

**Application of Pennsylvania-American Water Company for Acquisition of
the Water Assets of Valley Township
66 Pa. C.S. § 1329
Application Filing Checklist – Water/Wastewater
Docket No. A-2020-3019859**

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

RESPONSE: See enclosed responses to the Section 1329 Application Standard Data Requests labeled **Appendix A-4.1 (portions CONFIDENTIAL)** and the electronic working documents (i.e., Excel spreadsheets) for all the appraisal filing's schedules, studies, and working papers labeled **Appendix A-4.2 (AUS Consultants, Inc. ("AUS") on behalf of PAWC) CONFIDENTIAL, Appendix A-4.3 (Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") on behalf of Valley Township ("Valley")) CONFIDENTIAL** accompanying the Application.

APPENDIX 4.1
(RESPONSES TO DATA REQUESTS)
(PORTIONS CONFIDENTIAL)

Pennsylvania-American Water Company
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Rates/Ratemaking

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

Response: Please refer to **Appendix A-18-d** of the Application. The notices contained in **Appendix A-18-d** provide an estimate of the cost impact on existing and acquired customers using the methodology approved by the Commission in the Settlement of Docket No. A-2019-3006880. For the information requested in part b of this question, please refer to **Attachment 1**. This attachment provides an estimate of potential impacts in a format similar to that used in **Appendix A-18-d**, but using the proposed monthly bills, proposed revenues, proposed Act 11 allocation and proposed cost of capital from the Company's pending base rate case. These amounts have not yet been approved by the Commission and thus are not used as the basis for the notices to customers, in accordance with the Settlement referenced above.

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

Valley Township Water Customers

Water

Rate Class	Average Usage	Average Monthly Bill at Valley Township Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3458 gal/month	\$28.61	\$59.33	\$30.72 or 107%
Commercial	23692 gal/month	\$170.45	\$353.52	\$183.07 or 107%
Industrial	404500 gal/month	\$3,369.24	\$6,987.80	\$3,618.56 or 107%

PAWC Current Customers

Water

Rate Class	Average Usage	Average Monthly Bill at PAWC Zone 1 Current Rates	Average Bill at PAWC Zone 1 Current Rates Adjusted for Potential Impact of Acquisition	Potential Increase
Residential	3458 gal/month	\$65.91	\$65.98	\$0.07 or 0.1%
Commercial	23692 gal/month	\$345.03	\$345.38	\$0.35 or 0.1%
Industrial	404500 gal/month	\$4,190.58	\$4,194.77	\$4.19 or 0.1%

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Valley Township Water

Residential		
	Minimum Charge	\$28.12
34.58	0.8400	0.49
34.00		
		\$28.61

Rate Impact 107.4%
 \$30.72
 Total \$59.33

PAWC - Water

Zone 1 - Residential		
5/8"	Service Charge	\$18.00
34.58	1.3854	47.91
		\$65.91

Rate Impact 0.1%
 \$0.07
 Total \$65.98

Commercial		
	Service Charge	\$28.12
236.92	0.8400	170.45
34.00		
		\$170.45

Rate Impact 107.4%
 \$183.07
 Total \$353.52

Zone 1 - Commercial		
1"	Service Charge	\$45.40
160.00	1.3854	221.66
76.92	1.0136	77.97
236.92		
		\$345.03

Rate Impact 0.1%
 \$0.35
 Total \$345.38

Industrial		
	Service Charge	\$28.12
4,045.00	0.8400	3,369.24
34.00		
		\$3,369.24

Rate Impact 107.4%
 \$3,618.56
 Total \$6,987.80

Zone 1 - Industrial		
2"	Service Charge	\$203.40
160.00	1.2796	204.74
3,885.00	0.9736	3,782.44
4,045.00		
		4,190.58

Rate Impact 0.1%
 \$4.19
 Total \$4,194.77

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Estimated Rate Increase

Revenue Requirement Increase (Attachment page 2) \$ 755,220

Full COS - 100% of Increase applied to Valley Township Water Customers		
Revenue Requirement Increase	\$	755,220
Current Valley Township water revenues		703,000
Estimated Increase to wastewater customers		107.4%

Amount of increase allocated to water customers:		
Revenue Requirement Increase	\$	755,220
PAWC proposed water cust. rev. (R-2020-3019369 Exh. 3-A Excludes Steelton, OWR & Contract Sale:		708,199,052
Estimated Increase to Water Customers		0.1%

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Revenue Requirement Increase

Rate Base	\$	7,325,000	Appendix A-11
Rate of Return %		8.02%	See Calculations
Rate of Return		<u>587,000</u>	
O&M		362,000	Appendix K
Taxes Other		15,000	Appendix K
Depreciation		150,000	Appendix K
Taxes		180,000	See Calculations
Revenue Requirement		1,294,000	
Add Bulk Water Revenues (46% of per books 2019)		164,220	
Valley Township Water Year-1 Revenues		703,000	Appendix K
Total Revenue Deficiency (Rev. Req. + Bulk Rev. - Year 1 Rev.)		755,220	

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Summary

<u>Revenue Requirement</u>	
Rate Base	\$ 7,325,000
Pretax ROR %	10.48%
Pretax ROR	768,000
Plus: O&M Expense	362,000
Taxes Other	15,000
Depreciation	150,000
Total Revenue Requirement	1,295,000

<u>Income Tax Calculation</u>	
Revenues	\$ 1,295,000
Less: O&M Expense	362,000
Taxes Other	15,000
Depreciation	150,000
Interest	144,000
SIT Taxable Income	624,000
State Income Tax Rate	9.99%
State Income Tax	62,000
FIT Taxable Income	562,000
Federal Income Tax Rate	21.00%
Federal Income Tax	118,000
Total Income Taxes	180,000

<u>Interest</u>	
Rate Base	\$ 7,325,000
Weighted Cost of Debt	1.96%
	\$ 144,000

Wastewater	Capital Structure	Cost Rate	Weighted Cost	Revenue Multiplier	Revenue Requirement
Long-Term Debt	43.88%	4.47%	1.96%		1.96%
Preferred Stock	0.06%	8.80%	0.01%	1.40631	0.01%
Common Equity	56.06%	10.80%	6.05%	1.40631	8.51%
			8.02%		10.48%

Cost of Equity for Distribution System Improvement Charge (DSIC) 9.90% M-2020-3019868
Capital Structure based on PAWC last water base rate case R-2017-2595853 PAWC Statement No. 13, Exhibit No. 13-A, Schedule 12.

<u>Revenue Multiplier</u>	
Statutory State Tax Rate	0.0999
Statutory Federal Tax Rate	0.21
1- State Tax Rate	0.9001
Fed Rate Times (1-State Tax Rate)	0.189021
Effective Tax Rate	0.288921
1-Eff Tax Rate	0.711079
Reciprocal	1.40631

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Rates/Ratemaking

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

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

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

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Rates/Ratemaking

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

Response: The estimated annual depreciation expense associated with the purchase price is \$149,715. This amount is calculated as shown below:

Utility Plant in Service (UPIS) at Acquisition: \$9,621,564 [Note 1]

Composite depreciation rate: 1.56% [Note 2]

Annual depreciation expense: \$149,715

Note 1: The UPIS at Acquisition represents the depreciation expense based on the undepreciated value of the utility plant at the \$7,325,000 ratemaking rate base. The UPIS at Acquisition does not include projected additions or retirements after acquisition.

Note 2: The original cost, depreciation reserve, and remaining life used to calculate this amount are contained in the AUS Consultants'

CONFIDENTIAL EXCEL file that has been provided in Application Appendix A-4.2.

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

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Rates/Ratemaking

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

Response: The estimated annual revenue requirement of the Township system under PAWC ownership is \$1,261,000. This excludes bulk water revenues currently received by PAWC from Valley Township. Please refer to direct testimony of Mr. Nevirauskas at PAWC Statement No. 3W, Exhibit RPN-1W, page 4 of 5, for the assumptions for the annual revenue requirement shown above.

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

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Rates/Ratemaking

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

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

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

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

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

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Rates/Ratemaking

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

Response: The Township provides free water service to two Township-owned buildings. The buildings are located at 890 West Lincoln Highway and 1145 West Lincoln Highway. After Closing, PAWC will bill the Township for water service to these two buildings.

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

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Rates/Ratemaking

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

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

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

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Rates/Ratemaking

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

Response: The Township has not increased rates in the last year. The last rate increase was effective January 1, 2013.

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

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Rates/Ratemaking

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

Response: It is anticipated that any leases, easements, and access to public rights-of-way that Buyer will need in order to provide water service will be conveyed prior to or at time of closing. See also APA Sections 6.05 and 6.06 as well as Schedule 4.09 attached to the Application as **CONFIDENTIAL Appendix A-24-a**, for further details in identifying all easements and obtaining any missing easements.

**Provided by: Keith Gabage, Pennsylvania-American Water Company
Senior Manager of Business Development**

**Pennsylvania-American Water Company
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Costs/Benefits

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

Response: PAWC estimates transaction and closing costs of \$441,325 to \$656,325. Please see the chart below for a breakdown of these estimated costs.

Area	Amount (Settlement)	Amount (Litigation)
Legal Services	\$300,000	\$500,000
Transfer Taxes	\$73,250	\$73,250
Title Insurance	\$25,000	\$25,000
Engineering Assessment Study	\$7,825	\$7,825
Customer Notice	\$4,000	\$4,000
Act 12 FMV Valuation	\$31,250	\$46,250
Total	\$441,325	\$656,325

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

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

Pennsylvania-American Water Company
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Costs/Benefits

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

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

- a. PAWC's contract pricing for pipe: 37% below the market index
- b. PAWC's chemical expense: 8.27% savings through negotiated pricing

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

PAWC anticipates that additional savings, efficiencies, and synergies will occur under PAWC ownership of the system, given that PAWC will also be the wastewater provider in the Township. As both the water and wastewater provider in the Township, PAWC can avoid duplication of services. These include, but are not limited to, a single locator responding to both water and wastewater PA One calls, no equipment duplication, and reducing the need for subcontracting and outsourcing of distribution system maintenance and treatment plant lab analysis.

PAWC will also combine water and wastewater charges into one bill saving costs to prepare, print and mail bills and offer to customers the efficiency of only one bill to pay.

Under PAWC ownership, customers will experience more convenient and faster responses to their service requests and faster response times addressing system emergencies. PAWC also has many on-staff functional specialists available to be the direct interface with customers supporting their needs and the water system post-closing that would otherwise be available to the Township only through the expense of third-party consultants.

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Additionally, as PAWC completes replacements of distribution mains, it is expected that the reduction in water loss will lower the water treatment cost.

**Provided by: Keith Gabage, Pennsylvania-American Water Company
Senior Manager of Business Development**

**Pennsylvania-American Water Company
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Costs/Benefits

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

Response: See **Attachment 12 – a**; Township of Valley's Request for Qualifications For Water & Sewer System Exploration, dated June 20, 2019.

See **Attachment 12 – b**; Valley Township Request for Bids, distributed October 18, 2019.

**Provided by: Keith Gabage, Pennsylvania-American Water Company
Senior Manager of Business Development**

TOWNSHIP OF VALLEY

Request for Qualifications For
Water & Sewer System Sale Exploration

June 20, 2019

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Section 1

Overview of RFQ and Process

1.1 Overview of RFQ Process

The Valley Township Board of Supervisors, Chester County Pennsylvania (“Valley” or “Township”) is considering a sale of its water and wastewater systems (the “Sale”). The purpose of the Sale is twofold. First, Valley is looking to generate up-front proceeds which may be utilized to fund long-term needs of the Township. Second, Valley desires to exit the water and wastewater business and instead focus its resources and energy on other government functions, while ensuring great service at affordable rates for its customers in the future.

This Request for Qualifications (“RFQ”) is the first step in a potential two-stage procurement process, with the second step being the Request for Bids (“RFB”). Firms receiving this RFQ shall be referred to herein as “Prospective Proposers.” The purpose of this RFQ is to provide Prospective Proposers an opportunity to formally express their interest in bidding on Valley’s water and wastewater collection, conveyance, and treatment system assets described in Sections 2 and 3 hereof (the “System”). Prospective Proposers who fail to respond to this RFQ or whose submissions in response to this RFQ are deemed unqualified cannot participate in the RFB process and are not eligible for award of the Sale. Prospective Proposers that express an intent to submit a response to this RFQ will be asked to sign a Confidentiality and Data Room Usage Agreement (“Confidentiality Agreement”) and will receive access to an on-line data room which will provide additional information concerning the System. Qualified Prospective Proposers will also have the opportunity to conduct additional due diligence on the System through (i) System tours and additional inspections by qualified Prospective Proposer representatives; (ii) management presentations (if applicable); and (iii) review and discussion of a proposed purchase agreement (the “Purchase Agreement”) for the System. Following this due diligence process, final and binding proposals will be submitted in accordance with a RFB to be issued to the qualified Prospective Proposers.

