

SEWAGE CONVEYANCE AGREEMENT

THIS AGREEMENT, is made on 3rd day of MARCH, 2012 between the PENNSYLVANIA-AMERICAN WATER COMPANY (PAW), a Pennsylvania corporation with offices at 800 West Hersheypark Drive, Hershey, PA 17033 and VALLEY TOWNSHIP, a Pennsylvania Township of the Second Class, with its offices located at 890 West Lincoln Highway, Coatesville PA, 19320.(hereinafter referred to as Township).

This Agreement is for the conveyance of sanitary sewage at three points of connection including 1) East Fallowfield Connection @ manhole SS6, Mt. Carmel Road ; 2) West Caln Country Club Connection @ manhole 108; and 3) West Caln Sands Development Connection @ manhole 100 .

BACKGROUND

WHEREAS, PAW is a Pennsylvania corporation, organized and existing under the laws of the Commonwealth of Pennsylvania, and owns and operates a sewage treatment plant which provides public sewer service to various municipalities in and near the City of Coatesville; and

WHEREAS, the Township is a municipal corporation, organized and existing under the laws of the Commonwealth of Pennsylvania, and provides sewage collection service to residential, commercial, and industrial users within the Township and the Township's collection system is connected to PAW's collection system so that sanitary sewage discharged by said Township users may be received by PAW for treatment and disposal at its sewage treatment plant ; and

WHEREAS, the City of Coatesville Authority (CCA), predecessor to

PAW, and the Township entered into a Sewage Conveyance Agreement dated January 7, 1992 for an East Fallowfield Connection on Mt. Carmel Road providing, among other things, the right of CCA (now PAW) to convey sanitary sewage from points outside of Valley Township into and through the Valley Township Sewage Collection System to a point of connection to the existing CCA (now PAW) Sewage Collection System.

WHEREAS, PAW and the Township desire to replace the prior January 7, 1992 Sewage Conveyance Agreement. This new Agreement shall replace the January 7, 1992 Agreement in its entirety. In addition, this new agreement adds two additional Points of Connection.

NOW THEREFORE, it is agreed as follows:

ARTICLE I – DEFINITIONS.

The terms defined in this Article, wherever used or referred to in the Agreement, shall have the following respective meanings.

Average Daily Flow – Average number of gallons per day of sanitary sewage determined by taking the total quantity of flow delivered to a point during a given day period of time, and dividing by that same given period.

Cost of Operation and Maintenance – A term used in the calculation of the Cost of Conveyance in ARTICLE VI that includes costs associated with the operation of the Valley Township sewage collection system and pumping stations which are used for the conveyance of sanitary sewage from and by Valley Township, as well as the conveyance of sanitary sewage through Valley Township by PAW, said operation to be performed in an efficient and economical manner. Such costs shall include the cost of all operations and maintenance labor, repairs to existing facilities, normal recurrent in-kind replacements, and as may be necessary, all taxes, engineering, legal, administration, accounting and superintendence expenses, and casualty and other insurance premiums.

This shall not include capital costs related to construction projects, Sewage Treatment Costs or capacity fees payable to PAW or any extraordinary legal or other expenses.

Domestic Wastewater – Customary wastes from kitchens, water closets, lavatories and laundries as defined by PAW tariff.

Industrial Wastewater – The liquid waste or liquid borne waste resulting from the processing employed by an industrial user, whether treated or untreated, as defined by PAW tariff.

Point(s) of Connection – Point or points at which PAW receives sanitary sewage, including industrial wastewater from the Township's system to a point for treatment or disposal or where the Township receives sanitary sewage from PAW for conveyance through the Township's system.

PAW Customer(s) - The number of premises served by PAW upstream of the Point of Connection.

Sanitary Sewage – All wastewater, both domestic and industrial, from residences, offices, hotels, stores, restaurants, commercial establishments, industrial establishments, and similar users within the Township.

Sewage Treatment Cost- Township cost which it pays to PAW as per the Sewage Treatment Agreement and any Amendments.

Sewage Treatment Agreement - Agreement(s) concerning sewage treatment between the Township and PAW, including any Amendments.

Slug – Any sanitary sewage discharge which, for a period of fifteen minutes, shall exceed five times the average daily flow. The term particularly applies to the sudden emptying of large vats, tanks or swimming pools into the sewerage system.

Treatment Plant – Existing sewage treatment plant and facilities owned and operated by PAW, together with any additions, modifications and/or improvements thereto.

ARTICLE II - STATEMENT OF INTENT.

