

DOCKET NO. P-2020-3020914

Hearing Date: January 5, 2021

Twin Lakes

St. 1 Direct Testimony of Robert K. Fullagar with
Appendix A

St. 2 Direct Testimony of A. Bruce O'Connor with
Appendix A

St. 2-R Rebuttal Testimony of A. Bruce O'Connor with
Exhibits ABO-1 and ABO-2

St. 2-SR Surrebuttal Testimony of A. Bruce O'Connor)

Investigation and Enforcement

St. 1 Direct Testimony of Eryan A. Sakaya with
Appendix A and Exhibit 1

St. 1-SR Surrebuttal Testimony of Eryan A. Sakaya

St. 2 Direct Testimony of Christopher Keller with
Appendix A and Exhibit 2

St. 2-SR Surrebuttal Testimony of Christopher Keller
with Exhibit 2-SR

Office of Consumer Advocate

St. 1 Direct Testimony of Morgan N. DeAngelo with
Appendix A

St. 1-S Surrebuttal Testimony of Morgan N. DeAngelo

St. 2 Direct Testimony of Terry L. Fought with
Appendix A and Exhibits TLF-1 through TLF-4

St. 2-S Surrebuttal Testimony of Terry L. Fought

Aqua Pennsylvania

St. 1 Direct Testimony of Stephen Clark with
Exhibit SC-1

St. 1-R Rebuttal Testimony of Stephen Clark with
SC-1R Exhibits A and B

St. 2-R Rebuttal Testimony of William C. Packer

St. 2-SR Surrebuttal Testimony of William C. Packer

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC.
FOR A COMMISSION ORDER AUTHORIZING
THE ACQUISITION OF TWIN LAKES UTILITIES, INC.
BY A CAPABLE PUBLIC UTILITY PURSUANT TO
66 PA. C.S. §529

DOCKET NO. P-2020-3020914

DIRECT TESTIMONY
OF
ROBERT K. FULLAGAR

ON BEHALF OF
TWIN LAKES UTILITIES, INC.

NOVEMBER 17, 2020

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Robert K. Fullagar. My business address is: 485C Route 1 South, Suite 400,
3 Iselin, New Jersey.

4 Q. WHAT POSITION DO YOU HOLD WITH TWIN LAKES UTILITIES, INC.
5 AND IS IT A FULL TIME POSITION?

6 A. I am the President of Twin Lakes Utilities, Inc. (“Twin Lakes” or “the Company”). It is
7 not a full time position. I am a full-time employee of Middlesex Water Company
8 (“Middlesex”), the current owner of Twin Lakes.

9 Q. PLEASE STATE YOUR EDUCATIONAL AND OPERATIONAL BACKGROUND.

10 A. My educational and operational background, including my professional qualifications,
11 are included in Appendix A.

12 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

13 A. My testimony in this proceeding is to describe the operational challenges and risks to
14 resiliency of the Twin Lakes system and to explain why, given these challenges, Twin
15 Lakes cannot reasonably be expected to furnish and maintain adequate, efficient, safe and
16 reasonable service and facilities now or in the future.

17 Q. PLEASE PROVIDE A DESCRIPTION OF THE TWIN LAKES WATER SYSTEM.

18 A. The Twin Lakes system now serves approximately 114 customers and is comprised of
19 one functional well (Well #2), one non-functional well (Well #1), a small
20 treatment/pumping station including an atmospheric 20,000 gallon storage tank integral
21 to the station, approximately 3.7 miles of water main of various diameter and
22 approximately 120 active and inactive service connections combined.

1 Q. PLEASE PROVIDE A DESCRIPTION OF THE OPERATIONAL CHALLENGES
2 AND RESILIENCY RISKS FACING THE TWIN LAKES WATER SYSTEM.