Valley reserves the right to determine in its sole discretion whether any Prospective Proposer is qualified to participate in the RFB process. Valley reserves the right to modify or terminate this RFQ process and/or the RFB process at any stage if Valley determines such action to be in its best interests. The receipt of proposals or other documents at any stage of either the RFQ or the RFB process will in no way obligate Valley to enter into any contract at any time with any party. Valley will not be responsible in any manner for the costs associated with the submission of any proposals in response to this RFQ, the RFB process or any subsequent procurement. Valley reserves the right to reject any and all proposals, irrespective of whether any such proposal is the only proposal received or one of a number of proposals representing the most favorable transaction terms. Valley may or may not authorize the release of a RFB which would define the terms and conditions of the Sale in accordance with the tentative schedule provided herein.

Section 2

Description of the Sewer System

2.1 Description of Sewer Assets

Background

Valley Township's wastewater system is comprised of approximately sixteen miles of interceptors, force mains, and tributary collection sewers divided into three drainage basins as identified below. Each basin discharges wastewater into Pennsylvania-American Water Company's (PAWC) Coatesville District wastewater system with treatment at PAWC's Coatesville District Wastewater Treatment Plant.

The Township's collection and conveyance system consists primarily of PVC, asbestos cement, and vitrified clay sewers; and precast concrete manholes. There are nine sewage pump stations, five of which are currently owned and operated by the Township. The other four pump stations in the Township are currently the responsibility of developers, but most are intended to be dedicated to the Township upon build-out of the respective developments. The original portion of the Township's wastewater system was constructed in approximately 1970, and wastewater extensions are built with approved new developments.

There are approximately 3,271 EDUs connected to the Township's wastewater system within the municipal boundaries as direct customers of Valley Township. There are also three intermunicipal connections in which wastewater is conveyed through the Township's wastewater system via conveyance agreements with PAWC.

Pumping Stations

There are nine sewage pumping stations in Valley Township's wastewater system, of which six are in the Rock Run Basin and three are in the Hayti Basin. There are no pumping stations in the Westwood Basin. Five of the nine pumping stations are owned and operated by Valley Township. Two pumping stations are owned and operated by developers and will eventually be dedicated to the Township upon completion of the respective developments. The Valley View Business Park Temporary Pumping Station is owned and operated by the developer, but it will not be dedicated to the Township because it is planned to be eliminated once a permanent pumping station is built in a later phase of the development. The pumping station at the Coatesville Country Club, located in West Caln Township, will not be dedicated to Valley Township since it is not located within the Township. See table on following page for details on each of the aforementioned pump stations.

Attachment 12-a

Pump Station	Owner / Operator	Basin	Peak Capacity	Status	2018 Annual Average Flow (gpd)	Excess Capacity (gpd)
Highlands Corp. Center #1	Township	Rock Run	150 gpm	Dedicated	10,421	42,450
Highlands Corp. Center #2	Developer	Rock Run	150 gpm	To be Dedicated	TBD	TBD
Coatesville Country Club	Coatesville Country Club	Rock Run	50 gpm	Not in Township	Unknown	Unknown
Country Ridge	Township	Rock Run	65 gpm	Dedicated	6,124	15,876
Rock Run	Township	Rock Run	800 gpm	Dedicated	362,924	21,076
Hillview	Developer	Rock Run	220 gpm	To be Dedicated	TBD	TBD
Valley View Business Park	Developer	Hayti	25 gpm	To be eliminated in future	Unknown	Unknown
Round Hill #1	Township	Hayti	160 gpm	Dedicated	16,628	31,972
Round Hill #2	Township	Hayti	40 gpm	Dedicated	5,739	5,961

Projected Development

Development	DEP Status	Total EDU's	Actual Projected New Connections						Total in 5 years	5-10 Year Projection
			2018	2019	2020	2021	2022	2023		
Oakcrest Phase I & Glencrest Road	Approved	133	4	2	2	2	2	2	14	-
Oakcrest Phase II	Approved	53	12	-	-	-	-	-	12	-
Highlands Corp Center Ph I, II, III	Approved	90	-	-	6	5	-	-	11	-
Valley Suburban Center	Approved	340	-	-	50	48	40	40	178	162
Valley Farm & Mt. Airy Road	Approved	81	-	-	-	-	-	-	-	25
Valley View - Park Lot 5	Approved	8	-	8	-	-	-	-	8	-
Laurence Professional Center	Exempt	2	-	-	2	-	-	-	2	-
Valley View Bus - Park Lot 6	Exempt	8	-	-	-	8	-	-	8	-
Valley View Bus - Amycel	Exempt	31	-	31	-	-	-	-	31	-
Valley View - Townhouses	Exempt	115	-	-	-	-	-	-	-	-
Valley View Bus - Park Lot 9	Exempt	1	-	-	-	1	-	-	1	-
Airport Expansion	Exempt	111	-	1	1	1	1	1	5	106
Rainbow Village	Exempt	30	-	-	-	-	-	-	-	-
Heagy Tract	Exempt	250	-	-	-	-	-	-	-	-
Green Trees	Exempt	80	-	-	-	-	-	-	-	-
Zarelli Apartment Building	Exempt	22	-	-	-	-	-	-	-	-
Valley Township Municipal Complex	Exempt	1	-	1	-	-	-	-	1	-
Spruce Street Residences	Exempt	4	-	-	2	-	-	-	2	2
Total EDU		1,360	16	43	63	65	43	43	273	295

Drainage Basins

The Rock Run Basin covers roughly the northern third of the Township. Three Township-owned pump stations - Rock Run Pump Station, Highlands Corporate Center Pump Station #1, and Country Ridge Pump Station are located in this basin. Two of the intermunicipal connections are also located within the Rock Run Basin – the Coatesville Country Club and the Marriott are conveyed into the Rock Run Pump Station, where they are metered and then pumped into PAWC’s system.

The Hayti Basin covers roughly the central third of the Township. The two Township-owned Round Hill Pump Stations are located in this basin. All flows are conveyed through a gravity interceptor along W. Lincoln Hwy to the Charles Street Meter Pit, where flows are metered prior to flowing into PAWC’s system.

The Westwood Basin covers roughly the southern third of the Township. All flows are conveyed through a gravity interceptor along Valley Road to the Valley Road Meter Pit, where flows are metered prior to flowing into PAWC’s system. The third intermunicipal connection, from the Strasburg Hunt subdivision in East Fallowfield Township, is located within this basin.

Operations & Maintenance

Valley Township contracts with M&B Environmental to provide licensed operation services of the Township-owned sewage pump stations. This contract includes routine operations, scheduled maintenance, data recording, and maintenance of written logs. There is an emergency generator at each pump station, and each pump station has an auto dialer to alert Township staff and the contract operator in the event of a problem.

In 2018, a few pipe blockages were cleared throughout the Township. The sewer line along Country Club Road is cleaned quarterly due to ongoing grease issues, which are believed to originate from the Rainbow Elementary School. The Township plans to evaluate the school’s grease pre-treatment system in 2019. A sewer rehabilitation project to address I/I and structural pipe and manhole deficiencies in the Hayti Basin is projected for 2019.

Historical Financial Data

	2015 Actual	2016 (Actual)	2017 (Actual)	2018 (Unaudited)
OPERATING REVENUES				
Sewer rents and installation	2,748,087	2,772,044	2,773,003	2,869,626
TOTAL OPERATING REVENUES	2,748,087	2,772,044	2,773,003	2,869,626
OPERATING EXPENSES				
Expenses	2,282,897	2,532,858	2,458,828	3,281,754
Depreciation				
TOTAL OPERATING EXPENSES	2,282,897	2,532,858	2,458,828	3,281,754
OPERATING INCOME (LOSS)	465,190	239,186	314,175	(412,129)

Source: Township Administration

Section 3

Description of the Water System

3.1 Description of Water Assets

Background

Valley Township's public water system is supplied by Township-owned wells and bulk water purchased from Pennsylvania-American Water Company (PAWC). Bulk water is purchased per PAWC's Water Tariff for "Other Water Utilities Group A" at four (4) interconnection meter pit locations throughout the Township. The Township's System is comprised of 4 services areas: 1) Valley Springs, 2) Red Road, 3) Hillview, and 4) Old Lincoln Highway, as described below.

Services Areas

1. Valley Springs Service Area

Valley Springs (or Mineral Springs) System, is comprised of 3 wells and a treatment and pumping facility, Mineral Springs Treatment Plant, located just north of the U.S. Route 30 Bypass. Following treatment, the well water is conveyed from the Plant directly into the distribution system and also into a 150,000-gallon elevated storage tower located adjacent to the Meadowbrook development. The Valley Springs System was originally installed in 1988 to provide water for approximately 500 homes. There are now approximately 822 residents connected to the system. The Delaware River Basin Commission (DRBC) and PA Department of Environmental Protection (DEP) approved a permit (Permit No. 1588503) in 1988 for the withdrawal of up to 4,500,000 gallons of groundwater per month. The DRBC Water Allocation for the well system was most recently renewed in 2018.

This service area has an emergency interconnection with PAWC, controlled through a pressure reducing valve (PRV). This interconnection is provided through the Airport Road Bulk Meter Pit, located at the intersection of Airport Road and West Lincoln Highway. The Chester County Airport, multiple commercial and institutional uses, and several residences are serviced by this purchased-interconnect water upstream of the PRV.

2. Red Road Service Area

The Red Road Service Area is located on the south side of Valley Township, along Valley Road to the west of Mount Carmel Road. This service area is fed solely by an interconnection to PAWC at the Red Road Bulk Meter Pit at the north end of Red Road. The system services the Valley Crossing, Springbrook Village, and Timberlane residential developments; residences along and adjacent to Valley Road; residences along Mount Carmel Road; and 2 businesses on Red Road. Approximately 300 residences and 2 businesses within Valley Township are connected to this system. The water main runs south along Mount Carmel

Road and supplies water to neighborhoods in East Fallowfield Township. The water into East Fallowfield is metered by a deduct meter at the township line. Valley Township has no customers beyond the Township line.

3. Hillview Service Area

The Hillview Service Area consists of the Hillview development on the east side of SR 82. There are 513 customers connected to the system, including residences and community facilities. This service area is fed solely by an interconnection to PAWC at the Hillview Bulk Meter Pit along the Valley-Caln Township line. There are no agreements limiting the usage through this meter.

4. Old Lincoln Highway Service Area

The Old Lincoln Highway Service Area consists of residences along Old Lincoln Highway, off of West Lincoln Highway, near the Township border with the City of Coatesville. There are 6 residences and 1 business connected to this system. This service area is fed solely by an interconnection to PAWC at the Old Lincoln Highway Bulk Meter Pit. There are no agreements limiting the usage through this meter.

Township Owned Wells

The three wells (V-1, V-2 and V-4) were drilled in 1987. The pumps and motors have been replaced numerous times since their original installation. Wells V-1, V-2, and V-4 supplied approximately 34,338,621 gallons (approximately 94,078 GPD) of water into the distribution system in calendar year 2018. The pump house and wells are located within the drainage basin of the Rock Run creek between Mineral Springs Road and the U.S. Route 30 Bypass. The wells are equipped with electric submersible pumps with manual shut-off switches located within the well house. The well covers are equipped with a vent which can be removed manually to serve as an observation port.

1. Well No. V-1

The production well was drilled on April 10, 1987 to a depth of 220 feet. The well is cased with 6-inch steel casing to a depth of 62 feet and grouted into bedrock. The pump intake is set at a depth of 177 feet. The groundwater intake was measured at 82,020 GPD in production testing performed at the time of original installation. However, based on drawdown testing performed in 2012, the pump capacity is currently 22 gallons per minute. The well is permitted at 33,333 GPD. This well supplied approximately 3,049,950 gallons (8,356 GPD) of water to the Township in calendar year 2018.

2. Well No. V-2

The production well was drilled on July 20, 1987 to a depth of 310 feet. An 8-inch steel casing was installed to a depth of 60 feet and was grouted into bedrock. The well was rehabilitated in 2012, and the well depth is now 125 feet with the pump intake at a depth of 107 feet. Based on drawdown testing performed in 2012, the pump capacity is 19 gallons per minute. The well is permitted at 16,667 GPD. This well supplied approximately 3,758,200 gallons (10,296 GPD) of water to the Township in calendar year 2018.

3. Well No. V-4

The production well was drilled on September 29, 1987 to a depth of 285 feet. The well was cased with 8-inch steel casing to a depth of 37 feet and grouted into bedrock. The pump intake is set at a depth of

250 feet. Based on production testing performed at installation, the pump capacity is 108 gallons per minute, with the groundwater intake measured at 155,520 GPD; the well is permitted at 100,000 GPD. This well supplied 27,530,471 gallons (75,426 GPD) of water to the Township in calendar year 2018.

