Filtration  | <input checked="" type="checkbox"/> Disinfection           |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
| <input type="checkbox"/> Finished Water  | <input type="checkbox"/> Iron and Manganese Treatment  | <input type="checkbox"/> Pump Station(s)                   |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  | <input type="checkbox"/> Softening   | <input type="checkbox"/> Transmission Lines                |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  | <input type="checkbox"/> Fluoridation  | <input type="checkbox"/> Finished Water Storage            |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  | <input type="checkbox"/> Distribution Facility   | <input type="checkbox"/> Other _____                       |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  |  | <input type="checkbox"/> Bottled Water System              |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  |  | <input type="checkbox"/> Bulk Water Hauling System         |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  |  | <input type="checkbox"/> Vending Water System              |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
|  |  | <input type="checkbox"/> Retail Water Facility             |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
| <p><b>LIMIT OF AUTHORIZATION</b></p> <p>YOU ARE HEREBY AUTHORIZED TO CONSTRUCT OR OPERATE, AS INDICATED ABOVE, PROVIDED THAT FAILURE TO COMPLY WITH CHAPTER 109, OF THE RULES AND REGULATIONS OF THE DEPARTMENT OF ENVIRONMENTAL PROTECTION OR THE TERMS OR CONDITIONS OF THIS PERMIT SHALL VOID THE AUTHORITY GIVEN TO THE PERMITTEE BY THE ISSUANCE OF THE PERMIT.</p> <p>THE PLANS, SPECIFICATIONS, REPORTS AND SUPPORTING DOCUMENTS SUBMITTED AS PART OF THE PERMIT APPLICATION BECOME PART OF THE PERMIT.</p> <p>NO DEVIATIONS FROM APPROVED PLANS OR SPECIFICATIONS AFFECTING THE TREATMENT PROCESS OR QUALITY OF WATERS SHALL BE MADE WITHOUT WRITTEN APPROVAL FROM THE DEPARTMENT.</p> <p>THIS PERMIT IS ISSUED BY THE DEPARTMENT OF ENVIRONMENTAL PROTECTION UNDER THE AUTHORITY OF THE PENNSYLVANIA SAFE DRINKING WATER ACT, THE ACT OF MAY 1, 1984 (P.L. 206, NO. 43), OPERATION SHALL COMPLY WITH THE PROVISIONS OF CHAPTER 109 ADOPTED UNDER THE AUTHORITY IN SECTIONS 4 AND 6(e) OF THE PENNSYLVANIA SAFE DRINKING WATER ACT.</p> <p>THIS PERMIT IS SUBJECT TO THE ATTACHED SPECIAL CONDITIONS: <u>1 &amp; 2.</u></p>  |  |  |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |
| <p><b>PERMIT ISSUED</b></p> <p>Date <u>April 8, 2011</u></p>   | <p><b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b></p> <p>By <u></u></p> <p>Dino R. Agustini<br/>Title <u>Environmental Program Manager</u><br/>Water Supply Management Program</p> |  |                   |             |                                  |                                      |  |                                    |                                   |  |  |                                     |  |   |   |  |  |                                    |   |  |                                       |   |  |  |                                      |  |  |   |  |  |  |  |  |   |  |  |  |

Twin Lakes Utilities, Inc.  
Middlesex Water Company  
Shohola Township, Pike County

Public Water Supply Permit No. 2520051

**SPECIAL CONDITIONS**


1. The instantaneous maximum flow through the well 1-2 facility, Entry Point 101, shall not exceed 70 gallons per minute.
2. The peak flow from the 20,000 gallon storage tank shall not exceed 170 gallons per minute at Entry Point 101.
3. A minimum chlorine residual of 0.42 mg/l shall be maintained at Entry Point 101, every day the well (1-2) facility is in use.

3808-FM-WSWM00-03 Rev. 6/2001

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF ENVIRONMENTAL PROTECTION  
BUREAU OF WATER SUPPLY AND WASTEWATER MANAGEMENT