3 A. The Twin Lakes system is continually plagued by excessive unaccounted-for water
4 (“UFW”) loss, ranging from 50% to 87%, due to leaks within the distribution system.
5 The leaks are the result of a combination of factors including age and quality of the
6 original pipe material and poor quality workmanship associated with leak repairs prior to
7 acquisition of the system by Twin Lakes. The excessive leakage rate causes the well to
8 constantly over-pump which in turn, stresses the well to the point where its operational
9 viability is at risk. The over pumping due to the excessive leak rate in the distribution
10 system was a contributing factor in the collapse of Well #1 rendering it non-usable.
11 Consequently, this condition has increased the stress on Well #2, the only remaining well
12 serving Twin Lakes customers. The continued over-pumping of Well #2 is placing this
13 well at increased risk of collapse as well as at risk of being under the influence of surface
14 water from the adjacent lake. Due to lead action level exceedances incurred in 2019,
15 treatment upgrades including pH adjustment and corrosion control may be necessary. The
16 existing functional well is not operationally capable of accommodating said treatment
17 upgrades.

18 Q. PLEASE PROVIDE A DESCRIPTION OF ADDITIONAL OPERATIONAL
19 CHALLENGES THAT HAVE ARISEN SINCE THE COMMENCEMENT OF THIS
20 SECTION 529 PROCEEDING.

21 A. Shohola Township Ordinance No. 59 prohibits the installation of private wells due to the
22 potential of private wells becoming contaminated by adjacent septic systems. In the time
23 Twin Lakes has owned the system, there have been occasions where a customer

1 petitioned the Shohola Township Board of Supervisors for a waiver from this ordinance
2 to construct and install a private well on their property. In those instances, the Board of
3 Supervisors would notify Twin Lakes of the petition and solicit Twin Lakes' input into
4 the petition prior to rendering a decision. Recently, it has been brought to Twin Lakes'
5 attention – not from the Board of Supervisors – that the Board has commenced granting
6 new petitions for a waiver from Shohola Township Ordinance No. 59 without the
7 knowledge, approval or support of the Company. These notifications have come to Twin
8 Lakes either through customers contacting the Company to request to have their service
9 terminated or, in the majority of these cases, through our part-time personnel on-site who
10 are speaking with residents and monitoring conditions on the ground.

11 Termination of customer service in these circumstances is complex and requires
12 careful coordination to minimize the potential for contamination of the public community
13 water system due to backflow from private wells being installed. Distribution systems
14 such as Twin Lakes are more vulnerable to microbial contamination through backflow
15 from private wells due to the frail and extremely poor condition of the distribution system
16 wrought with leaks. Each leak is an avenue for potential contamination by microbes,
17 nitrates which can be lethal to certain high risk populations, and other contaminants
18 associated with poorly maintained private septic disposal systems. As a result, when a
19 customer requests termination of service from Twin Lakes due to the installation of a
20 private well, Twin Lakes needs to disconnect the service lines of customers installing a
21 private well. Disconnection of the service line is a public health and safety imperative
22 and one that incurs additional significant costs to perform. These unanticipated costs –
23 unanticipated as Shohola Township has not been notifying and coordinating with Twin

1 Lakes in advance of its decisions to grant exemptions from Ordinance No. 59 –
2 significantly adversely impacts Twin Lakes’ cash position, the details of which are
3 further described in the Direct Testimony of A. Bruce O’Connor.

4 Q. CAN YOU DESCRIBE WHAT IMPROVEMENTS ARE NEEDED TO ADDRESS
5 TWIN LAKES’ OPERATIONAL CHALLENGES AND RESILIENCY RISKS?

6 A. The improvements needed to address Twin Lakes’ operational challenges and resiliency
7 risks are estimated to cost \$4.8 million and are comprised of the following:

- 8 1. Completion of the Well #1 replacement project including permitting, construction
9 of facilities associated with treatment, pumping, storage, controls, emergency
10 standby power and connection of supply piping to the distribution system.
- 11 2. Replacement of the entire distribution system including mains, valves, services
12 and elimination of dead-ends.
- 13 3. Rehabilitation of the entire Well #2 facility including design, permitting and
14 construction of treatment, pumping, storage, associated controls and emergency
15 standby power.

16 Q. ARE ALL OF THESE FUTURE IMPROVEMENTS NECESSARY TO PROVIDE
17 SAFE, ADEQUATE, EFFICIENT AND REASONABLE SERVICE AND FACILITIES
18 TO THE CUSTOMERS OF TWIN LAKES?

19 A. Yes. Based upon my knowledge of the system and my technical experience, all of the
20 improvements described above are necessary, prudent and reasonable in order to provide
21 safe, adequate and proper service for our Twin Lakes customers now and in the future.