Treatment Plant & Storage Tank

The Mineral Springs water treatment plant was constructed in 1988. It is a 49-foot by 22-foot (1,078 square feet footprint) building including a garage which houses an emergency generator and bulk caustic soda tank; the chlorine contact well water tank is located underneath the building. The building contains 2 booster pumps (+/-150 GPM), pump controls, treatment tanks and chemical feed pumps and necessary piping and valves. Additionally, there is a meter for each well and a finished water meter inside of the building. The chemical feeds consist of chlorine, caustic soda and a sequestering agent, although the sequestering agent is not currently in use.

The pump station (including wells) is located on a 5.4-acre Township-owned parcel.

The 90-foot, 150,000-gallon elevated storage tank was constructed in December 1988 and refurbished in 2009. The rehabilitation improvements consisted of interior and exterior modifications. The interior modifications included the following: cleaning and painting of the interior wet and dry tanks, installation of stainless steel flexible cable safety climb on wet/dry ladders, removal/replacement of insulation on inlet/discharge pipe, installation of rubber insulator between "U" bracket and overflow pipe and replacement of light bulbs. The exterior modifications included the following: cleaning and painting of exterior tank, installation of air gap and flapper gate in overflow pipe, replacement of FAA light and bulbs, replacement of missing grout and application of elastomeric sealant. An additional modification included the installation of 4-inch bed of washed ¾-inch stone in tank base floor. There is a T-Mobile antenna system on the tank, which is controlled by a lease agreement.

The storage tank is located on 2 Township-owned parcels (12,605 square feet).

The plant and storage tank are equipped with a PRIMEX iconrol® SCADA system.

Historical Financial Data

	2015 Actual	2016 (Actual)	2017 (Actual)	2018 (Unaudited)
OPERATING REVENUES				
	665,371	682,994	689,445	727,360
TOTAL OPERATING REVENUES	665,371	682,994	689,445	727,360
OPERATING EXPENSES				
Expenses	598,205	665,030	637,868	683,721
TOTAL OPERATING EXPENSES	598,205	665,030	637,868	683,721
OPERATING INCOME (LOSS)	67,166	17,964	51,577	43,639

Section 4

RFQ Submission Requirements

4.1 Qualification Requirements and Evaluation Criteria

This RFQ is open to Prospective Proposers who seek qualification to submit a proposal to purchase the water, wastewater, or both Systems. Qualification will be based on a determination by Valley, in its sole discretion, that the Prospective Proposer meets the requirements highlighted in this RFQ. Valley will assess each respondent's qualifications in the areas of experience and technical and financial capability. There will be no restriction as to the number of Prospective Proposers that may qualify under this RFQ. Certain Prospective Proposers may find that forming a team with partners will enhance their ability to meet the requirements of this RFQ. A team may consist of a prime/subcontractor relationship, a partnership or a joint venture, or any other arrangement that is legally binding under the laws of the Commonwealth of Pennsylvania. No change in the composition of a team after the RFQ process is complete shall be permitted without the prior consent of Valley.

Valley's evaluation will be based on the following criteria:

PROPOSER STRUCTURE

To qualify, the Prospective Proposer or with its partner(s) must demonstrate sufficient team structure with respect to the following areas:

1. Adequacy of proposed team structure to provide sufficient assurance that all technical and financial obligations will be met.
2. Adequacy of definition of roles and responsibilities of team members and key personnel.
3. Adequacy of disclosure of controlling interests and team integrity.

TECHNICAL CAPABILITY

To qualify, the Prospective Proposer must demonstrate technical capability with respect to the following areas of expertise:

1. Successful operation and maintenance of water and/or wastewater systems.
2. Customer service improvements and enhancements.
3. Customer safety, security, and environmental responsibilities.
4. Ability to execute an efficient, timely and seamless transition plan.
5. Capability to undertake required capital improvements.
6. Ability to offer other system enhancements with a demonstrated knowledge of technologies.

FINANCIAL CAPABILITY

To qualify, the Prospective Proposer must demonstrate financial capability with respect to the following areas:

1. Financial capability to make any upfront payment and undertake other commitments required under the Purchase Agreement.
2. Financial ability to maintain and upgrade the System.
3. Adequate sources of operating capital.
4. Ability to secure financing.
5. Ability to finance future system expansion.

4.2 Format and Required Information

All RFQ submissions should follow the format outlined below. The written proposal shall be bound and prepared on 8-1/2" x 11" paper. A limited number of 11" x 17" fold-out sheets for exhibits are acceptable. All pages are to be sequentially numbered. Unnecessarily elaborate proposals are not being sought. Elaborate artwork, expensive paper and binding, and expensive visual and other preparation aids are neither necessary nor desirable. Any concerns with providing the required information should be communicated to the Advisor Representatives (as defined below) in a prompt manner.

- A. Cover Page (to include identification of all team members)
- B. Cover Letter (2 pages maximum)
- C. Table of Contents
- D. Executive Summary (optional) (1 page maximum)
- E. Proposer Information
 - I. Description of Prospective Proposer: Provide a description of the team, including a description of all team members and the anticipated legal relationship (governance and capital structure) among the team members (e.g., partners, shareholders, members, operators, subcontractors, etc.) as appropriate. All equity investors should be identified.
 - II. Roles of Team Members and Key Personnel: Briefly outline the roles of the team members and key personnel. In doing so, please ensure that all the requirements as detailed in Section 3.1 are addressed.
 - III. Operator: Specifically identify the entity or entities that will act as operator of the System after the proposed Sale.
 - IV. Contact Person: Provide a single contact person for all future communication between Valley and the Prospective Proposer. Please identify the contact person's name, title, organization, address, telephone number, fax number, and email address.
 - V. Controlling Interest: Identify the individuals or companies who hold a major or controlling interest in each team member.
 - VI. Expected Advisors: Identify the companies and individuals who are expected to act as legal, financial, or other advisors for the team.
 - VII. Comparable Projects: Provide a list of comparable projects in which team members have participated. Prospective Proposers should specify how these comparable projects relate

to the proposed Sale, their specific role(s) on these other projects, and the extent to which team members have worked together in prior projects.

- VIII. Provide at least three references, if available, in which the team or team members have experience with water and/or wastewater system purchase contracts, as applicable, with government entities. Include each reference's organization, title, e-mail and phone number.
- F. **Technical Capability.** Prospective Proposers must address the following areas with respect to technical capability:
- I. **Operations and Maintenance Expertise:** Prospective Proposers must provide evidence demonstrating their ability to operate and maintain facilities similar to the System. Specifically, Prospective Proposers should have:
 - a. substantial water and/or wastewater system maintenance and operation experience. In particular please provide your most recent geographically relevant Consumer Confidence Report as well as Water Quality Management Report.
 - b. advanced knowledge of water and/or wastewater system maintenance, repair, construction, and practical application of equipment and materials in water and/or wastewater system operations.
 - c. demonstrated understanding in water and/or wastewater system aging behavior to assess and determine the applicability of remedial maintenance action.
 - d. all the capabilities necessary to successfully operate and maintain the System including water and/or wastewater fee management and operations, administration, marketing and public relations.
 - II. **Customer Service:** Prospective Proposers must demonstrate their commitment to achieving the highest standards of customer service and satisfaction. Specifically, the Prospective Proposer must highlight its experience and qualifications providing excellent customer service to the public using its water and/or wastewater services. Additionally, as a pre-requisite, the Prospective Proposer will be expected to provide a plan to execute a seamless transition to Prospective Proposer's operations while maintaining the highest standards of customer service.
 - III. **Safety and Security:** Prospective Proposers must demonstrate their ability to address and resolve safety and security issues. Specifically, the Prospective Proposer should have:
 - a. knowledge of water and wastewater system safety and security techniques and methodologies.
 - b. experience in emergency response support.
 - IV. **Capital Improvements.** Prospective Proposers must demonstrate their ability to efficiently undertake prudent capital improvements to the System. Prospective Proposers must demonstrate expertise in relevant engineering standards, specifications, policies, practices, and processes.
- G. **Financial Capability.** Prospective Proposers should address the following areas with respect to financial capability:

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- I. **Financial Capacity to Make Upfront Payment, Maintain the System.** Prospective Proposers must demonstrate their financial capacity to pay the upfront consideration and to maintain the System. To demonstrate sufficient financial capacity, the primary equity providers and operators must provide copies of audited financial statements for the past three years, together with any other relevant financial information. If audited financial statements cannot be provided, team members should provide enough financial information to demonstrate that they have the financial resources to successfully execute a project of this nature and scope.
- II. **Ability to Raise Financing.** Prospective Proposers must provide specific evidence demonstrating their ability to raise financing for a purchase of this nature and scope. Specific factors that will be assessed include:
 - a. capability of issuing debt and raising equity in the current capital market.
 - b. the number and size of past relevant transactions.
 - c. specific experiences on past relevant transactions.
- H. **Confidentiality and Data Room Usage Agreement.** Prospective Proposers must submit any proposed revisions to the Confidentiality Agreement for Valley approval prior to signing the required Confidentiality Agreement exhibited in Section 5. **Prospective Proposers are asked to submit a signed Confidentiality Agreement on June 14 along with their intent to respond to this RFQ.** Prospective Proposers will then be given access data room.

Should the submission contain proprietary data which the Prospective Proposer does not want disclosed for any purpose other than evaluation of qualifications, Valley will entertain requests for non-disclosure provided the firm identifies the appropriate sections/pages of the submission and the reason for doing so. However, Prospective Proposers are advised that Valley is subject to the Pennsylvania Right to Know Law (the "RTKL") and the provisions of the RTKL govern the release or retention of information submitted to Valley. Valley's decision with respect to this issue will be final.

Valley reserves the right to request a meeting or additional information from any Prospective Proposer at any time if it determines, in its sole discretion, that such information is necessary for consideration of the Prospective Proposer's qualifications.

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4.3 *Advisors and Consultants to Valley*

The following firms are serving as advisors or consultants to Valley (collectively, the “Valley Advisors”) and are not able to provide service to any Prospective Proposers or participate as members of any team:

Township Solicitor:	Unruh Turner Burke & Frees
Financial Advisor:	PFM Financial Advisors, LLC
Valley Engineer:	Pennoni
Special Transaction Counsel:	Dilworth Paxson LLP

Prospective Proposers may not rely on any of the foregoing firms for this RFQ, in determining any course of action in relation to the proposed transaction or otherwise, and are advised to seek their own independent financial and legal advice with respect thereto. Prospective Proposers are required to disclose any conflicts of interest with respect to the parties listed above.

4.4 *Registration and Submission Instructions*

Prospective Proposers that anticipate responding to this RFQ **must indicate whether they are interested in the Township’s water system, wastewater system or both** by **June 27, 2019** by providing contact information via e-mail to the Valley Procurement Representative listed below with a copy to the Advisor Representatives listed below. Providing contact information will enable Valley to contact the Prospective Proposer if necessary to amend this RFQ or for any other reason.

All contact should be directed only to the Advisor Representatives listed below. Prospective Proposers should not contact any officials or staff at Valley regarding this RFQ.

Advisor Representatives: PFM Financial Advisors LLC

Scott Shearer Managing Director Phone: (717) 232-2723 shearers@pfm.com	John Frey Director Phone: (717) 232-2723 freyj@pfm.com	Benjamin Kapenstein Senior Analyst Phone: (717) 232-2723 kapensteinb@pfm.com	Garrett Moore Senior Analyst Phone: (717) 232-2723 mooreg@pfm.com
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Procurement Representative:

Carol Lewis
Township Manager
890 West Lincoln Highway
Coatesville, PA 19320
manager@valleytownship.org

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To respond to this RFQ, interested parties must deliver to the addresses below an electronic copy of the RFQ submission and 5 hard copies of the RFQ no later than noon EDT on **July 11, 2019**.

Electronic copies should be sent to each of the following email addresses:

shearers@pfm.com

frej@pfm.com

kapensteinb@pfm.com

mooreg@pfm.com

Hard copies should be sent to the following address:

PFM Financial Advisors, LLC

C/O Garrett Moore

213 Market Street, Ste. 3

Harrisburg, PA 17101-2044

4.5 RFQ Evaluation Process

Upon submission of the qualification documents, Valley staff and its Advisors (and any other persons or entities determined by Valley in its sole discretion) will evaluate each Prospective Proposer based upon the information provided in response to Section 4.2. Submissions will be evaluated in their entirety on a Pass/Fail basis. If a Prospective Proposer is notified that it is not qualified to participate in the RFB process or to continue to participate in the RFQ process, it may request reconsideration by writing to the Advisor Representatives within five (5) calendar days of receipt of the Notice, setting forth in writing the reasons the determination should be reconsidered. The Advisor Representatives will notify the Prospective Proposer of a final determination within a reasonable time after receiving the request for reconsideration. The ultimate decision will be final and conclusive regarding this RFQ. In the event of a request for reconsideration, if there is no response provided within 5 business days, the request shall be deemed denied.