**PUBLIC WATER SUPPLY PERMIT**

NO. 2520051

| <p><b>A. PERMITTEE (Name and Address)</b></p> <p>Twin Lakes Utilities, Inc.<br/>c/o Middlesex Water Company<br/>1500 Ronson Road<br/>Iselin, NJ 08830</p>  | <p><b>B. PROJECT/PLANT LOCATION</b></p> <p>Municipality <u>Shohola Township</u><br/>County <u>Pike</u></p>  |  |                   |             |  |   |  |  |  |  |
|--|---|--|-------------------|-------------|--|---|--|--|--|--|
| <p><b>C. THIS PERMIT APPROVES FOR AS INDICATED BELOW:</b></p> <p>1. <input type="checkbox"/> CONSTRUCTION      2. <input checked="" type="checkbox"/> OPERATION OF FACILITIES<br/>Approved Under Construction Permit No. _____</p> <table style="width:100%; border: none;"> <thead> <tr> <th style="text-align: left; border: none;"><u>Source</u></th> <th style="text-align: left; border: none;"><u>Facilities</u></th> <th style="text-align: left; border: none;"><u>BVRB</u></th> </tr> </thead> <tbody> <tr> <td style="border: none; vertical-align: top;"> <input checked="" type="checkbox"/> Well(s)<br/> <input type="checkbox"/> Spring(s)<br/> <input type="checkbox"/> Surface Water<br/> <input type="checkbox"/> Finished Water                 </td> <td style="border: none; vertical-align: top;"> <input type="checkbox"/> Impoundment<br/> <input type="checkbox"/> Settling<br/> <input type="checkbox"/> Filtration<br/> <input type="checkbox"/> Iron and Manganese Treatment<br/> <input type="checkbox"/> Softening<br/> <input type="checkbox"/> Fluoridation<br/> <input checked="" type="checkbox"/> Distribution Facility                 </td> <td style="border: none; vertical-align: top;"> <input type="checkbox"/> General Corrosion Control<br/> <input type="checkbox"/> Corrosion Control for Lead/Copper<br/> <input checked="" type="checkbox"/> Disinfection<br/> <input checked="" type="checkbox"/> Pump Station(s)<br/> <input type="checkbox"/> Transmission Lines<br/> <input checked="" type="checkbox"/> Finished Water Storage<br/> <input type="checkbox"/> Other _____                 </td> </tr> <tr> <td style="border: none; vertical-align: top;"> <input type="checkbox"/> Bottled Water System<br/> <input type="checkbox"/> Bulk Water Hauling System<br/> <input type="checkbox"/> Vending Water System<br/> <input type="checkbox"/> Retail Water Facility                 </td> <td colspan="2"></td> </tr> </tbody> </table> <p>KNOWN AS <u>Sagamore Estates</u></p> |   | <u>Source</u>  | <u>Facilities</u> | <u>BVRB</u> | <input checked="" type="checkbox"/> Well(s)<br><input type="checkbox"/> Spring(s)<br><input type="checkbox"/> Surface Water<br><input type="checkbox"/> Finished Water | <input type="checkbox"/> Impoundment<br><input type="checkbox"/> Settling<br><input type="checkbox"/> Filtration<br><input type="checkbox"/> Iron and Manganese Treatment<br><input type="checkbox"/> Softening<br><input type="checkbox"/> Fluoridation<br><input checked="" type="checkbox"/> Distribution Facility | <input type="checkbox"/> General Corrosion Control<br><input type="checkbox"/> Corrosion Control for Lead/Copper<br><input checked="" type="checkbox"/> Disinfection<br><input checked="" type="checkbox"/> Pump Station(s)<br><input type="checkbox"/> Transmission Lines<br><input checked="" type="checkbox"/> Finished Water Storage<br><input type="checkbox"/> Other _____ | <input type="checkbox"/> Bottled Water System<br><input type="checkbox"/> Bulk Water Hauling System<br><input type="checkbox"/> Vending Water System<br><input type="checkbox"/> Retail Water Facility |  |  |