1 Q. CAN YOU DESCRIBE A SCENARIO WHEREBY THE FUNDS THAT TWIN LAKES
2 RELIES UPON TO OPERATE AND REPAIR THE SYSTEMS COULD BE
3 DEPLETED RAPIDLY?

4 A. Yes. The funds that Twin Lakes relies upon for the operation and repair of the systems
5 could easily be depleted by one additional leak. Generally, there is no such thing as a
6 minor leak in the Twin Lakes system. Due to the extremely poor condition of the entire
7 distribution system, a service line leak or broken plumbing in an abandoned premise
8 might be enough to cause the entire system to lose all operating pressure and result in a
9 prolonged, if not indefinite, interruption in service to all customers. Repairing even a
10 simple service line leak could entail the removal of boulders the size of large lawn/garden
11 tractors, the breaking and removal of solid bedrock and the extensive reconstruction of
12 roadways and drainage systems due to the removal of boulders and bedrock. The repair
13 of a single service line leak has the potential to fully deplete the working capital funds
14 that are also used by Twin Lakes to make payroll, purchase sodium hypochlorite used for
15 disinfection, pay for laboratory and compliance monitoring/reporting and pay the electric
16 utility bills that keep the pumps on and the system pressurized. Each time a leak occurs
17 and the system loses pressure, the potential for microbial contamination to enter the
18 depressurized distribution system increases exponentially due to the extremely poor
19 condition of the entire distribution system. Each hidden leak currently contributing to the
20 excessive rate of UFW, no matter how small, becomes a pathway for microbial
21 contamination and potential illness among the entire customer base each time the system
22 loses pressure. In the event that Twin Lakes' working capital is depleted and critical
23 vendors are no longer willing to provide service for lack of payment by Twin Lakes,

1 Twin Lakes would notify its customers that the Company can no longer operate the
2 system and this would result in the system being left in an unattended state. Furthermore,
3 Twin Lakes would direct customers not to drink the water and to prepare in advance for
4 the time when the system completely shuts down due to a power failure, an event that
5 will result in the one remaining well (Well #2) not being able to pump enough water to
6 keep the system pressurized. The above scenario does not account for a more severe
7 event such as the collapse of the borehole in Well #2, which would in all likelihood
8 immediately deplete all available Twin Lakes operating funds and also result in an
9 extended outage lasting an indeterminate time.

10 Q. WHAT MEASURES DID TWIN LAKES TAKE TO TRY AND ADDRESS THESE
11 OPERATIONAL AND RESILIENCY CHALLENGES?

12 A. Twin Lakes developed a five-year capital improvement plan to address the operational
13 and resiliency challenges that I outlined above in this Direct Testimony, which the
14 Company agreed to implement as part of the Joint Petition For Settlement filed in Twin
15 Lakes' 2015 rate case (Docket No. R-2015-2506337). Twin Lakes again submitted a
16 five-year capital improvement plan as set forth in my Direct Testimony filed in Twin
17 Lakes' 2019 rate case (Docket No. R-2019-3010956).

18 Q. DID TWIN LAKES IMPLEMENT AND COMPLETE THE CAPITAL
19 IMPROVEMENT PLANS IDENTIFIED IN THE 2015 AND 2019 RATE CASES?

20 A. No. While Twin Lakes partially implemented these plans, the Company did not complete
21 the capital improvements contained in these plans submitted in the prior rate cases. For
22 example, Twin Lakes failed to reduce its UFW levels by 10% in the first 18 months of
23 the settlement period set forth in the Joint Petition for Settlement filed in the 2015 rate

1 case, and by additional 10% increments every 12 months thereafter. In addition, Twin
2 Lakes was unable to replace Well #1 as mandated by the Joint Petition of Settlement filed
3 in the 2015 rate case. Twin Lakes was unable to replace 4,000 feet of water main as
4 mandated by the Joint Petition of Settlement (Twin Lakes has only replaced
5 approximately 2,790 feet of water main) and Twin Lakes has been unable to file quarterly
6 reports on the progress of its 5-Year Capital Improvement Plan as mandated by the
7 Commission's Opinion and Order, Ordering Clause number 11, issued in Twin Lakes'
8 2019 rate case docket (Docket No. R-2019-3010958) on March 26, 2020.