The parties hereto agree that it is the intent of this Agreement to provide for the conveyance of Sanitary Sewage from a sanitary sewer system in East Fallowfield Township and two in West Caln Township operated by PAW, to three Points of Connection, and then from those points through a portion of the Township sewer system to the PAW sewer system in Coatesville, and from there to the Treatment Plant owned by PAW for treatment and disposal of those wastes in common with other wastes flowing through the PAW system, and to provide for payment to the Township by PAW as described under ARTICLE VI within this Agreement .

ARTICLE III - TERMS OF AGREEMENT.

Section 1 – This Agreement shall be effective as of the above date and shall continue for an indefinite period from said date. Any sewage treatment agreements or amendments now existing or to be reached by the Township and PAW shall affect this Agreement in that, should PAW terminate a Sewage Treatment Agreement, this conveyance agreement between PAW and the Township shall be subject to renegotiation at that time, but the Township shall have no obligation to continue the conveyance agreements under this situation. Should the Township terminate the existing Sewage Treatment Agreement or amendments, the conveyance agreement between PAW and the Township shall continue in full force and effect. PAW shall have the right to discontinue use at any Point of Connection and not convey flows to the Township provided that 90 days notice is provided to the Township.

Section 2 – The Township hereby grants to PAW the right to continue the connection of a sanitary sewer emanating from East Fallowfield Township to Manhole Number SS6

located on Mt Carmel Road south of the Valley Township and East Fallowfield line as shown on Exhibit 1. This connection is for the purpose of conveying sanitary sewage through the Township system from the connection point at SS6 to the PAW sewage meter pit, at the connection to PAW system located along Valley Road. Sanitary sewage flows conveyed through the Township system for PAW shall be deducted from, and not included in, metered flow used for billing of Valley Township by PAW. The limitation on the Township's right to discharge sanitary sewage as provided in existing Sewage Treatment Agreements(s) should not be included in the calculation of any future capacity fees.

Section 3 – The Township hereby grants to PAW the right to continue the connection located at Valley Township Manhole 108 at the intersection of Country Club Road and Mineral Springs Road, and as shown on Exhibit 2.

Section 4- The Township hereby grants to PAW the right to connect an additional sanitary sewer emanating from a residential development north of the Highland's Corporate Center and known as the Sands Development in West Caln Township to Manhole 100 in the Hilltop Lane cul-de-sac as shown on Exhibit 3. This Point of Connection is currently under review by the Township. This Point of Connection is conditional upon; (1) the Township granting the developer final approval of the force main route and tie-in method, and (2) the developer receiving necessary permits from all State and local agencies and PAW receiving approval from the Public Utility Commission to provide service to the Sands Development.

Section 5 – If the Township, at any future time, shall transfer title to its sewer system to any entity by deed or otherwise, it shall assign all its rights and interests in and under this Agreement to said entity and, upon such assignment, the assignee shall be subject to all obligations and entitled to receive all the rights and benefits of this Agreement, and the Township thereafter shall cease to be a party to this Agreement. This Agreement also shall be binding upon and inure to the successors and assigns of any party to this Agreement.

Section 6 – PAW and the Township agree that rules and regulations which may be adopted for making of connections and use of the sewer system in conformance with existing Sewage Treatment Agreement(s) shall apply to the sewer system operated by PAW. PAW also agrees to enforce the provisions of such rules and regulations at all times, and PAW agrees that the Township or its duly authorized representative shall have the right, at all times, to inspect the sewer system connected to the Township for conveyance, and to compel the discontinuance of any connection which it finds to be in violation of this Agreement.

Section 7 – The parties hereto agree to comply with all applicable present and future Pennsylvania or United States laws, as well as any rules, regulations, permits, orders and requirements lawfully made by any governmental body having jurisdiction and all applicable grant agreements, unless the same are being contested in good faith by appropriate proceedings.

#### ARTICLE IV - CONVEYANCE FACILITIES – POINT(S) OF CONNECTION

Section 1 - The sanitary sewer connection from the Valley Township/East Fallowfield Township line to MH SS6 within East Fallowfield Township, the connecting point cited above, shall be owned and maintained by the Township.

Section 2 – Sanitary sewage from PAW's sewage collection system that provides service to 54 PAW Customers shall be collected and conveyed to a Point of Connection at MH SS6.

- A. PAW shall install and thereafter at all times maintain a flow meter upstream of the Point of Connection at MH SS6 to meter all East Fallowfield Township wastewater flows discharging into Valley Township's sewage collection system at this point. The expense of procurement, installation and maintenance thereof shall be borne by PAW. The said meter shall be capable

of recording electronically the instantaneous flow and daily totals which the Township shall have access at a minimum every month..