| <u>Source</u>  | <u>Facilities</u>   | <u>BVRB</u>  |                   |             |  |   |  |  |  |  |
| <input checked="" type="checkbox"/> Well(s)<br><input type="checkbox"/> Spring(s)<br><input type="checkbox"/> Surface Water<br><input type="checkbox"/> Finished Water   | <input type="checkbox"/> Impoundment<br><input type="checkbox"/> Settling<br><input type="checkbox"/> Filtration<br><input type="checkbox"/> Iron and Manganese Treatment<br><input type="checkbox"/> Softening<br><input type="checkbox"/> Fluoridation<br><input checked="" type="checkbox"/> Distribution Facility | <input type="checkbox"/> General Corrosion Control<br><input type="checkbox"/> Corrosion Control for Lead/Copper<br><input checked="" type="checkbox"/> Disinfection<br><input checked="" type="checkbox"/> Pump Station(s)<br><input type="checkbox"/> Transmission Lines<br><input checked="" type="checkbox"/> Finished Water Storage<br><input type="checkbox"/> Other _____ |                   |             |  |   |  |  |  |  |
| <input type="checkbox"/> Bottled Water System<br><input type="checkbox"/> Bulk Water Hauling System<br><input type="checkbox"/> Vending Water System<br><input type="checkbox"/> Retail Water Facility   |   |  |                   |             |  |   |  |  |  |  |
| <p><b>LIMIT OF AUTHORIZATION</b></p> <p>YOU ARE HEREBY AUTHORIZED TO CONSTRUCT OR OPERATE, AS INDICATED ABOVE, PROVIDED THAT FAILURE TO COMPLY WITH CHAPTER 109, OF THE RULES AND REGULATIONS OF THE DEPARTMENT OF ENVIRONMENTAL PROTECTION OR THE TERMS OR CONDITIONS OF THIS PERMIT SHALL VOID THE AUTHORITY GIVEN TO THE PERMITTEE BY THE ISSUANCE OF THE PERMIT.</p> <p>THE PLANS, SPECIFICATIONS, REPORTS AND SUPPORTING DOCUMENTS SUBMITTED AS PART OF THE PERMIT APPLICATION BECOME PART OF THE PERMIT.</p> <p>NO DEVIATIONS FROM APPROVED PLANS OR SPECIFICATIONS AFFECTING THE TREATMENT PROCESS OR QUALITY OF WATERS SHALL BE MADE WITHOUT WRITTEN APPROVAL FROM THE DEPARTMENT.</p> <p>THIS PERMIT IS ISSUED BY THE DEPARTMENT OF ENVIRONMENTAL PROTECTION UNDER THE AUTHORITY OF THE PENNSYLVANIA SAFE DRINKING WATER ACT, THE ACT OF MAY 1, 1984 (P.L. 206, NO. 43), OPERATION SHALL COMPLY WITH THE PROVISIONS OF CHAPTER 109 ADOPTED UNDER THE AUTHORITY IN SECTIONS 4 AND 6(e) OF THE PENNSYLVANIA SAFE DRINKING WATER ACT.</p> <p>THIS PERMIT IS SUBJECT TO THE ATTACHED SPECIAL CONDITIONS      NA.</p>  |   |  |                   |             |  |   |  |  |  |  |
| <p><b>PERMIT ISSUED</b>      <b>DEPARTMENT OF ENVIRONMENTAL PROTECTION</b></p> <p>Date <u>February 17, 2010</u>      By <u></u><br/>                 Title <u>Environmental Program Manager</u><br/>                 Water Supply Management Program</p>   |   |  |                   |             |  |   |  |  |  |  |