9 Q. WHY DIDN'T TWIN LAKES FOLLOW THROUGH WITH THE COMPLETION OF
10 THE CAPITAL IMPROVEMENT PLANS ASSOCIATED WITH THE PRIOR RATE
11 CASES?

12 A. Twin Lakes was unable to follow through with the completion of these Capital
13 Improvement Plans because the Company received insufficient rate relief in both rate
14 cases to enable Twin Lakes to execute these Plans.

15 Q. DID TWIN LAKES CONSIDER ANY ALTERNATIVES TO THE REPLACEMENT
16 OF WELL #1 AND IF SO, WHY WERE THEY NOT ACTED UPON?

17 A. Yes. Twin Lakes considered interconnecting with the nearest public-community system
18 of Milford Township. This alternative was not deemed viable as a Twin Lakes
19 interconnection with the Milford Township system would require a 5 to 6 mile long
20 excavation in State Route 6 accompanied by the construction of booster pumping stations
21 along this route due to the mountainous terrain. Twin Lakes also considered the
22 installation of private wells for each customer. This alternative was deemed legally
23 impossible as Shohola Township Ordinance No. 59 prohibits such private well

1 installations due to the potential for private wells to be contaminated by adjacent
2 subsurface sanitary sewer disposal systems. While it appears that Shohola Township –
3 without consulting with Twin Lakes – is beginning to rethink this prohibition, as I
4 describe earlier in this Direct Testimony, the process for terminating the service of
5 customers who receive permission to install private wells produces additional operational
6 and financial challenges for the Company.

7 Q. WHAT OPTIONS DID TWIN LAKES EXPLORE TO SUSTAIN THE OPERATIONAL
8 VIABILITY OF THE UTILITY AND WHY WERE THEY NOT CONSIDERED TO BE
9 VIABLE?

10 A. Twin Lakes pursued two options to sustain the operational viability of the Twin Lakes
11 system. The first option was an application for a grant through PENNVEST and the
12 second option was the issuance of a Request for Proposals (RFP) for a third party to
13 operate, maintain and manage the utility. On August 7, 2019, Twin Lakes submitted an
14 application to PENNVEST to finance the five-year capital improvement plan. On January
15 29, 2020, Twin Lakes was notified that PENNVEST had approved a grant of \$4.66
16 million. It was subsequently concluded that an award of the grant would be considered a
17 Contribution In Aid of Construction (CIAC) that is subject to income tax under the Tax
18 Cuts and Jobs Act of 2017. Therefore, an award of a PENNVEST grant of \$4.66 million
19 would carry with it an income tax liability of \$1.358 million, all properly recoverable
20 from Twin Lakes' customers under the Commission's long-standing regulatory compact.
21 As a result of the tax implication and the unfavorable rate relief mentioned previously,
22 Twin Lakes was, and to this day remains, unable to formally accept the PENNVEST

1 grant due to the added financial burden this would place on Twin Lakes' customers and
2 the history of inadequate rate relief awarded by the Commission.

3 As another alternative, Twin Lakes issued an RFP for the provision of contract
4 operations, maintenance and management services for the Twin Lakes system on July 14,
5 2020. The purpose of the RFP was to solicit proposals from numerous entities for the
6 operation and maintenance of the Twin Lakes system following the anticipated departure
7 of Middlesex as of the termination of the Service Agreement between Middlesex and
8 Twin Lakes effective September 1, 2020. One proposal was submitted in response to the
9 RFP by Farnham and Associates. Unfortunately, the proposal submitted by Farnham and
10 Associates amounted to little more than a duplication of the laboratory compliance
11 monitoring/reporting and Licensed Operator services agreement that is already provided
12 to Twin Lakes by its current vendor. There was no mention or reference in Farnham's
13 proposal for the provision of after-hours and emergency responses, customer service and
14 appointment functions, meter reading and utility oversight and management. As a result,
15 Twin Lakes deemed Farnham's proposal inadequate.