Valley reserves the right to modify or terminate this solicitation and pursue alternative options at any stage if it determines such action to be in its best interests.

4.6 Tentative Transaction Schedule

Prospective Proposers who are deemed qualified by Valley, in its sole discretion, will be asked to participate in further due diligence as described in Section 1.1, and to ultimately provide final and binding proposals to Valley in order to purchase the System. Upon receipt of final proposals, Valley will make its selection. The approximate timing of this transaction will be as follows. This timeline is subject to change.

Tentative Timeline	
June 20, 2019	Request for Qualifications ("RFQ") release
June 27, 2019	Prospective proposers indicate intention to respond, sign Confidentiality Agreements, open dataroom
July 11, 2019	Receive RFQ responses
By July 19, 2019	Qualify bidders
July / August 2019	Management Meetings and Asset Tours
August - October 2019	<ul style="list-style-type: none"> - Negotiate Transaction documents with Bidders - Release first draft of the Asset Purchase Agreement(s) ("APA")
Late October 2019	Release final transaction documents with Request for Bids ("RFB")
Late November 2019	Receive RFB responses
Late November 2019	Best and Final Offer ("BAFO") submission (if applicable) and award
December 2019	Board approval of transaction (official award)
TBD	Finance Close - varies based on type of transaction and winning bidder

Section 5

Confidentiality Agreement

5.1 Form of Confidentiality Agreement

CONFIDENTIALITY AND DATA ROOM USAGE AGREEMENT

This Confidentiality and Data Room Usage Agreement ("Agreement") is made as of this ___ day of _____, 2019, by and between the Valley Township ("Township"), and _____, a(n) [insert business entity type and State of formation] (the "Receiving Party").

Valley agrees to disclose to the Receiving Party certain information through a secure, virtual data room. The virtual data room will contain Valley information, which may include but is not limited to, user statistics, financial data, statistical data, and existing equipment. The Receiving Party agrees to access the virtual data room under the following terms and conditions.

1. **Confidentiality.** Subject only to the provisions of paragraph 2 below, the Receiving Party will not disclose any Confidential Information (as defined below) received from Valley to anyone except employees of the Receiving Party and those members of the Receiving Party's "project team" ("Team Members") with a need to know who have been informed by the Receiving Party of the confidentiality of such information. The Receiving Party agrees that it and its Team Members will use such information only for the purpose of preparing the Receiving Party's submittal in response to Valley's Request for Qualification (the "RFQ") and Request for Bids (the "RFB"). Upon the completion of the RFB process, or at such time if earlier that the Receiving Party decides that it does not wish to pursue the RFB process further, the Receiving Party acknowledges and agrees that its access to the virtual data room shall be terminated and it further agrees to destroy all copies of Confidential Information in its possession, as directed by Valley.

a. "Confidential Information" shall be all information disclosed, in writing, orally, visually, electronically or otherwise, by Valley to the Receiving Party, including all documents, data and/or information contained in Valley's virtual data room.

b. With respect to the Confidential Information, the Receiving Party specifically agrees to and shall cause all its Team Members to:

- i. Protect and preserve the confidential and proprietary nature of all Confidential Information and the information contained therein;
- ii. Not disclose, give, sell or otherwise transfer or make available, directly or indirectly, any Confidential Information or the information contained therein to any third party for any purpose, except on a need to know basis as is reasonably necessary for evaluation by advisors, consultants or agents of the Receiving Party or potential investors or other financing

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sources who have been informed by the Receiving Party of the confidentiality of such information, or otherwise as explicitly permitted in advance in writing by Valley;

- iii. Not use, transcribe or make records or copies of the Confidential Information except as necessary to prepare the Receiving Party's submittal to the RFB;
- iv. Limit the dissemination of the Confidential Information within the Receiving Party's own organization and within the organizations of any reasonably required advisors, consultants, agents, potential investors or other financing sources, to those individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential and proprietary nature of the Confidential Information in accordance with this Agreement;
- v. Notify Valley immediately of any loss or misplacement of Confidential Information, in whatever form; and
- vi. Promptly advise Valley if it learns of any unauthorized use or disclosure of the Confidential Information. In addition, the Receiving Party agrees to cooperate fully and provide any assistance necessary to protect against the unauthorized use or disclosure of such Confidential Information.

2. Exceptions. Notwithstanding the provisions of paragraph 1:

a. The Receiving Party's obligation with respect to keeping the Confidential Information confidential and with respect to the use of Confidential Information shall terminate with respect to any part of such information which is or becomes generally available to the public or which ceases to be confidential through no fault of the Receiving Party.

b. The Receiving Party shall not be precluded from disclosing or making any use whatsoever of any information which it can show was in its possession prior to the disclosure made by Valley or which subsequently comes into its possession from a source independent of Valley, which source was not, to the knowledge of Receiving Party, under any obligation of confidentiality to Valley, or which was independently developed by the Receiving Party.

c. For the purpose of keeping confidential the Confidential Information received by it, the Receiving Party agrees that it shall treat all such Confidential Information with no less than the same degree of care to avoid disclosure to any third party as the Receiving Party employs with respect to its own proprietary and confidential information.

d. In the event that the Receiving Party is ordered by a court of competent jurisdiction to release to a third party or to a court of competent jurisdiction any of the Confidential Information provided by Valley, the Receiving Party may release such Confidential Information provided, however, that the Receiving Party promptly notifies Valley of such legal

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action in advance of the release of such Confidential Information. Valley shall have, to the extent provided by law, the opportunity to contest such legal action seeking release. Nothing contained herein shall be deemed to require the Receiving Party to disclose Confidential Information.

3. Accessing the Virtual Data Room. Within a reasonable time after both parties execute this Agreement, the Receiving Party will receive usernames and passwords to access the virtual data room.

4. Rules of Use. The virtual data room and all content within the virtual data room may not be copied, reproduced, republished, uploaded, posted, or transmitted except for which the print or download capability has been enabled or indicated in the virtual data room by Valley; provided, however, that Valley grants the Receiving Party non-exclusive, non-transferable, limited permission to access and display the Web pages within the virtual data room, solely on a computer or computers owned and operated by the Receiving Party. All materials contained within the virtual data room that are made available for downloading, access, or other use shall constitute Confidential Information and shall be governed by the terms of this Agreement.

5. Indemnification. The Receiving Party agrees that its compliance with this Agreement is of utmost importance and, accordingly, the Receiving Party agrees to indemnify, defend and hold harmless Valley and any third party (only to the extent a breach of this Agreement by the Receiving Party affects the proprietary rights of such third party) with respect to any claims, losses, damages and expenses (including reasonable outside attorney's fees) which are attributable to or arise out of the Receiving Party's and or the Team Members' breach of this Agreement. The obligations of the Receiving Party under this Agreement and the indemnification provisions provided herein shall survive termination of this Agreement. Further, the Receiving Party agrees that Valley nor any official, trustee, officer or employee thereof shall have any liability to the Receiving Party or any person asserting claims on behalf of the Receiving Party as a result of any matter associated with the transactions contemplated hereby, except in the case of willful misconduct of such party (and such exception shall apply only as to such party) or gross negligence, which is the sole cause of such claims, losses, damage and expenses, except as may be provided in the final definitive agreement regarding a transaction with respect to the RFB between Valley and the Receiving Party.

6. Insider Trading. The Receiving Party acknowledges that it is aware that United States securities laws prohibit any person who has received from an issuer material, non-public information concerning the matters which are the subject of this confidentiality agreement from purchasing or selling bonds or other securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such bonds or other securities.

7. Disclosure relating to negotiations or transaction status. Except as may be required by applicable law, without the prior written consent of Valley, the Receiving Party and its agents and employees shall not disclose to any person (including, without limitation, any person or entity directly or indirectly bidding on, or otherwise involved in, the transactions contemplated hereby) either the fact that discussions, negotiations or exchanges are taking place concerning possible transactions between Valley and the Receiving Party or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof and the Receiving Party's potential participation therein.

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8. **Waiver.** No failure or delay by Valley in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9. **Disclaimer of Warranty.** All Confidential Information is provided "as is." Valley does not make any representation or warranty, either express or implied, as to its quality, adequacy, completeness, accuracy, fitness for a particular purpose, sufficiency or freedom from defects of any kind. Valley shall not be liable in damages of whatever kind as a result of the Receiving Party's reliance on or use of the Confidential Information provided hereunder, except as may be provided in a final definitive agreement regarding a transaction with respect to the RFB between Valley and the Receiving Party.

10. **Remedies.** The Receiving Party acknowledges that the breach of any of the covenants or agreements contained in this Agreement on the part of the Receiving Party and/or its employees will result in irreparable harm and continuing damages to Valley, and that Valley's remedy at law for any such breach or threatened breach would be inadequate. Accordingly, in addition to such remedies as may be available to Valley at law or in equity, in the event of any such breach, any court of competent jurisdiction may issue an injunction (both preliminary and permanent), without bond, enjoining and restricting the breach or threatened breach of any such covenant, including, but not limited to, an injunction restraining the Receiving Party and/or its employees from disclosing, in whole or in part, any Confidential Information. The Receiving Party shall pay all of Valley's costs and expenses incurred in enforcing such covenants.

11. **Ownership.** Confidential Information disclosed hereunder shall be and remain the property of Valley. No license, right, title or interest is granted herein, directly or indirectly, by implication or otherwise, to the Confidential Information by virtue of Valley disclosing said Confidential Information to the Receiving Party, except such license or other rights as may be mutually and expressly agreed upon between the parties by separate written agreement.

12. **Notice.** Whenever notice is required to be given pursuant to this Agreement, the same shall be in writing, and either personally delivered, sent by a nationally recognized overnight delivery service, postage prepaid, or sent via United States certified mail, return receipt requested, postage prepaid, and addressed to the parties at their respective addresses as set forth on the signature page of this Agreement, or at such other addresses as any party, by written notice in the manner specified above to the other party hereto, may designate from time to time. All notices shall be deemed to have been given upon receipt (or refusal of receipt) thereof.

13. **Parties.** This Agreement inures to the benefit of Valley and is binding upon Valley and the Receiving Party, and their respective successors and assigns. This Agreement shall not be construed to recognize or create a joint venture, partnership, or other formal joint business or agency relationship.

14. **Governing Law and Venue.** This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to agreements made and to be performed within such State without regard to the conflict of laws principles thereof. Any dispute arising out of this Agreement, if litigated, shall be resolved by a state or federal court in Montgomery County, PA, and the parties hereby consent to the jurisdiction of such court.

15. **Severability.** In the event any provision of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, the provisions of this Agreement being severable in such circumstances.

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16. Entire Agreement. This Agreement (a) constitutes the entire agreement and supersedes all written and oral communications between the parties relating to the subject matter hereof, and (b) may be modified or amended only by a written instrument specifically stating that it modifies this Agreement, signed by the parties hereto.

17. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same document.

18. Survival of Obligations, Termination. The obligation of the Receiving Party and Valley concerning confidentiality and non-use under this Agreement shall survive the termination of this Agreement for a period of three (3) years from the date of termination. Either Receiving Party or Valley may terminate this Agreement any time upon written notice to the other party.

IN WITNESS WHEREOF, Valley and the Receiving Party have executed this Agreement as of the day and year first above written.

RECEIVING PARTY

By: _____

Name: _____

Title: _____

Address for Notices:

Facsimile () _____ - _____

Valley Township

By: _____

Name: _____

Title: _____

Address for Notices:

Facsimile () _____ - _____

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Section 6

Disclaimer

6.1 Disclaimer

This RFQ has been prepared for informational purposes relating to the proposed transaction only and upon the express understanding that it will be used solely for the purposes set forth herein. This RFQ is based on information provided by Valley and other sources believed to be reliable; however, such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation or warranty of Valley or its Advisors. This RFQ does not purport to be all-inclusive or to contain all the information that a Prospective Proposer may desire in investigating the System. Neither Valley nor any Valley Advisor (collectively, the "Project Team") makes any express or implied representation or warranty as to the accuracy or completeness of the information contained herein or made available in connection with any further investigation of the System (the "Information"). Each member of the Project Team expressly disclaims any and all liability which may be based on the Information or any errors contained therein or omissions therefrom. No other person has been authorized by Valley to provide any information with respect to the proposed transaction or the System other than the Information, and, if given or made, such other information must not be relied upon as having been authorized by Valley. In furnishing this RFQ, no member of the Project Team undertakes any obligation to provide any Prospective Proposer with access to any additional information. A Prospective Proposer that ultimately enters into a final and binding Purchase Agreement with Valley shall be entitled to rely solely on the representations and warranties made to it by Valley in any such final and binding Purchase Agreement.