- B. In the case of missing flow records due to faulty meter registration or otherwise, an estimate of flows will be made for the purposes of determining volume of sewage discharge. This estimate will be based on an evaluation of past flow records as applied to present conditions, and reviewed and approved by representatives of both PAW and the Township.

Section 3 - Sanitary sewage from PAW's sewage collection system shall be collected and conveyed to a Point of Connection at Township Manhole 108

A. PAW shall meter the water usage of Coatesville Country Club that is connected to its collection system and flows into manhole 108. The metering device shall be maintained in compliance with Pennsylvania Public Utility Commission standards. Meter reading data shall be made available to the Township at a minimum of every month.

B. In the case of missing flow records due to faulty meter registration or otherwise, an estimate of flows will be made for the purposes of determining volume of sewage discharge. This estimate will be based on an evaluation of past flow records as applied to present conditions, and reviewed and approved by representatives of both PAW and the Township

Section 4 – Sanitary sewage from PAW's future Sands Development (Tax Parcel 28-8-117) sewage collection system shall be collected and conveyed to a Point of Connection at Township Manhole 100.

- A. At or before the commencement of actual sewage disposal service PAW shall cause to have installed and thereafter at all times maintain a flow meter at a point mutually agreed upon by both parties. The expense of

procurement, installation and maintenance thereof shall be borne by PAW. The said meter shall be capable of recording electronically the instantaneous flow and daily totals which the Township shall have access to.

- B. In the case of missing flow records due to faulty meter registration or otherwise, an estimate of flows will be made for the purposes of determining volume of sewage discharge. This estimate will be based on an evaluation of past flow records as applied to present conditions, and reviewed and approved by representatives of both PAW and the Township.

Section 5 – Maximum flow rates at the point(s) of interconnection shall not exceed 3.0 times the average daily flow rate at any time. Maximum flow rates equal to 3.0 times the average flow rate shall be limited to duration of not more than 30 minutes in any day.

#### ARTICLE V – MAINTENANCE, SAVE HARMLESS AGREEMENT, INSURANCE.

Section 1 – PAW and the Township agree, in regard to their respective collection systems, to operate continuously and keep and maintain the same at all times in good repair and order, and in good and efficient operating condition, and to meet the standards prescribed by the Pennsylvania Department of Environmental Protection or of any other governmental authority having jurisdiction thereof.

Section 2 – The Township agrees to indemnify and save harmless PAW against all losses, costs, or damages on account of any injury to persons or property occurring in the performance of this Agreement because of the negligence of the Township, its respective servants, agents, or employees, or resulting from the failure of the treatment plant and lines leading thereto to function properly because of such negligence.

Section 3 – PAW agrees to indemnify and save harmless the Township against all losses, costs, or damages on account of any injury to persons or property occurring in the performance of this Agreement because of the negligence of PAW, its respective



servants, agents, or employees, or resulting from the failure of the treatment plant and lines leading thereto to function properly because of such negligence.

Section 4 – PAW and the Township shall insure or cause to be insured their respective facilities (i.e., including but not limited to treatment plant, collection system and interceptors) in a responsible company or companies authorized and qualified to do business under the laws of the Commonwealth of Pennsylvania against loss or damage by fire and against such other risks in such amounts as usually are carried upon, or with respect to, like property in Pennsylvania. Immediately after any loss or damage to either parties' facilities or any part thereof, the affected party will commence and duly prosecute the repair, replacement, or reconstruction of the damaged or destroyed portion of its facilities, all according to the provisions as previously defined. Both parties will also maintain liability insurance with an aggregate limit in the amount of \$2,000,000 against any loss or injury to third persons or property of third persons as a result of fire, explosion, and other risk and casualty occurring to their respective facilities.

#### ARTICLE VI – CHARGES AND PAYMENTS

Section 1 – Quarterly billings to PAW, or other time periods as mutually agreed upon, for the conveyance of PAW sanitary sewage through the Township system shall be delivered by the Township and payable as provided hereinafter. Township billing to PAW shall be based upon the Township's current sewer rates. If one classification of customer exists within the Township's rate structure, the billing rate shall be based upon that classification. If more than one customer classification exists, the billing rate to PAW shall be based upon the rate that includes residential customers.