5278501

Bureau of Water Quality Management  
Wilkes-Barre Regional Office  
90 East Union Street - 2nd Floor  
Wilkes-Barre, Pa. 18701  
July 13, 1978

Public Water Supply Permit No. 5278501  
Deabel, Inc. (Sagamora Estates)  
Shoshola Township  
Pike County

Deabel, Inc.  
c/o Mr. Frank Coppocelli, President  
104 West High Street  
Milford, Pa. 18337

Gentlemen:

Subject permit is enclosed.

We have also enclosed a copy of the Regulations for Public Water Supplies, which we believe is self-explanatory.

Please study the permit carefully and direct any questions to the Facilities Section of this office, at (717) 826-2555.

Very truly yours,

Lawrence A. Farish  
Regional Water Quality Manager

LAF:hy

Enclosures - Permit  
Regulations for Public Water Supplies

cc: File  
Program Services  
Fred C. Shoensgel, Jr., P.E.  
L.D.#1, Box 380  
Greentown, Pa. 18426

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF ENVIRONMENTAL RESOURCES

WATER SUPPLY PERMIT

NO. 5278501

PH-1000 02 Rev. 1/74

|   |   |  |   |  |  |
|---|---|--|---|--|--|
| <p><b>A. PERMITTEE (Name and Address)</b><br/>                 Deseal, Inc.<br/>                 c/o Mr. Frank Coppotelli, President<br/>                 104 West High Street<br/>                 Milford, Pa. 18337</p>  | <p><b>B. PROJECT LOCATION</b><br/>                 SERVING WATER TO THE PUBLIC WITHIN:<br/>                 Municipality <u>Shohola Township</u><br/>                 County <u>Delco</u></p>   |  |   |  |  |
| <p><b>C. THIS PERMIT APPROVES FOR:</b> 1. <input checked="" type="checkbox"/> Use as Source of Supply 2. <input checked="" type="checkbox"/> Construction 3. <input checked="" type="checkbox"/> Operation</p>  |   |  |   |  |  |
| <p><b>AS INDICATED BELOW:</b></p> <table style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><b>4. Source</b></p> <p><input checked="" type="checkbox"/> Well(s)<br/> <input type="checkbox"/> Spring(s)<br/> <input type="checkbox"/> Stream<br/> <input type="checkbox"/> Lake</p> </td> <td style="width: 50%; vertical-align: top;"> <p><b>5. Facilities</b></p> <p><input type="checkbox"/> Impoundment<br/> <input type="checkbox"/> Settling<br/> <input type="checkbox"/> Filtration<br/> <input type="checkbox"/> Ion Removal<br/> <input type="checkbox"/> Softening</p> </td> </tr> <tr> <td style="width: 50%; vertical-align: top;"> <p><input checked="" type="checkbox"/> Distribution<br/> <input checked="" type="checkbox"/> Pump Stations<br/> <input type="checkbox"/> Transmission Lines<br/> <input checked="" type="checkbox"/> Distribution Storage<br/> <input checked="" type="checkbox"/> Distribution System</p> </td> <td></td> </tr> </table> |   | <p><b>4. Source</b></p> <p><input checked="" type="checkbox"/> Well(s)<br/> <input type="checkbox"/> Spring(s)<br/> <input type="checkbox"/> Stream<br/> <input type="checkbox"/> Lake</p> | <p><b>5. Facilities</b></p> <p><input type="checkbox"/> Impoundment<br/> <input type="checkbox"/> Settling<br/> <input type="checkbox"/> Filtration<br/> <input type="checkbox"/> Ion Removal<br/> <input type="checkbox"/> Softening</p> | <p><input checked="" type="checkbox"/> Distribution<br/> <input checked="" type="checkbox"/> Pump Stations<br/> <input type="checkbox"/> Transmission Lines<br/> <input checked="" type="checkbox"/> Distribution Storage<br/> <input checked="" type="checkbox"/> Distribution System</p> |  |
| <p><b>4. Source</b></p> <p><input checked="" type="checkbox"/> Well(s)<br/> <input type="checkbox"/> Spring(s)<br/> <input type="checkbox"/> Stream<br/> <input type="checkbox"/> Lake</p>  | <p><b>5. Facilities</b></p> <p><input type="checkbox"/> Impoundment<br/> <input type="checkbox"/> Settling<br/> <input type="checkbox"/> Filtration<br/> <input type="checkbox"/> Ion Removal<br/> <input type="checkbox"/> Softening</p> |  |   |  |  |
| <p><input checked="" type="checkbox"/> Distribution<br/> <input checked="" type="checkbox"/> Pump Stations<br/> <input type="checkbox"/> Transmission Lines<br/> <input checked="" type="checkbox"/> Distribution Storage<br/> <input checked="" type="checkbox"/> Distribution System</p>  |   |  |   |  |  |
| <p>KNOWN AT <u>Well #2 (primary source) and Well #1 - for Seneca Reserves</u></p>   |   |  |   |  |  |
| <p>YOU ARE HEREBY AUTHORIZED TO USE AS SOURCES OF SUPPLY, CONSTRUCT OR OPERATE, AS INDICATED ABOVE, PROVIDED THAT FAILURE TO COMPLY WITH CHAPTER 106, ARTICLE II, OF THE RULES AND REGULATIONS OF THE DEPARTMENT OF ENVIRONMENTAL RESOURCES OR THE TERMS OR CONDITIONS OF THIS PERMIT SHALL VOID THE AUTHORITY GIVEN TO THE PERMITTEE BY THE ISSUANCE OF THE PERMIT.</p> <p>NO DEVIATIONS FROM APPROVED PLANS OR SPECIFICATIONS AFFECTING THE TREATMENT PROCESS OR QUALITY OF WATER SHALL BE MADE WITHOUT WRITTEN APPROVAL FROM THE DEPARTMENT.</p> <p>THIS PERMIT IS ISSUED BY THE DEPARTMENT OF ENVIRONMENTAL RESOURCES UNDER THE AUTHORITY OF THE ACT OF APRIL 23, 1903 (P.L. 280), AS AMENDED AND SECTION 2106 OF THE ADMINISTRATIVE CODE OF 1929, THE ACT OF APRIL 9, 1938 (P.L. 173), AS AMENDED.</p>   |   |  |   |  |  |
| <p>PERMIT ISSUED</p> <p>Date <u>July 13, 1970</u></p>   | <p>DEPARTMENT OF ENVIRONMENTAL RESOURCES</p> <p>By <u>Lawrence A. Pavlush</u><br/>                 Title <u>Regional Water Quality Manager</u></p>  |  |   |  |  |

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF ENVIRONMENTAL RESOURCES  
BUREAU OF WATER QUALITY MANAGEMENT

For Department Use Only

**INTERNAL REVIEW AND RECOMMENDATIONS**

|                                       |  |                                   |
|---------------------------------------|--|-----------------------------------|
| NAME OF APPLICANT <u>Dashel, Inc.</u> | PROJECT LOCATION <u>Shohola Township Pike County</u> | APPLICATION NUMBER <u>1278101</u> |
|---------------------------------------|--|-----------------------------------|

**BRIEF DESCRIPTION OF PROJECT AND DISCUSSION** (Use Additional Sheets if Necessary)

This project provides for the operation of a public water supply to service Saganore Estates in Shohola Township.