16 Q. WHO HAS SERVED AS THE SOURCE OF TWIN LAKES' OPERATIONAL AND
17 FINANCIAL SUPPORT?

18 A. Middlesex Water Company has served as the sole source of Twin Lakes' operational and
19 financial support since acquisition of the Twin Lakes system in 2009. Middlesex
20 terminated financial support to Twin Lakes on May 28, 2020 based on Twin Lakes'
21 inability to honor its obligations under the terms of Promissory Notes executed between
22 Middlesex and Twin Lakes. The Service Agreement between Middlesex and Twin Lakes
23 that sets forth the terms of Middlesex's operational support to Twin Lakes is scheduled to

1 terminate effective December 1, 2020 under the terms of a Third Amendment to that
2 Agreement.

3 Q. IF TWIN LAKES IS LEFT WITHOUT FINANCIAL AND OPERATIONAL SUPPORT
4 FROM MIDDLESEX, WHAT IS LIKELY TO HAPPEN WITH RESPECT TO TWIN
5 LAKES' ABILITY TO FURNISH AND MAINTAIN SAFE AND REASONABLE
6 SERVICE?

7 A. Separate from the fact that as of May 28, 2020 Middlesex is no longer providing debt or
8 equity capital to Twin Lakes, with the termination of operational support from
9 Middlesex, Twin Lakes will no longer have a system operator. Twin Lakes will not only
10 not have the ongoing ability to pay its vendors, but will also likely not have an operator
11 on-site to ensure the system functions in a manner necessary to meet the basic needs
12 associated with delivering water service. Without a Licensed Operator and without
13 financial support, Twin Lakes will unfortunately have no possible means to maintain
14 water quality or distribute water of any quality to its customers and therefore water
15 service will likely cease. This cessation of service is highly likely whether Twin Lakes
16 were to proactively shut off water service to customers or not proactively shut off water
17 service and keep the system operating. With respect to the latter – if Twin Lakes keeps
18 the system operating – this would result in the system being left in an unattended state
19 and result in the customer notification process whereby customers would be advised not
20 to drink the water and to prepare in advance for the time when the system completely
21 shuts down due to loss of treatment, water quality assurance, loss of power, significant
22 leaks and well borehole collapse as I detailed earlier in this Direct Testimony.

23

- 1 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?
- 2 A. Yes, it does.

Appendix A

PROFESSIONAL QUALIFICATIONS

~ *ROBERT K. FULLAGAR, P.E.* ~

SUMMARY OF QUALIFICATIONS

Over 25 years of diverse experience in water supply/wastewater utility operations management, subsidiary executive administration and consulting engineering. Expertise in areas including but not limited to infrastructure resiliency; regulatory compliance; operational risk management; emergency management; business continuity program development and implementation; development of resiliency and security best practices; asset management and system rehabilitation.

EXPERIENCE

Middlesex Water Company (2019 to present) – Vice President of Operations

Establishes the vision in accordance with the core values of the Enterprise and develops strategic plans to drive performance and achieve all levels of compliance within the regulated operating units and the unregulated business units. Oversees and administers the operation, maintenance, rehabilitation and construction of water and wastewater infrastructure associated with the entire operations portfolio. Responsible for the operating expense budgets and capital project delivery across the Enterprise.

**Emergency Management and Security Committee Chair (2005 to present)
Safety Committee Chair (2011 to present)**

Directs and administers corporate functions relating to operational resiliency, safety, security, emergency management and business continuity.

Middlesex Water Company (1997 to 2018) - Director of Distribution

Directs and administers the operation and maintenance of infrastructure associated with the transmission and distribution (T&D) network, retail/wholesale customer meter management, field services, T&D network construction, capital improvement planning and program implementation, fleet and building maintenance management/administration.

Utility Service Affiliates (2009 to 2018) - Subsidiary Vice President of Operations

Utility Service Affiliates is a wholly-owned, unregulated subsidiary of Middlesex Water Company. Provides executive-level administration and oversight of subsidiary business functions associated with utility operation and regulatory compliance contracts for the Borough of Highland Park and Township of Monroe.

**Twin Lakes Utilities, Inc. (2019 to present) – Subsidiary President
(2009 to 2018) - Subsidiary Vice President of Operations**

Twin Lakes Utilities, Inc. is a wholly-owned, regulated subsidiary of Middlesex Water Company. Provides executive-level administration and oversight of subsidiary business functions including but not limited to regulatory compliance, capital program development/delivery, rate case proceedings and utility operations.