Cost of Conveyance shall be the sum of the individual cost of conveyance, as described below, for the Points of Connection as defined in Article IV. Billing shall be based upon the following formula and definitions:

**Cost of Conveyance**

Quarterly Cost of Conveyance per Point of Connection = (Township Sewer Cost per Quarter per Customer) X (Number of PAW Customers) X (Township Ratio of Operations & Maintenance Costs Applicable to Entire Township Conveyance System)

**Definitions:**

- Quarterly Water Usage or Quarterly Sewer Discharge Amount (or time period as mutually agreed upon)– The water usage in gallons of PAW Customers or sewer discharge amount based upon water or sewer meter readings as described in Article IV.
- PAW Customers – Number of PAW Customers upstream of each Point of Connection for which the Township receives sanitary sewage from PAW for conveyance through the Township’s system. The three Points of Connection are described in Article IV.
- Township Current Sewer Rates – Township rate for sewer customer as per Article VI, Section 1.
- Township Sewer Cost per Quarter per PAW Customer – A calculation per Point of Connection of the Quarterly Water Usage or Quarterly Sewer Discharge Amount divided by the number of PAW customers; then applying the Township residential sewer rate structure, as described in the examples below.
- Cost of Operations and Maintenance – See Article I.
- Sewage Treatment Cost- See Article I.

**Example Cost of Conveyance calculation for Point of Connection MHSS6**

Step 1: Determine average usage per PAW customer

Quarterly Sewer Discharge Amount of PAW Customers (gallons) / number of PAW Customers = Average discharge per PAW customer per quarter.

Example: 756,000 gallons per quarter / 54 PAW Customers = 14,000 gallons per quarter per PAW Customer.

Step 2: Apply Township Current Sewer Rates to PAW Customers

14,000 gals per quarter per PAW customer

Sewer Rate -First 10,000 gals = \$143.00

For each additional 1,000 gals = \$8.60

Township Sewer Cost per Quarter per PAW Customer = \$143.00 + \$34.40 =  
\$177.40

Step 3: Calculate Township Ratio of Operations & Maintenance Costs Applicable to  
Entire Township Conveyance System

Example:

Sewage Treatment Cost = \$399,141 per Quarter

Cost of Operations and Maintenance as defined in Article I = \$55,019 per  
quarter

Township Ratio of Operations & Maintenance Costs Applicable to Entire  
Township Conveyance System= (Cost of Operations and Maintenance  
Applicable to Entire Township Conveyance System) / (Cost of Operations and  
Maintenance Applicable to Entire Township Conveyance System + Sewage  
Treatment Cost)

Township Ratio of Operations & Maintenance Costs Applicable to  
Entire Township Conveyance System= (\$55,019 per quarter) / (\$55,019 per  
quarter + \$399,141 per quarter)

Township Ratio of Operations & Maintenance Costs Applicable to Entire  
Township Conveyance System = 0.121

Step 4: Calculate Quarterly Cost of Conveyance to the Township (for Point of Connection MHSS6).

Quarterly Cost of Conveyance = (Township Sewer Cost per Quarter per Customer) X (Number of PAW Customers) X (Township Ratio of Operations & Maintenance Costs Applicable to Entire Township Conveyance System)

Quarterly Cost of Conveyance = (\$177.40 per quarter per PAW Customer) X (54 PAW Customers) X (0.121)

Quarterly Cost of Conveyance = \$1,159.13 (for Point of Connection MH SS6)

**Example Cost of Conveyance calculation for Point of Connection MH108**

Step 1: Determine Average Usage per PAW customer

Quarterly Water Usage of PAW Customers (gallons) / Number of PAW Customers = Average Usage per PAW customer per quarter.

Example: 439,900 gallons per quarter / 1 PAW Customer = 439,900 gallons per quarter per PAW Customer.

Step 2: Apply Township Current Sewer Rates to PAW Customers

439,900 gals per quarter per PAW customer

Sewer Rate -First 10,000 gals = \$143.00

For each additional 1,000 gals = \$8.60

Township Sewer Cost per Quarter per PAW Customer = \$143.00 + \$3,697.14 = \$3,840.14

Step 3: Calculate Township Ratio of Operations & Maintenance Costs Applicable to Entire Township Conveyance System

Example:

Sewage Treatment Cost = \$399,141 per Quarter

Cost of Operations and Maintenance as defined in Article I = \$55,019 per quarter

Township Ratio of Operations & Maintenance Costs Applicable to Entire Township Conveyance System= (Cost of Operations and Maintenance Applicable to Entire Township Conveyance System) / (Cost of Operations and Maintenance Applicable to Entire Township Conveyance System+ Sewage Treatment Cost)

Township Ratio of Operations & Maintenance Costs Applicable to Entire Township Conveyance System = (\$55,019 per Quarter) / (\$55,019 per quarter + \$399,141 per quarter)

Township Ratio of Operations & Maintenance Costs Applicable to Entire Conveyance System= 0.121

Step 4: Calculate Quarterly Cost of Conveyance to the Township (for Point of Connection MH108).