The potable water will be supplied by two wells.

Well #2 is the primary source of supply, 50 gpm, 250 feet deep with a six inch casing. Well #1 is 20 gpm and is approximately 210 feet deep.

The water from these wells is to be pumped to a 21,350 gallon steel epoxy lined underground storage tank. The water from this storage tank will be pumped by a 170 gpm variable speed booster pump.

A standby booster pump (100 gpm centrifugal pump) will be used initially until the variable speed pump is delivered.

This project also involves the construction of 100 feet of 3" and 1,000 feet of 6" plastic pipe from the new storage tank to the existing system.

Disinfection will be accomplished by calcium or sodium hypochlorite and it will be added prior to the storage tank. The chem's and bact's indicate that the water quality prior to disinfection is of suitable quality for drinking.

- continued -

**CURRENT ESTIMATE OF COMPLETION DATE OF PROJECT** (Industrial Wastes Only)

| RECOMMENDATION AND ACTION           |                                    |                          |  |         |
|-------------------------------------|------------------------------------|--------------------------|--|---------|
| Approve - Issued By Region          | Approve - Issued By Control Office | Status                   | Signature  | Date    |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>           | <input type="checkbox"/> | REVIEWING ENGINEER <i>[Signature]</i>                      | 7/13/78 |
| <input type="checkbox"/>            | <input type="checkbox"/>           | <input type="checkbox"/> | REGIONAL FACILITIES ENGINEER <i>[Signature]</i>            | 7/13/78 |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>           | <input type="checkbox"/> | REGIONAL ENGINEER/WATER QUALITY MANAGER <i>[Signature]</i> | 7/13/78 |
| <input type="checkbox"/>            | <input type="checkbox"/>           | <input type="checkbox"/> | DIVISION FACILITIES ENGINEER                               |         |
| <input type="checkbox"/>            | <input type="checkbox"/>           | <input type="checkbox"/> | DIVISION CHIEF   |         |

**PERMIT CONDITIONS:**

1. STANDARD -

2. SPECIAL (Use Additional Sheets if Necessary) -

5278501

-2-

Public Water Supply Permit No. 5278501  
Deibel, Inc. (Sagamore Estates)  
Shohola Township  
Pike County

July 13, 1978

INTERNAL REVIEW AND RECOMMENDATIONS

Well #1 will have the casing extended 7 feet above its present level (bottom of well pit) to make it 18" above ground level. A sump pump is to be placed in the bottom of the pump house.

Since these wells were constructed many years ago, a pump test and driller's log was not available.

There does not appear to be any surface contamination based in the water quality data submitted.

The applicant has applied for a PUG Certificate of public convenience.  
It is recommended that the permit application be approved.

### Appendix V – Project Location Map



## APPENDIX K

**TWIN LAKES**  
**UTILITIES, INC.**

A Middlesex Water Company Affiliate

June 10, 2020

Mr. Paul Diskin  
Director  
Bureau of Technical Utility Services  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Mr. Richard Kanaskie  
Director and Chief Prosecutor  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Ms. Tanya McCloskey  
Acting Consumer Advocate  
Pennsylvania Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Forum Place  
Harrisburg, PA 17101-1923

Re: Twin Lakes Utilities, Inc. – Notice of Termination of Service Agreement  
Between Middlesex Water Company and Twin Lakes Utilities, Inc.

Dear Messrs. Diskin and Kanaskie and Ms. McCloskey:

Twin Lakes Utilities, Inc. (“Twin Lakes” or “the Company”) is a public utility and jurisdictional water company as those terms are defined in the Pennsylvania Public Utility Code, 66 Pa. C.S. §102. Twin Lakes submits this letter to inform Pennsylvania Public Utility Commission (the “Commission” or “PAPUC”) Staff and the Pennsylvania Office of Consumer Advocate (“OCA”) that the Company has lost its sole source of financial investment support and will lose its sole source of operational support effective September 1, 2020. Because of these losses, it is highly unlikely that Twin Lakes will be able to continue serving its 115 currently active residential customer accounts located in the Sagamore Estates community located in Shohola Township, Pike County Pennsylvania. For this reason, Twin Lakes again recommends that the Commission, on its own motion, initiate an investigation under Section 529 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §529, and ultimately direct the acquisition of Twin Lakes by a “capable public utility” as defined by and pursuant to Section 529.