This RFQ shall not be deemed an indication of the state of affairs of the System or Valley nor shall it constitute an indication that there has been no change in the business or affairs of the System or Valley since the date hereof. The information and expressions of opinion contained herein are subject to change without notice, and neither the issuance of this RFQ nor any transaction that may be consummated pursuant to the RFB process shall, under any circumstances, create any implication that there has been no change in any of the information contained herein since the date hereof or the date as of which such information is given, if earlier.

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VALLEY TOWNSHIP REQUEST FOR BIDS

Distributed: October 18, 2019

Proposals Due: November 18, 2019

1. GENERAL INFORMATION FOR THE PROPOSER:

This Request for Bids (“RFB”) is being provided to your team by the Township of Valley, Chester County (“Valley” or the “Seller”) to solicit a final, binding proposal (the “Proposal”) to enter into the Asset Purchase Agreements (the “APAs” or the “Agreements”) for the sanitary sewer collection and conveyance system, and the water treatment and distribution system (together the “Systems” or the “Water and Sewer Systems”). Valley has engaged PFM Financial Advisors LLC (“PFM” or the “Advisor”) as an advisor in conjunction with the proposed System sales (the “Transaction”).

The assets included in the Transaction are described in more detail in each of the APAs. The final version of the Agreements will be posted in the data room and labeled “Binding Proposal, Execution Copy” for clarity. Except for removing relevant bracketed information and filling in blanks, and except as otherwise provided herein, no changes will be permitted to the APAs prior to signing.

All recipients of this RFB submitted responses to the Request for Qualifications for Water & Sewer System Monetization dated June 20, 2019 (the “RFQ”) and were determined to be eligible for consideration in moving forward with the proposed transaction process (“Pre-Qualified Proposers”). The Pre-Qualified Proposers were subsequently provided with the opportunity to conduct additional due diligence on the Systems assets included in the Agreements, including (i) access to an online data room, and (ii) meetings with Valley representatives and advisors. In addition, Valley solicited feedback on drafts of the Agreements.

2. SYSTEMS DESCRIPTION:

All assets owned by the Seller comprising the Systems are set forth in Section 2.01 of each of the APAs.

3. INFORMATION REQUIRED FROM PROPOSERS AND SELECTION CRITERIA:

All Pre-Qualified Proposers eligible to respond to this RFB were deemed eligible to move forward based on their demonstrated technical and financial qualifications detailed in their response to the RFQ. All Pre-Qualified Proposers who submit a response to this RFB (“Proposers”) must comply with the requirements set forth in this document for submitting a Proposal. Provided that the Proposal requirements are met and the Proposer is found to remain qualified, responsible and responsive, the award of the Agreements will be based on the amount of Purchase Price included as part of Proposal Form 6. In accordance with 62 Pa.C.S. §513(d), the contents of Proposals will not be publically disclosed at the time of opening of the Proposals.

Each Proposal shall be in writing and formatted in accordance with the following outline:

Section 1.0 Executive Summary

Proposal Form 1: Transmittal Letter

Proposal Form 2: Non-Collusion Affidavit

Section 2.0 Project Team and Technical Capability Information

Proposal Form 3: Statement of Ownership - Proposer

Proposal Form 4: Operator Information

Proposal Form 5: Contract and Lobbyist Disclosure

Section 3.0 Business Proposal

Proposal Form 6: Business Proposal

4. SUBMISSION INSTRUCTIONS AND REQUIREMENTS:

One (1) original and two (2) hard copies of the Proposal shall be submitted, with the original copy of the Proposal clearly marked as the original and must contain the original signature forms and other original documents. ***All packages shall be sealed and clearly marked with the legend: "RESPONSE TO VALLEY WATER & SEWER SYSTEMS RFB."*** In accordance with Section 8 of this RFB, the contents of the Proposal will not be made public until after the award of a contract. The Proposal shall be submitted in a sealed envelope or package addressed to:

PFM Financial Advisors LLC
c/o John Frey
213 Market Street
Mail Room Third Floor
Harrisburg, PA 17101

THE SEALED PROPOSAL MUST BE RECEIVED NO LATER THAN 2:00 P.M. EASTERN TIME ON NOVEMBER 18, 2019.

Attachment 12-b

To the extent there are any questions regarding delivery of the Proposal, please contact John Frey at freyj@pfm.com/717-232-2723.

By submitting a Proposal, Proposers acknowledge and agree to the following conditions:

- All Proposals submitted in response to this RFB shall become the property of Valley. As such, after the award of a contract, or after the opening and rejection of all Proposals, Proposals submitted will become public records subject to public review under applicable law, subject to certain exceptions as described in Section 8 of this RFB.
- The selection of a Proposal by Valley shall not waive or limit any assumptions of risk, provision of indemnity, or other obligations of the Proposer under each of the APAs as may be executed between the Proposer and Valley.
- Proposers and their representatives shall comply with the communications protocol set forth in Section 5 of this RFB with respect to all communications concerning this RFB.
- Proposals shall comply with all content requirements of Section 3 of this RFB. Failure to comply with such requirements may result in a Proposer being deemed non-responsive.
- The pre-qualification of Proposers to receive this RFB and provide a Proposal does not waive or abridge the right of Valley to find that any Proposer is not qualified or that the Proposal is non-responsive to the requirements of this RFB.
- **Proposers should ensure that the written and numerical Purchase Price in Business Proposal 6 match. Should this not be the case, the binding Purchase Price will be assumed to be the lower of the two Purchase Price numbers.**
- **Valley reserves the right to reject any and all bids and to determine not to proceed with a sale of the Systems.**
- **Based on the outcome of regulatory determinations (if applicable) subsequent to the award of the winning bid hereunder, the Seller reserves the right to renegotiate certain terms of the APAs, including Purchase Price, as it deems in its best interests and as are acceptable to the winning bidder, except that any adjustment to Purchase Price shall not result in a price that would have resulted in a Best and Final Offer bid process (“BAFO”) had such adjusted Purchase Price been the original bid price of Buyer or, if a BAFO has taken place pursuant to this RFB, such adjusted Purchase Price is higher than the next highest bid received by Seller in the BAFO.**

5. QUESTIONS AND REQUESTS FOR CLARIFICATION:

All questions and requests for clarification concerning this RFB shall be directed in writing to Scott Shearer, whose contact information is provided below, by **NO LATER THAN 2:00 PM EASTERN TIME ON NOVEMBER 5, 2019**. No questions, written or oral, shall be accepted after this time.

John Frey
PFM Financial Advisors LLC
213 Market Street
Mail Room Third Floor
Harrisburg, PA 17101
freyj@pfm.com

Answers to such questions provided by Valley will be in writing and will be made available to all Proposers.

6. BIDDING OPTION

There is one bidding option provided in Proposal Form 6. Proposers must provide the purchase price for BOTH the Township's Water and Sanitary Sewer Systems combined. The Township will not entertain proposals for just one of the Systems.

7. POTENTIAL BID INCREASE DUE TO BEST-AND-FINAL OFFER ("BAFO"):

Your Proposal Form should represent your best offer. However, if the Purchase Price set forth in Proposal Form of one or more of the offers received by such deadline (other than the offer setting forth the highest amount of Purchase Price) is within 10% of the amount of the Purchase Price in such highest offer, Valley will allow the Proposer whose offer sets forth the highest amount of Purchase Price and any Proposer(s) whose offer is within 10% of such highest amount of Purchase Price (the "Applicable Proposers") to increase the amount of proposed Purchase Price by submitting an increased proposal form to be provided by Valley at that time.

If necessary, Valley will provide further instructions to all Applicable Proposers for submitting such increased proposal forms; however, the timing for submission of such increased proposal forms will be at the complete discretion of Valley and may be less than a week from November 12, 2019. All other terms of the offer will remain the same. You should not assume that you will be given the opportunity to increase the amount of your Purchase Price under any other circumstances.

8. APPROVAL AND SIGNING:

Valley intends to select the Proposer that offers the highest Purchase Price set forth in Proposal Form 6 under the terms set forth during the procurement process for this transaction, provided that the Proposer complies with all requirements set forth in this RFB for submitting a final Proposal and is found to remain qualified, responsible and responsive. Execution of the Agreements by Valley will be subject to final approval and authorization by the Seller's Board (the "Board"). A recommendation will be submitted to the Board, shortly after the conclusion of the proposal process. After selection of a Proposal and approval by the Board, the selected Proposer and Valley shall be required to execute the APAs.

9. CONFIDENTIALITY AND DISCLOSURE TO THIRD PARTIES:

The existence and contents of this letter are subject to the confidentiality agreement that you previously executed. Please remind all members of your team of your obligations under such confidentiality agreement and the indemnity obligation for any violation thereof. All information provided to Proposers, including the content of this letter, shall be deemed confidential unless and until Valley or Advisor notifies Proposers otherwise.

The records of Valley are subject to the provisions of the Pennsylvania Right-to-Know Law, 65 P.S. §67.101 et seq. (“RTK Law”), and that with certain exceptions, such records are subject to public disclosure. Valley understands that in responding to this RFB, Proposers will be submitting information, including financial data that the parties desire to be kept confidential. It is Valley’s position that this RFB is part of a competitive proposal Transaction process, and that prior to the award of a contract or prior to the opening and rejection of all Proposals, all such submissions are confidential and exempt from disclosure under the Section 708(b)(26) of the RTK Law, 65 P.S. §67.708(b)(26).

Proposers are advised, however, that following award of a contract or the opening and rejection of all Proposals, such submissions may be subject to public disclosure unless they are otherwise exempt from disclosure under another provision of the RTK Law. Records and information submitted by Prospective Proposers that constitute “trade secrets” or “confidential proprietary information” as defined in the RTK Law are exempt from disclosure under Section 708(b)(11), 65 P.S. §67.708(b)(11). “Confidential proprietary information” includes commercial and financial information which is privileged or confidential to the submitting party and the disclosure of which would cause substantial harm to the competitive position of the person who submitted the information. Proposers are advised that if they believe any information being submitted in response to this Request for Feedback Proposals constitutes or references trade secret or confidential propriety information, they should clearly so label any such information with a prominent label of either: “TRADE SECRET” or “CONFIDENTIAL PROPRIETARY INFORMATION.” Any such claims may be subject to review pursuant to the procedures set forth in the RTK Law. If Valley, the Pennsylvania Office of Open Records or a court determines that such information does not qualify as a trade secret or confidential proprietary information, such information may be subject to public disclosure.

10. RIGHT TO REJECT BIDS AND SALE; MODIFICATION OF PRICE:

Valley reserves the right to reject any and all bids and to determine not to proceed with a sale of the Systems. In addition, based on the outcome of regulatory determinations (if applicable) subsequent to the award of the winning bid hereunder, the Seller reserves the right to renegotiate certain terms of the APAs, including Purchase Price, as it deems in its best interests and as are acceptable to the winning bidder, provided however that any adjustment to Purchase Price shall not result in a price that would have resulted in a Best and Final Offer bid process (“BAFO”) had such adjusted Purchase Price been the original bid price of Buyer or, if a BAFO has taken place pursuant to this RFB, such adjusted Purchase Price is higher than the next highest bid received by Seller in the BAFO.

PROPOSAL FORMS

**Proposal Form 1 - Valley Township Water & Sewer Systems RFB
Transmittal Letter**

{to be prepared on Proposer's Letterhead}

[Date], 2019

PFM Financial Advisors LLC
c/o John Frey
213 Market Street
Mail Room Third Floor
Harrisburg, PA 17101

Re: Valley Township Water & Sewer Systems Request for Bids

Dear Valley Township:

_____ (the "Proposer") hereby submits the attached Proposal in response to Valley Township's Water & Sewer Systems Request for Bids (the "RFB") issued by Valley Township ("Valley") on October 18, 2019, as amended.

The undersigned Proposer hereby unconditionally and irrevocably offers to enter into the Asset Purchase Agreements (the "APAs") for identified sewer facilities owned and operated by Valley. Capitalized terms not otherwise defined in this Proposal have the meanings set forth in the APAs.

The Proposer, by its undersigned duly-authorized representative, hereby covenants, certifies, represents, and warrants, as follows in connection with this Proposal:

1. ***RFB and Addendum Acknowledgement.*** The Proposer acknowledges receipt of the RFB and the following addenda to the RFB:

<u>Addendum No.</u>	<u>Date</u>
_____	_____
_____	_____
_____	_____

2. ***Due Authorization.*** The submittal of the Proposal has been duly authorized by, and in all respects is binding upon, the Proposer.