Quarterly Cost of Conveyance = (Township Sewer Cost per Quarter per PAW Customer) X (Number of PAW Customers) X (Township Ratio of Operations & Maintenance Costs Applicable to Entire Township Conveyance System)

Quarterly Cost of Conveyance = (\$3,840.14 per quarter per PAW Customer) X (1 PAW Customer) X (0.121)

Quarterly Cost of Conveyance = \$464.60 (for Point of Connection MH 108)

## ARTICLE VII - MISCELLANEOUS

Section 1 – The failure of any party hereto to insist upon strict performance of this Agreement or any of the terms or conditions thereof shall not be construed as a waiver of any of its rights hereunder.

Section 2 – This writing constitutes the entire Agreement between the parties, and there are no other representations or agreements, verbal or written, other than those contained herein.

Section 3 – Whenever a notice is required to be given by mail, the following address shall be used unless a different address is specifically called for:

Pennsylvania American Water Company  
100 Cheshire Court, Suite 104  
Coatesville, Pennsylvania 19320

Valley Township  
P.O. Box 467  
890 West Lincoln Highway  
Coatesville, Pennsylvania 19320

Section 4 – This Agreement may be executed in any number of counterparts, each of which shall be properly executed by the Township and PAW, and all of which shall be regarded for all purposes as the original.

Section 5 – In the event that the Department of Environmental Protection of the Commonwealth of Pennsylvania, or any other regulatory body or governmental agency, shall fail or refuse to issue any permits for conveyance which may be necessary to accomplish the intent and purpose of this Agreement, or any part of this Agreement, the parties shall be relieved from further compliance with the terms of that portion of the Agreement until such time when such permit or permits shall be issued.

Section 6 -Severability clauses:

If any provision of this agreement is determined to be invalid, void, or ineffective for any reason, all remaining provisions of the agreement shall remain in full force and effect between the parties.

Section 7 The Township understands and agrees that this Agreement can only become effective and binding thirty (30) days after PAW has filed a copy with the Commission, or in the event that the Commission institutes an investigation, at such time as the Commission grants its approval thereof.

Section 8 – In the event that any disputes shall arise relative to the interpretation and/or application of the terms of this Agreement, the parties hereof do hereby agree to the following procedure to settle such matters:

- A. The parties, operators, and/or managers will attempt to discuss and solve the problem.
- B. If Step "A" does not prove satisfactory, a joint committee comprised of two members (the solicitor and representative ) for each party will meet to attempt to solve the problem.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their appropriate officers and their respective seals to be hereunto affixed on the day and year first above written.

Attest: [Signature]  
6/18/2012

PENNSYLVANIA AMERICAN WATER COMPANY

BY: [Signature]  
Mar 6/12/2012

VALLEY TOWNSHIP

BY: [Signature]

Attest: [Signature]

[Signature]  
[Signature]  
[Signature]