U.S. Water L.L.C (1994 – 1997) - Senior Project Manager, Project Manager

Managed the utility operations, regulatory compliance, capital and expense budgets; associated with potable water and sanitary wastewater systems at various municipalities in New Jersey, including but not limited to those in North Brunswick Township and Howell Township.

CFM Associates, Inc. (1990 - 1994) - Staff Engineer

Performed engineering analysis, evaluation and design associated with potable water treatment/distribution and sanitary wastewater treatment/collection projects.

Killam Associates, Inc. (1989-1990) - Staff Engineer

Performed engineering analysis, evaluation and design associated with hazardous waste remediation projects.

PROFESSIONAL LICENSES, QUALIFICATIONS AND AWARDS

New Jersey Professional Engineer (#39457) 1995

Pennsylvania Professional Engineer (#050207) 1995

New Jersey Water Treatment Plant Operator, Classification T4 (#20380) 1998

New Jersey Water Distribution System Operator, Classification W4 (#19108) 1998

New Jersey Wastewater Collection System Operator, Classification C2 (#15373) 1995

New Jersey Industrial Wastewater Treatment Plant Operator, Classification N2 (#4681) 1993

Pennsylvania Waterworks Operator, Classification WA1 (#W8072) 1996

Pennsylvania Sewage Treatment Plant Operator, Classification SA1 (#T2043) 1996

U.S. Department of Homeland Security – SECRET Level Clearance

New Jersey Incident Management Level 3 Certification

New Jersey State Firefighter II

Lead NJ Fellow - Class of 2015

American Water Works Association – New Jersey Section, 2016 Meritorious Operator Award

PROFESSIONAL AFFILIATIONS

- New Jersey Office of Homeland Security and Preparedness - Infrastructure Advisory Committee (IAC) Water and Wastewater Systems Sector Chair (2016 to present)
- New Jersey Utility Association – Operations Committee, vice Chair (2014 to present)
- New Jersey Section American Water Works Association – Licensed Operator Committee (2016 to 2019)
- American Water Works Association
- American Society of Civil Engineers
- National Fire Protection Association
- ASIS International

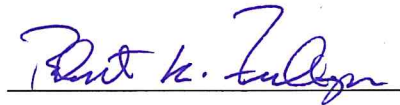
EDUCATION

B.S. Civil Engineering - New Jersey Institute of Technology, Newark, New Jersey

VERIFICATION

I, Robert K. Fullagar, President of Twin Lakes Utilities, Inc., hereby state that the facts set forth in the foregoing Direct testimony are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



Robert K. Fullagar

Date: November 17, 2020

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC.
FOR A COMMISSION ORDER AUTHORIZING
THE ACQUISITION OF TWIN LAKES UTILITIES, INC.
BY A CAPABLE PUBLIC UTILITY PURSUANT TO
66 PA. C.S. §529

DOCKET NO. P-2020-3020914

DIRECT TESTIMONY

OF

A. BRUCE O'CONNOR

ON BEHALF OF
TWIN LAKES UTILITIES, INC.

NOVEMBER 17, 2020

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. A. Bruce O'Connor, 485C Route One South, Iselin, New Jersey 08830.

3 Q. WHAT POSITION DO YOU HOLD WITH TWIN LAKES UTILITIES, INC. AND IS
4 IT A FULL-TIME POSITION?

5 A. I am the Vice President and Treasurer of Twin Lakes Utilities, Inc. ("Twin Lakes" or the
6 "Company"). It is not a full-time position. I am a full-time employee of Middlesex Water
7 Company ("Middlesex"), the current owner of Twin Lakes.

8 Q. CAN YOU PROVIDE YOUR EDUCATIONAL AND PROFESSIONAL
9 EXPERIENCE?

10 A. I have attached my resume as Appendix A.

11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

12 A. The purpose of my testimony is to demonstrate that Twin Lakes is financially incapable
13 of complying with the requirements of Section 1501 of the Pennsylvania Public Utility
14 Code.

15 Q. CAN YOU PROVIDE BACKGROUND INFORMATION ON THE FINANCIAL
16 CAPACITIES AND LIMITATIONS OF TWIN LAKES, BOTH PAST AND
17 PRESENT?