Attachment 12-b

3. **Completeness; Warranty as to Proposal Information.** The Proposer has submitted all Proposal Forms and such Proposal Forms are a part of this Proposal. All information and statements contained in the Proposal are current, correct and complete, and are made with full knowledge that will rely on such information and statements in determining which Proposals are responsive and responsible, and in ultimately selecting the Proposal deemed most advantageous to Valley and executing the Agreements.
4. **Identity of Buyer.** The Buyer will be the Proposer, provided that the Proposer may, prior to the execution of the Agreements pursuant to paragraph 8 below, create a subsidiary to be the Buyer (the "Subsidiary"), in which event the Subsidiary shall carry out all of the obligations of the Buyer under the Agreements from and after such execution.
5. **Final Agreements.** The Proposer agrees to enter into the Agreements in each case in the form identified as "Binding Proposal, Execution Copy" as posted in the Virtual Data Room for this Transaction (except for filling in indicated blanks and completion of Schedules as provided therein).
6. **Purchase Price.** The amount of the Purchase Price that Proposer will pay pursuant to Section 3.01 of each of the Agreements will be the total set forth in Proposal Form 6.
7. **Proposal Effective Period.** This Proposal and offer shall remain in effect and irrevocable until 5:00 p.m. Eastern Time on January 22, 2020, unless extended to 5:00 p.m. Eastern Time on February 19, 2020 by Valley or unless further extended by mutual consent of both Valley and the Proposer (the "Termination Time"). In the event that the Proposal submission date is delayed beyond November 15, 2019, the Termination Time will be extended for the same period of time.
8. **Agreements Execution.** If at any time prior to the Termination Time, Valley gives written notice to the Proposer, at the address specified below, that they are prepared to enter into the Agreements with the Proposer, the Proposer will, within two Business Days of its receipt of such notice, execute and deliver the Agreements to Valley.
9. **Debarment.** Neither the Proposer, the Operator, nor any other member of Proposer's project team is currently suspended or debarred from doing business with any governmental entity.
10. **Contract Disclosures.** Except as disclosed in Proposal Form 5, neither Proposer nor any member of Proposer's team has entered into any arrangement with any person or entity involving a finder's fee, fee splitting, firm affiliation or relationship with any broker-dealer, payments to consultants, lobbyists, or commissioned representatives or other contractual arrangements that could present a real or perceived conflict of interest.
11. **No Litigation.** There is no action, suit or proceeding, at law or in equity, before any court or similar governmental body, against the Proposer, wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the ability of the Proposer to perform its obligations under the Agreements contemplated hereby, or which, in any way, would have a materially adverse effect on the validity or enforceability of the obligations proposed to be undertaken by the Proposer, or any agreement or instrument entered into by the Proposer in connection with the Transaction contemplated hereby.

12. ***Certain Representations and Warranties.*** The Proposer represents and warrants that (1) Proposer has full power and authority to make this offer and submit this Proposal; (2) Proposer, or the Subsidiary, will have full power and authority to execute and deliver the Agreements pursuant to the terms hereof; (3) such actions do not and will not violate the terms of any of the Proposer's or the Subsidiary's organizational documents or any agreement binding upon it or the terms of any Applicable Law; (4) no further consent to this offer or Proposal or to the execution of the Agreements pursuant to the terms hereof is required to be obtained from any other Person or Governmental Authority; and (5) this offer and Proposal constitute, and the Agreements, if executed pursuant to the terms hereof, will constitute duly authorized, valid and legally binding obligations of the Proposer, or the Subsidiary, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or transfers, or other laws affecting creditor's rights generally, and subject to general principles of equity (regardless of whether in law or in equity).
13. ***Material Changes.*** The Proposer has disclosed as an attachment to this Proposal all material changes from the information provided in the Proposer's RFQ Response.
14. ***Principal Contact.*** The principal contact person who will serve as the interface between the Governmental Party and the Proposer for all communications is:

Attachment 12-b

NAME:

TITLE:

ADDRESS:

PHONE:

FAX:

EMAIL:

Submitted by:

Name of Proposer

Name of Designated Signatory

Signature

Title

**Proposal Form 2- Valley Water & Sewer Systems RFB
Non-Collusion Affidavit**

STATE OF _____)

COUNTY OF _____)

I, [INSERT DESIGNATED SIGNATORY NAME], a resident of _____ MUNICIPALITY OR OTHER JURISDICTION, in the State of [INSERT STATE], of full age, being duly sworn according to law, on my oath depose and say that:

(1) I am the [INSERT TITLE] of [INSERT PROPOSER NAME], organized under the laws of the state of [INSERT STATE NAME], the Proposer making the Proposal in response to the Valley Township Water & Sewer Systems Request for Bids issued by Valley on October 18, 2019, as amended, and that I executed said Proposal with full authority to do so;

(2) The pricing information set forth in this Proposal has been arrived at independently without collusion, fraud, consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to such pricing information with any other Proposer or anyone employed by or representing Valley;

(3) Unless otherwise required by law, the pricing information which has been quoted in this Proposal has not been knowingly disclosed by the Proposer and will not knowingly be disclosed by the Proposer, directly or indirectly, to any other Proposer or to any competitor prior to execution of the Agreements; and

(4) No attempt has been made or will be made by the Proposer to induce any other person or entity to submit or not to submit a Proposal for the purpose of restricting competition.

I, hereby affirm under the penalties of perjury that the foregoing statements are true.

Name of Proposer

Name of Designated Signatory

Signature

Title

(Notary Public)

State/Commonwealth of _____

County of _____

On this _____ day of _____, 2019, before me appeared [DESIGNATED SIGNATORY], who is [INSERT TITLE] of [INSERT PROPOSER], a [INSERT STATE AND ENTITY TYPE], personally known to me to be the person described in and who executed this Non-Collusion Statement and acknowledged that she/he signed the same freely and voluntarily for the uses and purposes therein described.

In witness thereof, I have hereunto set my hand and affixed my official seal the day and year last written above.

Notary Public in and for the State/Commonwealth of

(seal)

(Name printed)

Residing at _____

Commission Number _____

Proposal Form 3- Valley Water & Sewer Systems RFB
Statement of Ownership – Proposer

Name of Proposer:

Business Address:

Legal Form of Proposer:

State of Incorporation or Organization:

If not organized in Pennsylvania, is Proposer [] Yes
authorized to do business in Pennsylvania? [] No

List Names and Titles of All Principal Officers and Directors:

Significant Equity Owners of the Proposer:

List the names, business addresses and percentage ownership interests of all Persons (individuals or entities) who own, directly or indirectly, 10% or more of the capital stock, units, partnership or membership interests, or other equity interests or securities of the Proposer (including options, warrants and other rights to acquire such equity interests) (the "Significant Equity Owners"). If none, please state "NONE." If one or more such Significant Equity Owner(s) of Proposer is an entity, then list the names and addresses of all Significant Equity Owners of such entity; if none, please state "None." This disclosure shall be continued until names and addresses of every Significant Equity Owners exceeding the ten percent ownership criteria of each entity listed has been identified. Additional pages may be attached.

<i>Name</i>	<i>Address</i>	<i>% Interest</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Proposal Form 4- Valley Water & Sewer Systems RFB
Operator Information

If the Proposer is not the Operator, the Proposer must clearly identify the entity or entities that will serve as the Operator under the APAs. For the proposed Operator, please provide the following information.

1. **Name & Address of Proposed Operator:**

2. **Operator's Primary Representative:**

3. **Operator Experience (if not previously provided in response to the RFQ):**

4. **Operator's References (if not previously provided in response to the RFQ):**

5. **Material Change:** Any change in condition (financial or otherwise), development, occurrence or circumstance that could be materially adverse to the Operator that has arisen after the date of the RFQ and which would have been responsive to the RFQ if such change, development, occurrence or circumstance had arisen prior to the Proposer's response to the RFQ.

Proposal Form 5- Valley Water & Sewer Systems RFB
Contract and Lobbyist Disclosure

Proposer hereby certifies that except as listed below, neither Proposer nor any member of Proposer's team has entered into any arrangement with any person or entity involving a finder's fee, fee splitting, firm affiliation or relationship with any broker-dealer, payments to consultants, lobbyists, or commissioned representatives or other contractual arrangements that could present a real or perceived conflict of interest. (If there are no such arrangements, please write NONE)

<i>Name of Person or Entity</i>	<i>Disclosure and Description of Arrangement</i>

Name of Proposer

Name of Designated Signatory

Signature

Title

Proposal Form 6- Valley Water & Sewer Systems RFB
Business Proposal

The aggregate Purchase Price that Proposer offers to pay for the Systems is:

US\$ _____ [*in numbers*],

_____ [*in words*] United States
Dollars.

This aggregate Purchase Price is the sum of the amounts of \$ _____ for the purchase of the sanitary sewer collection and conveyance system and \$ _____ for the purchase of the water treatment and distribution system.

Proposers should ensure that the written and numerical Purchase Price in this Business Proposal exactly match. Should this not be the case, the binding Purchase Price will be assumed to be the lower of the two Purchase Price numbers.

Name of Proposer

Name of Designated Signatory

Signature

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Costs/Benefits

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

Response: See Attachment 13 (**CONFIDENTIAL**) PAWC's Response to Valley Water and Sewer Systems RFB.

**Provided by: Keith Gabage, Pennsylvania-American Water Company
Senior Manager of Business Development**

ATTACHMENT 13

(CONFIDENTIAL)

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Costs/Benefits

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

Response: See **Attachment 13 (CONFIDENTIAL)** PAWC's Response to Valley Water and Sewer Systems RFB, dated November 18, 2019.

**Provided by: Keith Gabage, Pennsylvania-American Water Company
Senior Manager of Business Development**

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Appraisals

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

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

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

A-2016-2580061 – New Garden
A-2017-2606103 – McKeesport
A-2018-3001582 – East Bradford
A-2018-3002437 – Sadsbury
A-2018-3004933 – Exeter
A-2019-3006880 – Steelton
A-2019-3008491 – Cheltenham
A-2019-3009052 – East Norriton
A-2019-3014248 – Kane
A-2020-3019634 – Royersford

Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests

- d. In the past two years, Mr. Weinert submitted testimony in the below dockets. Links to the dockets where Mr. Weinert testified are below:
- i. City of McKeesport – A-2017-2606103
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2017-2606103
 - ii. East Bradford Township A-2018-3001582
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3001582
 - iii. Sadsbury Township – A-2018-3002437
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3002437
 - iv. Exeter Township – A-2018-3004933
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3004933
 - v. Steelton Borough – A-2019-3006880
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3006880
 - vi. Cheltenham Township – A-2019-3008491
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3008491
 - vii. East Norriton – A-2019-3009052
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3009052
 - viii. Kane – A-2019-3014248
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3014248
 - ix. Borough of Royersford – A-2020-3019634
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2020-3019634

Response: **Harold Walker III, Manager, Financial Studies**
Gannett Fleming Valuation and Rate Consultants, LLC

- a. Please see Mr. Walker's Curriculum Vitae attached as Appendix A to Mr. Walker's direct testimony, included as **Appendix A-13-b** to the Application (Valley Township Statement No. 2W). Starred items represent dockets where Mr. Walker presented testimony related to the appraisal of utility property.
- b. Please see Mr. Walker's response to a. above.

Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests

- c. Please see Mr. Walker's response to a. above.

- d. In the past two years, Mr. Walker submitted testimony in the below dockets. Links to the dockets where Mr. Walker testified are below:
 - x. Limerick Township – A-2017-2605434
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2017-2605434
 - xi. Mahoning Township – A-2018-3003519
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3003517
 - xii. Mahoning Township – A-2018-3003517
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3003517
 - xiii. East Bradford Township A-2018-3001582
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3001582
 - xiv. Exeter Township – A-2018-3004933
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2018-3004933
 - xv. Cheltenham Township – A-2019-3008491
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3008491
 - xvi. East Norriton – A-2019-3009052
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3009052
 - xvii. Kane Borough Authority - A-2019-3014248
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3014248
 - xviii. Delaware County Regional Water Quality Control Authority – A-2019-3015173
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2019-3015173
 - xix. Borough of Royersford – A-2020-3019634
http://www.puc.state.pa.us/about_puc/consolidated_case_view.aspx?Docket=A-2020-3019634

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Appraisals

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

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

Please see the direct testimony of Jerome C. Weinert, Application **Appendix A-14-b** (PAWC Statement No. 4 W) at p. 15. Information on the discount rate can also be found in Application **Appendix A-5.1** (AUS Appraisal), the section entitled "Cost of Capital/Required Return" and at **CONFIDENTIAL Appendix A-4.2** to the Application (AUS electronic workpapers).

**Response: Harold Walker III, Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC**

Please see the direct testimony of Harold Walker III, Application **Appendix A-13-b** to the Application (Valley Township Statement No. 2 W) at pp. 19-20, **Appendix A-5.2** to the Application (Gannett Fleming Appraisal), and **CONFIDENTIAL Appendix A-4.3** to the Application (Gannett Fleming electronic workpapers).