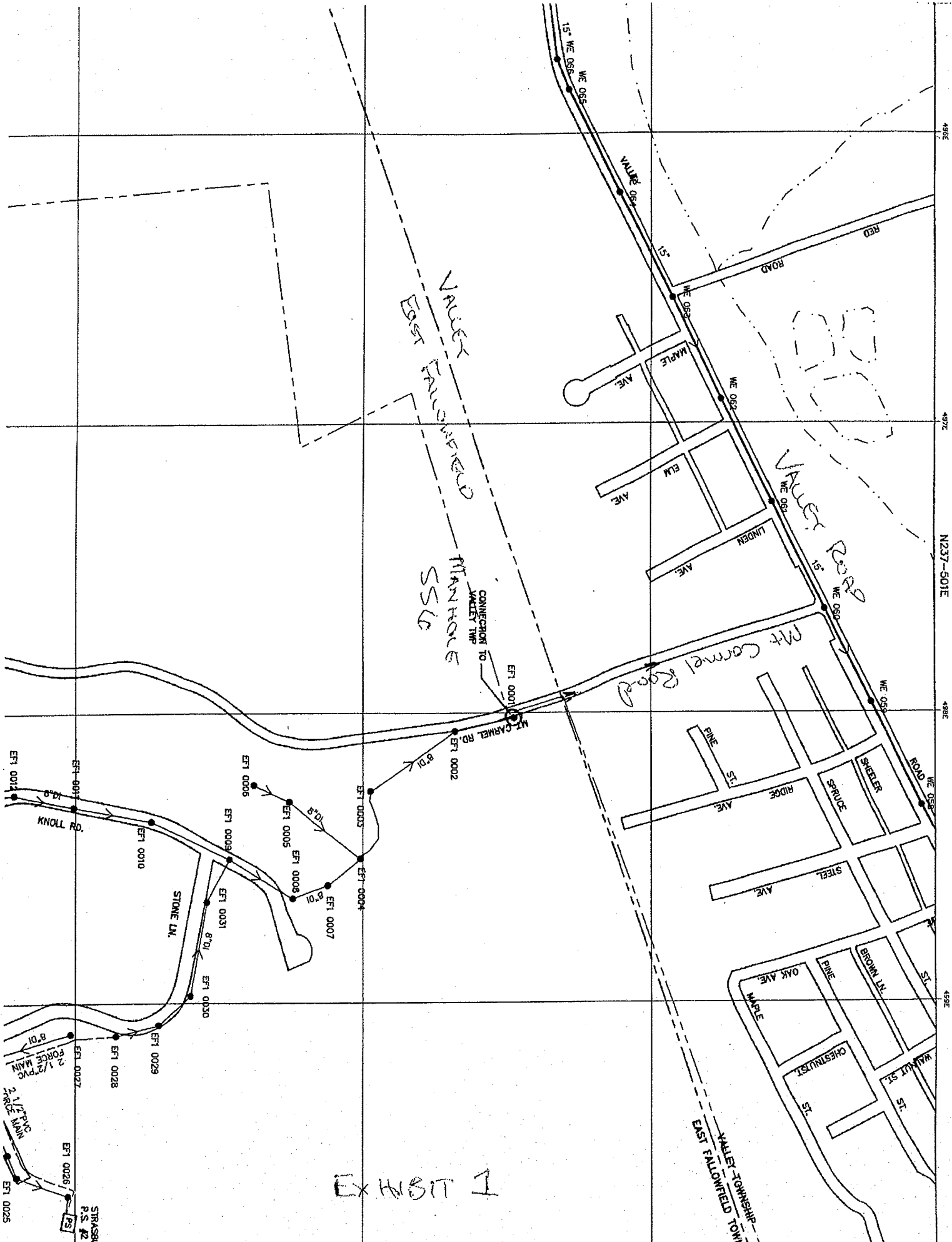