18 A. Twin Lakes was acquired by its current owner in 2009. The Twin Lakes system provides
19 water service to the community known as Sagamore Estates located in Shohola
20 Township, Pike County, Pennsylvania. Prior to acquiring Twin Lakes, the Middlesex
21 team was in frequent communication with Pennsylvania Public Utility Commission
22 ("Commission") Staff regarding long-standing service deficiencies affecting the Twin
23 Lakes system. At that time, the system was subject to frequent boil water advisories

1 issued by the Pennsylvania Department of Environmental Protection and water service
2 was frequently suspended due to numerous operational problems. Middlesex received
3 strong encouragement and support from Commission Staff to acquire the Twin Lakes
4 system to avoid the exercise of State control over the system. As part of the newly-
5 formed Twin Lakes Utilities, Inc., a wholly-owned subsidiary of Middlesex, the
6 Commission required the installation of water meters for all customers as a condition of
7 its approval of the acquisition. Middlesex agreed to this condition.

8 Q. SUBSEQUENT TO THE ACQUISITION, WERE ADDITIONAL CAPITAL
9 IMPROVEMENTS REQUIRED?

10 A. Yes. Initially, Twin Lakes installed the meters at all customer service locations in
11 accordance with the Commission Order as a condition for approving the transfer of
12 ownership. Soon after Twin Lakes began operating the system, it became apparent that
13 the condition of the water system was significantly poorer than had been represented by
14 the former owner, or had been visible from the inspection and assessment that was part of
15 the operational due diligence work performed prior to the purchase. After the meters
16 were installed and an annual meter reading database was established, the Company was
17 able to calculate a non-revenue, or unaccounted-for, water usage percentage. This critical
18 metric unveiled the true extensive amount of leakage within the water distribution system
19 and foreshadowed the operational and financial challenges that have plagued Twin Lakes
20 since its inception. Improvements necessary to maintain basic safe and reliable service
21 have continuously been made by the Company since being acquired by Middlesex in
22 2009.

23 Q. HOW DID TWIN LAKES PAY FOR THESE IMPROVEMENTS?

1 A. Initially, Middlesex provided the needed working capital and funds for utility plant
2 investment to Twin Lakes in the form of debt and equity capital. But within less than 18
3 months after the change of ownership, Twin Lakes management recognized that existing
4 customer rates were insufficient to support the system operations and the large
5 investment needed to adequately repair all the leaks. In early June 2011, Twin Lakes filed
6 a petition with the Commission seeking to increase customer rates by 370%.
7 Simultaneously, the Company began what has become a nine-year effort to identify and
8 implement a viable solution to ensure uninterrupted quality water service to the Twin
9 Lakes customers at affordable rates.

10 Q. IN ADDITION TO THE 2011 RATE MATTER, HOW MANY BASE RATE
11 INCREASE REQUESTS HAS TWIN LAKES MADE TO THE COMMISSION?

12 A. Two. One in 2015 and one in 2019.

13 Q. WHAT IMPACT HAS THAT HAD ON CUSTOMERS' BILLS?

14 A. A customer bill in 2009, when the system was acquired by Middlesex, was \$282.00 per
15 year. With the most recent rate change approved by the Commission in early 2020, an
16 average annual customer bill will rise to \$2,210.64.

17 Q. HOW HAVE THE IMPROVEMENTS MADE BY TWIN LAKES IMPACTED
18 SERVICE QUALITY FOR THE CUSTOMERS?

19 A. Both before and after acquisition of the system, Twin Lakes established an ongoing
20 dialogue with the Sagamore Estates Property Owners Association. We educated our
21 customers about what they should expect from our company in terms of service quality
22 and the resulting rate impact. Twin Lakes continues to work very hard to ensure that
23 water quality meets all required regulatory standards and that the supply, treatment and

1 distribution systems are maintained in a manner that not only ensures appropriate water
2 quality but also, helps ensure the reliability of water service. Unfortunately, the
3 distribution system's state of disrepair and related financial challenges have stifled Twin
4 Lakes' ability to provide adequate service at an affordable rate.

5 Q. CAN YOU EXPAND ON YOUR PREVIOUS STATEMENT REGARDING A VIABLE
6 SOLUTION TO PROVIDE WATER SERVICE TO THE TWIN LAKES CUSTOMERS
7 AT AFFORDABLE RATES?