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Appraisals

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

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

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

Response: **Harold Walker III, Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC**

Gannett Fleming used the original cost new (OCN) to calculate the trended original cost (TOC) measures, or the reproduction cost of the depreciable assets by multiplying the OCN by specific cost indices. We converted reproduction cost new to replacement cost new (RCN) after factoring in obsolescence. We used the TOC method because the mandated use of the Engineering Assessment's original cost essentially dictates the use of TOC over the reproduction cost or the replacement cost methods. Please see the Direct Testimony of Harold Walker III, **Appendix A-13-b** (Valley Township Statement No. 2 W) at pp. 16-17 for an explanation of why this method was chosen.

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Appraisals

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

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

The source of the purchase prices used in the comparable sales approach to the Market Approach was the Asset Purchase Agreements in those transactions. Those Asset Purchase Agreements are confidential and therefore copies are not provided. However, the purchase price for each transaction is publicly available at the links provided in Response 15(d). Mr. Weinert compared purchase price to original cost less depreciation, replacement cost new less depreciation, Earnings Before Interest Taxes Depreciation and Amortizations (EBITDA) and customers in the comparable sales approach. The purchase price and customers associated with each transaction used in the Market Approach are provided in Mr. Weinert's Direct Testimony in **Appendix A-14-b** (PAWC Statement No. 4 W) at page 10.

**Response: Harold Walker III, Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC**

Please see **Attachment 18.2**.

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

July 02, 2018 07:00 AM Eastern Daylight Time

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

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

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

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

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

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

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

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

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

Forward-Looking Statements

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

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

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

1. Customers include all Active and Inactive Accounts

Attachment 18-2

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

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

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

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

Competition

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

Employees

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



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

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

3 MIN READ



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

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

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

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

ADVERTISEMENT

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

2/16/2019

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

Attachment 18-2

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

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

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

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

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

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

RBS sounds alarm over Brexit

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

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

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

MORE FROM REUTERS

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

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

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

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

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

IV. ASSET PURCHASE AGREEMENT

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

Attachment 18-2

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

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

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

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

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

East Bradford Township

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

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

420,000
153,300,000

35
399
814
1,248

1 **Q. How many customers will the acquisition add?**

2 A. The acquisition of East Norriton will add 4,966 customers to Aqua's existing 28,000
3 wastewater customers. This is an increase in customers of 17.7% (or about 20%).²³

4 **Q. Will the acquisition increase rates for the customers to be acquired?**

5 A. Yes. Aqua witness Packer states that he reasonably expects that rates for East Norriton
6 customers will increase under Aqua ownership.²⁴ As discussed above, Aqua calculates
7 that if the entire revenue deficiency resulting from the acquisition is applied to East
8 Norriton Township customers, the adjusted average bill for customers using four thousand
9 gallons per month would increase from approximately \$39 per month to \$52 per month,
10 which would be a 35% rate increase.²⁵

11 **Q. Will the acquisition increase rates for existing Aqua customers?**

12 A. Yes. Mr. Packer's testimony shows that, as a result of the acquisition, rates for existing
13 Aqua water customers and existing Aqua wastewater customers will increase if the revenue
14 deficiency is not fully borne by the East Norriton Township customers. Mr. Packer's
15 schedules show estimated increases to existing total Aqua water and wastewater customers
16 ranging from \$0.17 per month to \$1.66 per month (\$2.04 per year to \$19.92 per year).²⁶ If
17 the costs were spread to only existing wastewater customers, and not water customers, the

²³ Exhibit U, Direct Testimony of William C. Packer, p. 9, lines 2-3 and 11-12, p. 16, lines 11-12.

²⁴ Exhibit U, Direct Testimony of William C. Packer, p. 18, lines 17-20 and Appendix A, p.1; Response to OCA-II-4, Attachment 1, p. 22 (attached as OCA Exhibit DJG-12).

²⁵ Exhibit U, Direct Testimony of William C. Packer, Appendix A, pp. 1-2 ($\$38.52 + \$13.42 = \$51.94$). ($\$13.42 \div \$38.52) \times 100 = 34.84\%$.

²⁶ Exhibit U, Direct Testimony of William C. Packer, Appendix A, p. 1.

1 **Q. Describe the scope and organization of your testimony.**

2 A. My testimony addresses the application filed by Aqua Pennsylvania Wastewater, Inc.
3 (“Aqua” or the “Company”) for the acquisition of the East Norriton Township (the
4 “Township”) wastewater collection system assets. My testimony responds to the fair
5 market value (“FMV”) approaches addressed in the testimonies of Harold Walker, III of
6 Gannett Fleming, who sponsors the FMV appraisals commissioned by the Company, and
7 Jerome C. Weinert, who sponsors the appraisal commissioned by the Township. I also
8 discuss the sufficiency of the notices sent to the customers of Aqua and the Township
9 regarding the impact on rates of the proposed acquisition.

II. EXECUTIVE SUMMARY

A. Overview

10 **Q. Please summarize Aqua’s application in this proceeding.**

11 A. Aqua’s application proposes to acquire the Township’s wastewater assets under Sections
12 1102 and 1329 of the Public Utility Code (the “Code”). According to Section 1329(c)(2)
13 of the Code, the ratemaking rate base is the lesser of the negotiated purchase price and the
14 average of two FMV appraisals. The FMV estimated by Gannett Fleming and AUS
15 Consultants is \$24.2 million and \$25.1 million, respectively. The purchase price negotiated
16 by Aqua and the Township is \$21 million. Thus, the proposed rate base in the application
17 is \$21 million.

Report by Class

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

Total Class: R: 8,708

Class: TRAILER PARK

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

Total Class: T: 7

Total: 8,984

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

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

Share

Adjust font size: A A A

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

Written by Mike Urban
Exeter Township, PA —

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

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

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

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

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

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

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

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

"It should be seamless," he said.

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

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

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

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

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

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

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

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

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

Contact Mike Urban: 610-371-5023 or murban@readingeagle.com.

- 1 1. The collection of a DSIC prior to inclusion of the acquired assets in a base
- 2 rate case;
- 3 2. The accrual of Allowance for Funds Used During Construction (AFUDC)
- 4 on non-DSIC eligible post-acquisition improvements; and
- 5 3. The deferral of depreciation for book and ratemaking purposes on non-
- 6 DSIC eligible post-acquisition improvements.

7

8 **Q. Please briefly summarize the Acquisition Transaction that the Joint Applicants**

9 **are proposing.**

10 A. Under the terms of the Proposed Transaction, PAWC would acquire the wastewater

11 utility assets of Kane for \$17.56 million.

12

13 **Q. Please describe the Kane wastewater utility.**

14 A. Kane owns and operates a sanitary wastewater collection system that provides

15 sanitary wastewater service to approximately 2,019 customers in Kane Borough and

16 a portion of Westmore Township in McKean County. The breakout of Kane's

17 customer count is: 1,847 residential, 162 commercial, 3 industrial, and 7 municipal.

18 The \$17.56 million purchase price for a wastewater utility assets serving 2,019

19 customers equates to a cost of approximately \$8,700 per customer.

20

21 **Q. Does the Application provide the terms of the Proposed Transaction?**

22 A. Yes, the Asset Purchase Agreement ("APA") dated November 4, 2019 was included

23 with the Application. The APA states that the purchase price is Seventeen Million,

24 Five Hundred Sixty Thousand Dollars (\$17,560,000). The Application indicates that

25 the purchase price is based on arm's length negotiations. PAWC and Kane Borough

26 are not affiliated with each other.

Attachment 18-2

Service Address	Customer Number	Edu Purchased	Group Code	Drainage Basin	SPA Amt	SPA Qty	SWR Amt	SWR Qty	Swr Base Amt	PEN Amt	INT Amt
3793 900 FOXMEADOW DR	12133	16	King Road	SOUTHEAST (6)	-	116,300.00	F	-	\$ 1,348.80	-	-
3794 1000 FOXMEADOW DR	12134	16	King Road	SOUTHEAST (6)	-	94,400.00	F	-	\$ 1,348.80	-	-
3795 1100 FOXMEADOW DR	12135	16	King Road	SOUTHEAST (6)	\$ 216.44	153,200.00	F	-	\$ 1,348.80	-	-
3796 1200 FOXMEADOW DR	12136	16	King Road	SOUTHEAST (6)	\$ 69.15	130,400.00	F	-	\$ 1,348.80	-	-
3799 1500 FOXMEADOW CIR	12139	16	King Road	SOUTHEAST (6)	\$ 43.95	126,500.00	F	-	\$ 1,348.80	-	-
3800 1600 FOXMEADOW CIR	12140	16	King Road	SOUTHEAST (6)	-	82,300.00	F	-	\$ 1,348.80	-	-
3801 1700 FOXMEADOW CIR	12141	16	King Road	SOUTHEAST (6)	-	84,300.00	F	-	\$ 1,348.80	-	-
3802 1800 FOXMEADOW CIR	12142	16	King Road	SOUTHEAST (6)	-	92,500.00	F	-	\$ 1,348.80	-	-
3803 1900 FOXMEADOW DR	12143	16	King Road	SOUTHEAST (6)	-	111,200.00	F	-	\$ 1,348.80	-	-
3804 2000 FOXMEADOW CIR	12144	16	King Road	SOUTHEAST (6)	\$ 8.42	121,000.00	F	-	\$ 1,348.80	-	-
3805 2100 FOXMEADOW CIR	12145	16	King Road	SOUTHEAST (6)	\$ 160.88	144,600.00	F	-	\$ 1,348.80	-	-
3806 2200 FOXMEADOW DR	12146	16	King Road	SOUTHEAST (6)	-	101,000.00	F	-	\$ 1,348.80	-	-
3807 2300 FOXMEADOW DR	12147	16	King Road	SOUTHEAST (6)	\$ 176.38	147,000.00	F	-	\$ 1,348.80	-	-
3808 2400 FOXMEADOW CIR	12148	16	King Road	SOUTHEAST (6)	\$ 94.99	134,400.00	F	-	\$ 1,348.80	-	-
3809 2500 FOXMEADOW CIR	12149	16	King Road	SOUTHEAST (6)	\$ 107.26	136,300.00	F	-	\$ 1,348.80	-	-
161 840 N LEWIS RD	275	17	King Road	SOUTHEAST (6)	\$ 1,932.95	306,700.00	F	-	\$ 84.30	-	-
3674 7-27 W RIDGE PIKE/STRP ML	12005	18	King Road	SOUTHEAST (6)	\$ 63.37	92,100.00	F	-	\$ 927.30	-	-
3727 125 SUNSET DR	12065	18	King Road	282 GRATERFORD RD (20)	\$ 1,198.45	193,000.00	F	-	\$ 84.30	-	-
3772 15 KEYSTONE DR	12112	18	King Road	TRINLEY (5)	\$ 2,452.98	387,200.00	F	-	\$ 84.30	-	-
5199 256 SWAMP PIKE/SCHOOL	60965	18	Possum Hollow	RAVENS CLAW (18)	\$ 2,015.24	334,400.00	F	-	\$ 252.90	-	-
162 339 N LEWIS RD	276	19	King Road	SOUTHEAST (6)	\$ 1,256.59	202,000.00	F	-	\$ 84.30	-	-
3706 W RIDGE PIKE/STRIP/BANK	12039	19	King Road	SOUTH LIMERICK (3)	\$ 1,373.73	272,500.00	F	-	\$ 674.40	-	-
3745 542 N LEWIS RD	12084	19	King Road	TRINLEY (5)	\$ 112.65	32,400.00	F	-	\$ 168.60	-	-
3411 70 BUCKWALTER RD/1350/APPLEB	11737	20	King Road	SOUTHEAST (6)	\$ 3,375.47	530,000.00	F	-	\$ 84.30	-	-
5389 206 JONES BLVD/MICROCOAX	70011	20	Possum Hollow	BROOKE EVANS (16)	\$ 14,938.23	2,319,900.00	F	-	\$ 84.30	-	-
3445 70 BUCKWALTER RD/1250/TEXAS	11771	21	King Road	SOUTHEAST (6)	\$ 2,419.39	382,000.00	F	-	\$ 84.30	-	-
3707 22 ANCHOR PARKWAY	12040	23	King Road	SOUTHEAST (6)	\$ 1,958.79	310,700.00	F	-	\$ 84.30	-	-
3773 77 GRATERFORD RD	12113	23	King Road	282 GRATERFORD RD (20)	\$ 1,208.14	194,500.00	F	-	\$ 84.30	-	-
64 677 ELM ST	170	24	Royersford	ORCHARD TERRACE (OT)	-	12,000.00	F	-	\$ 2,023.20	-	-
3863 430 W LINFIELD TRAPPE RD	12208	24	King Road	TRINLEY (5)	\$ 4,782.46	747,800.00	F	-	\$ 84.30	-	-
794 1101 ENTERPRISE DR	2573	28	King Road	TRINLEY (5)	\$ 1,182.95	190,600.00	F	-	\$ 84.30	-	-
2502 196 W RIDGE PK/FLEA MRKT	10679	29	King Road	RIDGE PIKE (10)	\$ 629.07	247,000.00	F	-	\$ 1,686.00	\$ 1.80	-
3869 420 LINFIELD TRAPPE RD	12214	30	King Road	TRINLEY (5)	\$ 852.20	139,400.00	F	-	\$ 84.30	-	-
5410 14 W LIGHTCAP RD	70032	34	Possum Hollow	POSSUM HOLLOW (17)	\$ 7,741.14	1,205,800.00	F	-	\$ 84.30	-	-
3401 19 W LINFIELD TRAPPE RD	11727	36	King Road	SOUTHEAST (6)	\$ 5,421.59	846,736.00	F	-	\$ 84.30	-	-
107 475 N LEWIS RD	216	52	King Road	SOUTHEAST (6)	\$ 3,921.34	614,500.00	F	-	\$ 84.30	-	-
3761 88 ANCHOR PARKWAY	12101	52	King Road	SOUTHEAST (6)	\$ 3,746.92	587,500.00	F	-	\$ 84.30	-	-
2292 420 W LINFIELD TRAPPE RD	10357	59	King Road	TRINLEY (5)	\$ 5,568.64	869,500.00	F	-	\$ 84.30	-	-
167 350 S LEWIS RD	282	60	King Road	SOUTHEAST (6)	\$ 3,791.50	594,400.00	F	-	\$ 84.30	-	-
2465 827 N LEWIS RD	10630	80	King Road	SOUTH LIMERICK (3)	-	150,200.00	F	-	\$ 6,744.00	-	-
3091 FOX RIDGE APTS	11378	97	King Road	SOUTH LIMERICK (3)	\$ 2,050.04	1,043,000.00	F	-	\$ 8,177.10	-	-
2685 165 W RIDGE PIKE/TRLR PK	10913	115	King Road	SOUTHEAST (6)	\$ 6,018.69	1,792,000.00	F	-	\$ 9,694.50	-	-
5397 EXELON LIM GEN STA	70019	137	Possum Hollow	POSSUM HOLLOW (17)	N	-	\$	8,659.75	1,348,000.00	\$ 84.30	\$ 1,041.07
5400 18 LIGHTCAP RD	70022	200	Possum Hollow	POSSUM HOLLOW (17)	\$	4,006.31	1,278,500.00	F	-	\$ 7,418.40	-
5416	8402				\$ 299,707.92	89,160.697	\$ 25,039.14	7,288,556	\$ 600,843.05	\$ 14,296.74	\$ 1,169.98