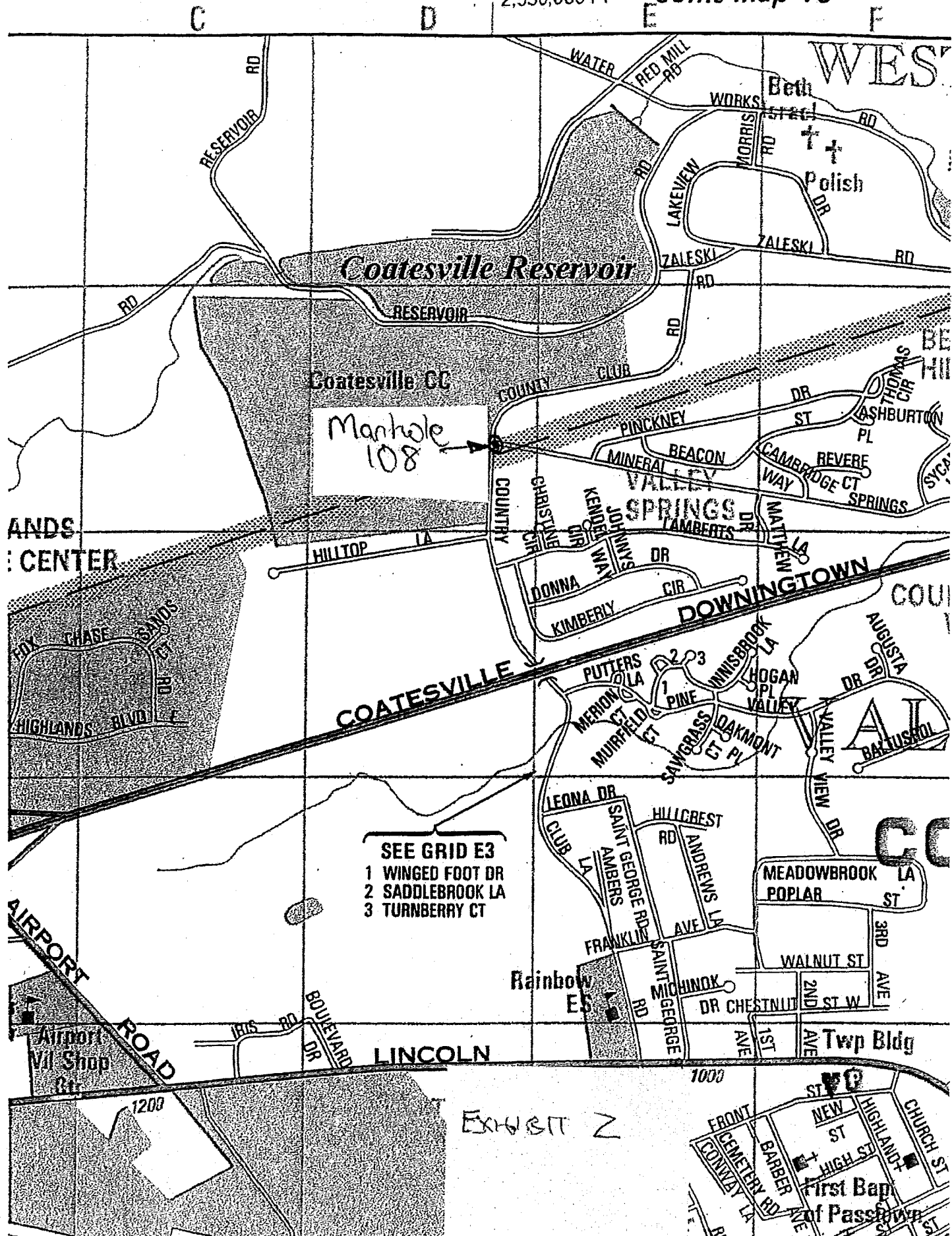