## Background

Twin Lakes currently provides water service to 115 residential customers in the Sagamore Estates community located in Shohola Township, Pike County, Pennsylvania. Twin Lakes is a wholly-owned subsidiary of Middlesex Water Company (“Middlesex”) and Middlesex acquired this system in 2009.

Twin Lakes’ sole source of equity capital, debt financing and primary operations support is Middlesex. Twin Lakes is a classic small water utility challenge in that it is unable to establish a credit arrangement at any reasonable cost with any financial institution as a stand-alone entity. This is due to Twin Lakes’ inability to demonstrate that it has the net income and cash flow to adequately support debt repayment. Twin Lakes’ parent company, Middlesex, made equity investments in, and extended credit to, Twin Lakes in order to maintain service for the Twin Lakes customers since 2009. This capital was provided under an assumption that the PAPUC would provide sufficient rate relief to not only sustain operations but also, to service the Company’s debt and provide a fair return to the equity investor. Middlesex has continued to finance Twin Lakes even though it has no legal or regulatory obligation to provide financial or operational support to the Twin Lakes customers.

Middlesex has extended financial credit to Twin Lakes through three outstanding Unsecured Revolving Promissory Notes, the first executed in January 2016, the second executed on October 18, 2019, and the third executed on October 29, 2019. All three Promissory Notes provide Middlesex with the right as Lender to demand payment from Twin Lakes as Borrower the total amount due on the Notes together with interest payable on the unpaid principal at the rate of 7.0% per annum. Copies of the three Notes are attached to this letter as Appendix A.

Middlesex provides operations support to Twin Lakes through a Service Agreement executed between Middlesex and Twin Lakes dated December 1, 2009. Under the terms of the Service Agreement, Middlesex provides operations support for Twin Lakes including, but not limited to: Customer Service, Accounting, Administration, Communications, Corporate Secretarial, Engineering, Financial, Human Resources, Information Systems, Operations, Rates and Revenue, Risk Management and Water Quality. Per the Service Agreement, either party may terminate the Agreement by giving the other party 90 days advance written notice. A copy of the Service Agreement is attached to this letter as Appendix B.

Soon after Twin Lakes began operating the system, it became apparent that the condition of the assets was significantly poorer than had been represented by the former owner, or had been visible from the inspection and assessment that was part of the due diligence work performed. As the Commission stated in its March 26, 2020 Opinion and Order<sup>1</sup> in Twin Lakes’ most recently concluded base rate case: “Twin Lakes maintains a water distribution system consisting of: one functional well (Well No. 2); one non-functional well (Well No. 1); a small treatment/pumping station with an integral atmospheric 20,000 gallon storage tank; approximately 3.7 miles of water main of various diameters; and, an approximate combined 120 active and inactive services.”<sup>2</sup>

---

<sup>1</sup> *Pennsylvania Public Utility Comm’n et al. v. Twin Lakes Utilities, Inc.*, Opinion and Order, Docket No. R-2019-3010958 (Pa. P.U.C. Mar. 26, 2020) (“Twin Lakes Rate Case Order”).

<sup>2</sup> Twin Lakes Rate Case Order at 4.

Over the past decade, Twin Lakes representatives have met on several occasions, at the Company's request with representatives of the Commission and OCA. The Company has also met with the Sagamore Estates Property Owners Association to discuss the challenges of operating this system. On numerous occasions, Twin Lakes representatives have stated that the current financial and operational arrangements for Twin Lakes were unsustainable. Twin Lakes has reiterated and underscored this assessment in three rate cases before the Commission, first in 2011 (Docket No. R-2011-2246415), again in 2015 (Docket No. R-2015-2506337) and most recently in 2019 (Docket No. R-2019-3010958).