ASSET PURCHASE AGREEMENT

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

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

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

ASSETS BEING TRANSFERRED

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

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

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

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

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

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

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

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

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

Attachment 18-2

MAHONING TOWNSHIP CUSTOMER LIST

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

Report Criteria:
 Customer.Final bill date = (IS NULL)

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

Commercial
 Water Meters
 70

Residential
 Water meters
 1116

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

Total Meters
 =
 1186

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

(a) Incorrect Use of Projected Customers

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

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

(b) Inconsistent Purchase Price Values

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



McKeesport sewer system to be sold for \$156 million

September 16, 2016 12:00 AM

By Deana Carpenter

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

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

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

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

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

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

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

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

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

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

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

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

3/5/2019

East - Pittsburgh Post-Gazette

Attachment 18-2

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

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

Attachment 18-2

EAST END SEWER ACCOUNTS

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

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

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

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

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

Attachment 18-2

SOUTH END SEWER ACCOUNTS

Type	2015-4	2015-3	2015-2	2015-1	2014-4	2014-3	2014-2	2014-1
CO1	163,000	68,000	33,000	27,000	277,000	265,000	28,000	25,000
RES	7,444,000	7,494,000	7,172,000	7,565,000	7,109,000	7,576,000	7,233,000	7,750,000
Grand Total	7,607,000	7,562,000	7,205,000	7,592,000	7,386,000	7,841,000	7,261,000	7,775,000
# DAYS	94	90	89	91	87	94	93	91

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

Type	Total Units	Total Active Units	Total Accounts
CO1	6	2	2
RES	611	605	607
Grand Total	617	607	609

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

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

Attachment 18-2

AVONDALE SEWER ACCOUNTS SEWER ACCOUNTS

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

# DAYS	94	90	89	91	87	94	93	91
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Type	2015-4 GPD	2015-3 GPD	2015-2 GPD	2015-1 GPD	2014-4 GPD	2014-3 GPD	2014-2 GPD	2014-1 GPD
CO1	30,138	33,822	32,528	33,121	32,690	28,521	27,935	32,879
CO2	2,032	2,311	2,640	2,505	2,575	2,074	2,065	1,967
MIX	3,202	3,467	2,865	3,000	2,609	2,745	2,968	3,648
RES	43,511	41,667	40,315	44,934	40,299	44,500	50,710	40,714
TWP	330	267	225	209	241	234	204	813
Grand Total	79,213	81,533	78,573	83,769	78,414	78,074	83,882	80,022

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

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

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



Dilworth Paxson

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

The PA PUC Approves First Wastewater Sale Under New Act 12

06/14/2017

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

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

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

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

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

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

Related Lawyers

Skye C.A. Nickalls

Marc A. Feller

Related Practices

Corporate and Business

Related Offices

Philadelphia, PA

1 invest in necessary capital improvements and resources, and experienced managerial and
2 operating personnel necessary to provide safe and reliable sewer services to the residents of
3 the TOS and surrounding areas. PAWC is currently the water provider within TOS and is
4 the operator of TOS's System pump station.
5

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

7 A. Since PAWC's acquisition of the water and wastewater assets of the City of Coatesville
8 Authority ("CCA") in March 2001, PAWC has been the regional wastewater (and water)
9 provider in the City of Coatesville and surrounding communities. . PAWC's treats the
10 wastewater from the communities of Sadsbury Township, City of Coatesville, East
11 Fallowfield Township, Caln Township, West Caln Township, Valley Township, West
12 Sadsbury Township, Highland Township, West Brandywine Township and Parksburg
13 Borough. TOS has been a bulk wastewater customer of PAWC since PAWC's acquisition
14 of CCA's water and wastewater system assets. We maintain a relationship with TOS and
15 other local municipalities by participating in local events, providing environmental and
16 firefighting grants, offering the "H2O Assistance Program," and supporting economic
17 growth through infrastructure improvements in the communities we serve.
18

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

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

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

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

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

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

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

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

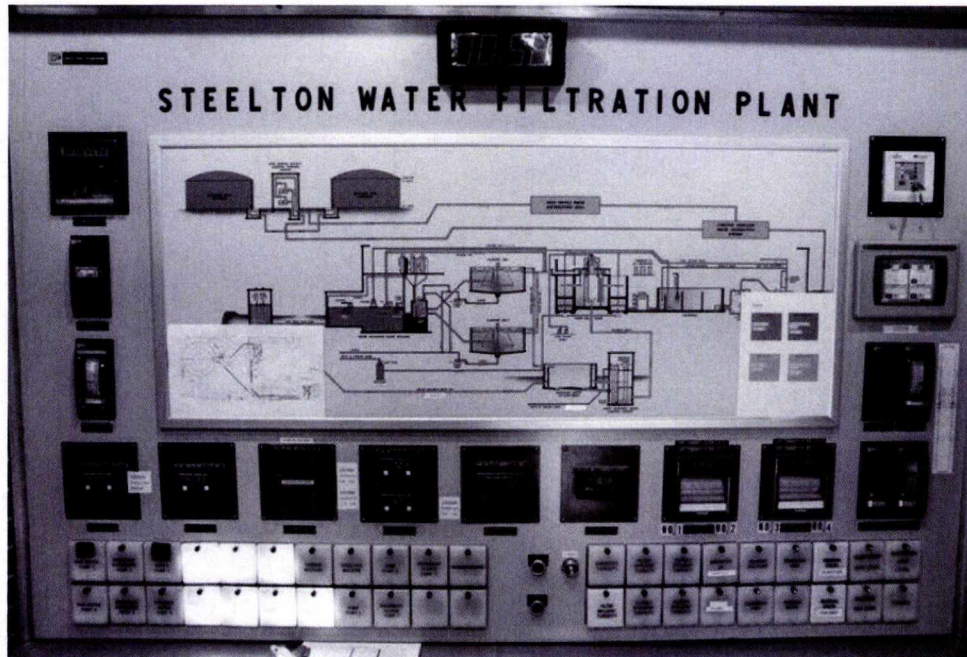
7. Steelton is a municipal water authority, organized by the Borough of Steelton in accordance with the Municipality Authorities Act, 53 Pa. C.S. §5601, et seq., with its offices located at 123 North Front Street, Steelton, Pennsylvania. Steelton owns and operates the Steelton System, providing water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

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

PENNSYLVANIA REAL-TIME NEWS

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

Updated Nov 15, 2018;
Posted Nov 15, 2018



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

1

8
shares

By **Steve Marroni | smarroni@pennlive.com**

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

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

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



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**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Appraisals

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

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

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

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

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

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Miscellaneous

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

- Response:**
- a.-d. To the Buyer's knowledge there are no outstanding compliance issues that the Seller's system has pending with the PA Department of Environmental Protection.
 - e. **AUS Consultants:** The AUS Consultants' appraisal considered any system remediation in its depreciation deduction in the cost approach and the capital expenditures deducted from future cash flows prior to arriving at the net cash flows to discount. The market approach used the cost approach conclusion as a basis of comparison to market sales and as such the depreciation deduction taken in the cost approach also recognizes any remediation cost in the market approach.

Gannett Fleming: Gannett Fleming's appraisal did not factor in specific projected remediation cost. However, the income approach does factor in (deduct) estimated capital expenditures when calculating future net cash flows. Historical remediation cost is reflected in the cost approach.

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

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

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

Jerome C. Weinert, Principal and Director - AUS Consultants, Inc.

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

Miscellaneous

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

Response:

- a-d To the Buyer's knowledge there are no outstanding compliance issues that the Seller's system has pending with the US Environmental Protection Agency.
- e. **AUS Consultants:** The AUS Consultants' appraisal considered any system remediation in its depreciation deduction in the cost approach and the capital expenditures deducted from future cash flows prior to arriving at the net cash flows to discount. The market approach used the cost approach conclusion as a basis of comparison to market sales and as such the depreciation deduction taken in the cost approach also recognizes any remediation cost in the market approach.
- Gannett Fleming:** Gannett Fleming's appraisal did not factor in specific projected remediation cost. However, the income approach does factor in (deduct) estimated capital expenditures when calculating future net cash flows. Historical remediation cost is reflected in the cost approach.

**Pennsylvania-American Water Company
Acquisition of the Township of Valley's Water Assets
Section 1329 Application Standard Data Requests**

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

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

Jerome C. Weinert, Principal and Director - AUS Consultants, Inc.

VERIFICATION

I Rod P. Nevirauskas hereby state that the facts above set forth above 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 made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

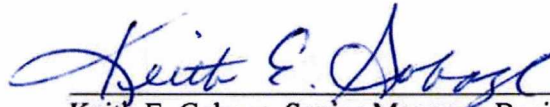


Rod P. Nevirauskas, Sr. Director Rates and Regulation
Pennsylvania-American Water Company

Dated: *October 7, 2020*

VERIFICATION

I, Keith E. Gabage hereby state that the facts above set forth above 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 made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

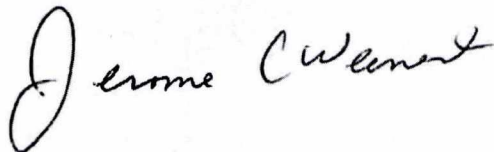


Keith E. Gabage, Senior Manager, Business Development
Pennsylvania-American Water Company

Dated: *October 7, 2020*

VERIFICATION

I, Jerome C. Weinert, P.E., hereby state that the facts above set forth above 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 made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

A handwritten signature in cursive script that reads "Jerome C. Weinert".

Jerome C. Weinert, P.E. Principal and Director
AUS Consultants, Inc.

Dated: *October 7, 2020*

VERIFICATION

I, Harold Walker, III hereby state that the facts above set forth above 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 made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

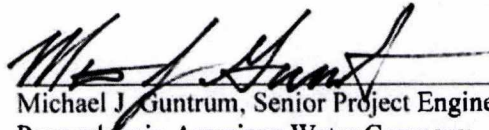


Harold Walker III, Manager, Financial Services
Gannett Fleming

Dated: October 7, 2020

VERIFICATION

I, Michael J. Guntrum hereby state that the facts above set forth above 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 made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Michael J. Guntrum, Senior Project Engineer
Pennsylvania-American Water Company

Dated: *October 7, 2020*