EXHIBIT I



Joins Map 18

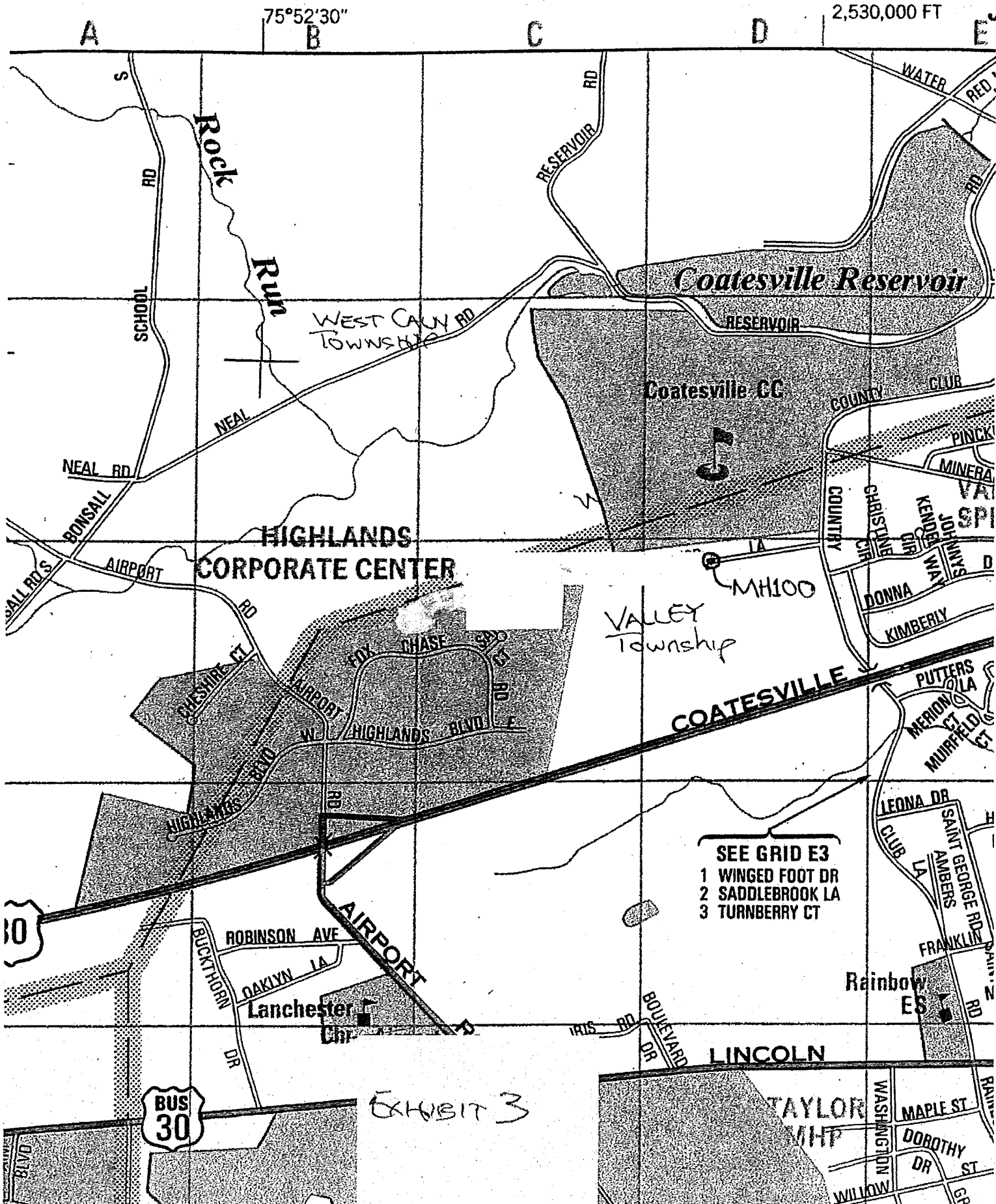
2,530,000 FT



Manhole 108

- SEE GRID E3
- 1 WINGED FOOT DR
  - 2 SADDLEBROOK LA
  - 3 TURNBERRY CT

EXHIBIT Z



Alan J. Jarvis, Esquire  
Highlands Corporate Center  
495 Highlands Boulevard, S-109  
Coatesville, PA 19320  
610-384-1151  
610-380-1392/Fax

Solicitor, Valley Township  
Attorney's I.D. 16134

**AGREEMENT**

**WHEREAS**, Valley Township ("Valley"), is a Township of the Second Class, with Offices at 890 West Lincoln Highway, Coatesville, Pennsylvania 19320; and

**WHEREAS**, Sadsbury Township ("Sadsbury"), is a Township of the Second Class with Offices at 2920 Lincoln Highway, Sadsburyville, Pennsylvania 19369; and

**WHEREAS**, on November 1, 2011, Sadsbury, acting through its Board of Supervisors, enacted its Ordinance No. 2011-02 authorizing the assignment by Sadsbury to Valley of 2800 West Lincoln Highway, Sadsbury Township, Chester County, Pennsylvania (Tax Parcel No. 37-2-77), as a sanitary sewage customer; and

**WHEREAS**, on November 1, Valley, acting through its Board of Supervisors, enacted its Ordinance No. 2011-08 authorizing the acceptance of the assignment by Sadsbury of 2800 West Lincoln Highway, Sadsbury Township, Chester County, Pennsylvania (Tax Parcel No. 37-2-77) to Valley as a sanitary sewage customer.


**NOW, THEREFORE, BE IT AGREED**, this 15 day of November, 2011, by and between Valley and Sadsbury as follows:

- (1) Sadsbury hereby assigns to Valley as a sanitary sewage customer the property at 2800 West Lincoln Highway, Sadsbury Township, Chester County, Pennsylvania (Tax Parcel No. 37-2-77), it being expressly understood that this assignment is subject to, and conditioned upon approval by the Commonwealth of Pennsylvania, Department of Environmental Protection.
- (2) Valley hereby accepts Sadsbury's assignment to it as a sanitary sewage customer the property at 2800 West Lincoln Highway, Sadsbury Township, Chester County, Pennsylvania (Tax Parcel No. 37-2-77); it being expressly understood that this acceptance is subject to, and conditioned upon, approval by the Commonwealth of Pennsylvania, Department of Environmental Protection.
- (3) It is further expressly understood by Sadsbury and Valley that the aforesaid assignment/acceptance is conditioned upon the reimbursement to the municipalities by the owners of 2800 West Lincoln Highway, Sadsbury Township, Chester County, Pennsylvania (Tax Parcel No. 37-2-77), of all engineering and legal fees and costs, including the costs of amending their Act 537 Plans.

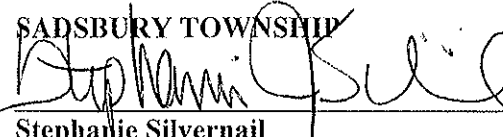
IN WITNESS WHEREOF, the parties hereto have set forth their hands and seals the date above written.

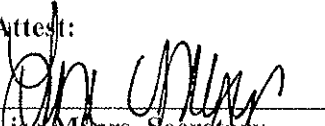
**VALLEY TOWNSHIP**

By:   
Chairman, Board of Supervisors

Attest:  
  
Secretary

**SADSBURY TOWNSHIP**

By:   
Stephanie Silvernail  
Chairman, Board of Supervisors

Attest:  
  
Lisa Myers, Secretary