### **The 2019 Twin Lakes Rate Case**

On March 26, 2020, the Commission issued the Twin Lakes Rate Case Order, approving an annual increase of \$117,374 (87.91%) compared to Twin Lakes' requested annual increase of \$211,793 (158.63%). As the Commission noted, Twin Lakes sought its requested rate increase as a reflection of "the business challenges the Company currently faces, including required investments in the repair/replacement or improvement of the distribution system; and the high costs associated with maintaining a distribution system while serving a small customer base."<sup>3</sup> Part of the Commission's basis for approving a rate increase far below the level requested by Twin Lakes was "the concerns with affordability of rates of customers."<sup>4</sup>

In addition, the Commission rejected recommendations made by both Twin Lakes and the OCA to initiate a Section 529 proceeding to determine whether the Commission should direct a "capable public utility," as that term is defined in Section 529 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §529, to acquire Twin Lakes. The Commission's reasons for its rejection of these recommendations were twofold: "Based on the Company's increased revenue via the rate increase granted in this proceeding, and the record evidence of Twin Lakes' prospective opportunity to secure PENNVEST loans for the necessary improvements, we conclude that initiation of a Section 529 proceeding is not warranted *at this time*."<sup>5</sup>

### **PENNVEST Application**

On August 7, 2019, Twin Lakes submitted an application to PENNVEST for grants and/or loans to finance system improvements for the Twin Lakes system. On January 29, 2020, Twin Lakes was notified that PENNVEST had approved a grant of \$4.66 million. Subsequently, Twin Lakes concluded that an award of a PENNVEST grant would be considered a Contribution In Aid of Construction (CIAC) that is subject to income tax under the Tax Cuts and Jobs Act of 2017. Therefore, an award of a PENNVEST grant of \$4.66 million would carry with it an income tax liability of approximately \$1.358 million, all properly recoverable from Twin Lakes' customers under the PAPUC rate setting compact.

---

<sup>3</sup> Twin Lakes Rate Case Order at 5.

<sup>4</sup> *Id.* at 73 (quoting the Recommended Decision of Administrative Law Judge Marta Guhl at 87).

<sup>5</sup> *Id.* at 64 (emphasis added).

Given the Commission's decision in the Twin Lakes Rate Case Order, basing its final decision in part on affordability of rates, there will exist an increased concern with the imposition of a significant income tax burden on Twin Lakes' customers should Twin Lakes accept the PENNVEST grant award. This burden would be in addition to the significant remaining investment required for various capital improvements. The tenor of the Twin Lakes Rate Case Order issued on March 26, 2020 provides Twin Lakes with zero assurance that this significant tax burden would be recoverable in customers' rates given the PAPUC's clearly stated views on affordability.

### **Demand for Payment of Promissory Notes Held by Middlesex**

On May 28, 2020, Middlesex issued a letter to Twin Lakes demanding Twin Lakes' immediate payment of the total amounts due on the three outstanding Unsecured Revolving Promissory Notes between Middlesex as Lender and Twin Lakes as Borrower. A copy of Middlesex's payment demand is attached to this letter as Appendix C.

On May 29, 2020, Twin Lakes issued a letter to Middlesex responding to this payment demand. In this response letter, Twin Lakes stated that it was unable to meet Middlesex's payment demand requirements and did not expect to have the ability to satisfy any repayment of the three outstanding Notes. A copy of Twin Lakes' letter response is attached to this letter as Appendix D.

The obvious practical impact of these repayment demands is that Middlesex no longer provides any form of financial support effective May 28, 2020. Twin Lakes' sole source of funding for its working capital and infrastructure needs will be customer receipts from billings. In addition, Twin Lakes' inability to demonstrate that it has the net income and cash flow to adequately support debt repayment will further render it impossible to establish a credit arrangement with any financial institution as a stand-alone entity. Twin Lakes will also not be able to accept an award of a \$4.66 million PENNVEST grant without imposing a \$1.358 million income tax burden on the Company's 115 active residential customer accounts.

### **Notice of Termination of Service Agreement Between Middlesex and Twin Lakes**

On June 1, 2020, Middlesex issued a letter notice of termination of the Service Agreement between Middlesex and Twin Lakes, advising that pursuant to section 1 of the Service Agreement, the termination would become effective on September 1, 2020. On that same date, June 1, 2020, Twin Lakes issued a letter to Middlesex confirming receipt of Middlesex's notice of termination. Both letters are attached to this letter as Appendix E.

With the termination of the Service Agreement and the end of financial support, Twin Lakes will no longer have a source of equity capital, debt financing or operations support and therefore, will likely not have the ongoing financial capability to pay its vendors for basic needs associated with delivering water service in the near term. At that time, without a qualified Licensed Operator and/or without adequate financial support, Twin Lakes will unfortunately have no possible means to maintain water quality or distribute water of any quality to its customers and therefore, water service will likely cease.

Separate and apart from the fact that as of September 1, 2020 Twin Lakes may no longer have a Licensed Operator, the following chart details the Company's projected cash deficiency position leading up to the service termination on September 1, 2020:

|                            | /-----Projected Cash Flow-----\ |           |            |             |
|----------------------------|---------------------------------|-----------|------------|-------------|
|                            | 05/31/20                        | 06/30/20  | 07/31/20   | 08/31/20    |
| Cash Balance - Beginning   |                                 | \$ 17,944 | \$ (955)   | \$ (2,467)  |
| Inflows - Billing Receipts |                                 | 4,000     | 21,647     | 7,216       |
| Outflows – Expenses(1)     |                                 | (22,899)  | (23,159)   | (23,616)    |
| Cash Balance - Ending      | \$ 17,944                       | \$ (955)  | \$ (2,467) | \$ (18,867) |

(1) Includes operating & debt service expenditures

### Conclusion

For the above reasons, Twin Lakes respectfully submits that current circumstances more than warrant Commission initiation of a Section 529 proceeding and, ultimately, acquisition of Twin Lakes by a “capable public utility” as defined by and pursuant to Section 529 of the Pennsylvania Public Utility Code without further delay.

Very truly yours,



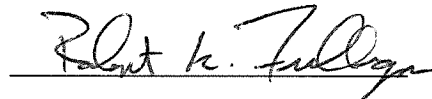
Jay L. Kooper  
Secretary  
Twin Lakes Utilities, Inc.

cc: Chairwoman Gladys Brown Dutrieuille (PAPUC)  
 Vice Chairman David W. Sweet (PAPUC)  
 Commissioner John F. Coleman, Jr. (PAPUC)  
 Commissioner Ralph V. Yanora (PAPUC)  
 Executive Director Seth Mendelsohn (PAPUC)  
 Christine Hoover, (Senior Assistant Consumer Advocate, OCA)  
 Mary Ann Seese (Water Supply Specialist, Pennsylvania Dept. of Environmental Protection)  
 Sean Kemether, Esq. (Board Chairman – Sagamore Estates Property Owner’s Association)  
 Jason Ohliger, Esq. (Shohola Township Solicitor)  
 Dennis W. Doll (President and CEO, Middlesex Water Company)  
 A. Bruce O’Connor (Senior Vice President, Treasurer and CFO, Middlesex Water Company)  
 Robert K. Fullagar (President, Twin Lakes Utilities, Inc.)  
 John J. Gallagher, Esq.

**VERIFICATION**

I, Robert K. Fullagar, President of Twin Lakes Utilities, Inc., hereby state that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in cursive script, reading "Robert K. Fullagar", written over a horizontal line.

Robert K. Fullagar

Date: July 16, 2020

**VERIFICATION**

I, A. Bruce O'Connor, Vice President and Treasurer of Twin Lakes Utilities, Inc., hereby state that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in cursive script, appearing to read "A. Bruce O'Connor", written over a horizontal line.

A. Bruce O'Connor

Date: July 16, 2020

## CERTIFICATE OF SERVICE

I, Jay L. Kooper, Secretary of Twin Lakes Utilities, Inc., hereby certify that I have this day served a true copy of the foregoing documents upon the parties, listed below, by electronic mail in accordance with requirements of §1.54 (relating to serve by a party as amended the Emergency Order issued by the Pennsylvania Public Utility Commission on March 20, 2020 in Docket No. M-2020-3019262.

### VIA ELECTRONIC MAIL

Ms. Tanya McCloskey, Esq.  
Ms. Christine Hoover, Esq.  
Pennsylvania Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Forum Place  
Harrisburg, PA 17101-1923  
E-Mail: [tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
E-Mail: [choover@paoca.org](mailto:choover@paoca.org)

Mary Anne Seese  
Pennsylvania Department of  
Environmental Protection  
E-Mail: [mseese@pa.gov](mailto:mseese@pa.gov)

Mr. John Evans, Esq.  
Pennsylvania Office of Small Business Advocate  
555 Walnut Street, 1<sup>st</sup> Floor  
Forum Place  
Harrisburg, PA 17191  
E-Mail: [jorevan@pa.gov](mailto:jorevan@pa.gov)

Sean Kemether, Esq.  
Sagamore Estates  
Property Owners Association  
E-Mail: [sepoachairman@gmail.com](mailto:sepoachairman@gmail.com)

Mr. Richard Kanaskie  
Director and Chief Prosecutor  
Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120  
E-Mail: [rkanaskie@pa.gov](mailto:rkanaskie@pa.gov)

Jason Ohliger, Esq.  
Shohola Town Solicitor  
[ohliger@wzlawfirm.com](mailto:ohliger@wzlawfirm.com)



Jay L. Kooper

Secretary  
Twin Lakes Utilities, Inc.  
485C Route One South, Suite 400  
Iselin, NJ 08830

Date: July 16, 2020