8 A. Since 2011, Twin Lakes has made significant efforts to identify a workable solution to
9 ensure that customers receive adequate service at reasonable rates. Shortly after the
10 Company filed its June 2011 rate increase petition, Aqua America ("Aqua") and Twin
11 Lakes management engaged in a discussion regarding acquisition of the water system by
12 Aqua. As part of a due diligence program, Twin Lakes provided financial records and
13 hosted a November 2011 on-site inspection by Aqua representatives. Despite repeated
14 attempts to re-engage Aqua after the onsite inspection, there was no response from the
15 Aqua due diligence team. On and off for the next four years, Company officials contacted
16 Aqua officials in an attempt to restart the acquisition dialogue without success.

17 In approximately 2013, a discussion was held with a representative of American
18 Water Works Company ("American"), the parent company of Pennsylvania American
19 Water Company, regarding any interest in acquiring Twin Lakes. Given the size of the
20 system, there was no interest expressed by American in performing due diligence or
21 pursuing a transaction.

22 In late 2014, Company officials investigated the possibility of installing individual
23 wells for each of the approximately 115 customers served by Twin Lakes at that time.

1 Because many of the lot sizes in the community did not allow for adequate clearance
2 between the septic system and a well, this solution was not deemed viable.

3 In April 2015, Company senior executives travelled to Harrisburg, Pennsylvania to
4 meet with the then Chairman of the Commission. The sole purpose of this meeting was
5 Twin Lakes' request for Commission assistance in identifying a system take-over
6 solution that would mitigate the inevitable need for the Company to petition the
7 Commission for another triple digit increase in base rates for the residents of the
8 Sagamore Estates community. There were no remedies identified other than to file a
9 petition for a rate increase. On November 11, 2015, Twin Lakes filed a petition for an
10 increase in base rates of 257%.

11 In August 2017, a Company senior official met with the Office of Consumer
12 Advocate (OCA) to disclose ongoing system failure risk due to the loss of the back up
13 well supply and the inability to procure a new well site. The purpose of Twin Lakes'
14 meeting with the OCA was to request assistance in identifying a system take-over
15 solution that would mitigate the risk of losing the only source of supply serving the
16 residents of the Sagamore Estates community, as well as the need for another inevitable
17 petition to the Commission for another request for a triple digit increase in base rates.
18 Subsequently, senior Company officials held informal conversations with senior
19 executives of Aqua and American. These conversations failed to produce a successful
20 outcome.

21 In November 2017, senior Company officials met with representatives of
22 Commission Staff in Harrisburg, Pennsylvania to provide an update on the ongoing
23 system failure risk due to the loss of the back up well supply. In this meeting, Twin Lakes

1 again requested the Commission's assistance in identifying a system take-over solution
2 that would mitigate the risk of losing the only source of supply serving the residents of
3 the Sagamore Estates community as well as the need for another inevitable petition to the
4 Commission for another triple digit increase in base rates.

5 On February 26, 2018, Twin Lakes issued a letter to two senior Commission Staff
6 members (Mr. Paul Diskin and Mr. Richard Kanaskie), the Acting Consumer Advocate
7 and the Small Business Advocate informing them of the emergent need to undertake
8 system improvements that would incur just and reasonable costs increasing Twin Lakes
9 customers' annual water bills to over \$4,000. Twin Lakes went on to state in this letter
10 that given this need and the size of the bill increase to Twin Lakes customers, the
11 Company had three options on how it could practically proceed. These three options were
12 (1) file a petition for abandonment of the Twin Lakes system franchise; (2) file for
13 emergency rate relief; or (3) identify a larger investor-owned water utility better
14 positioned to make these necessary improvements to the Twin Lakes system.

15 On October 23, 2018, Twin Lakes filed a Petition For Abandonment with the
16 Commission (Docket No. A-2018-3005590). On October 25, 2018, the Commission
17 rejected Twin Lakes' Petition For Abandonment.

18 In November 2019, senior Company officials began a dialogue with Utilities, Inc.
19 Shortly thereafter Utilities, Inc. performed operational and financial due diligence on
20 water system but did not move forward to pursue a transaction.

21 Q. HAS TWIN LAKES CONSIDERED THE APPOINTMENT OF A RECEIVER TO
22 OPERATE THE SYSTEM?

1 A. Yes. Twin Lakes fully supported the OCA's August 18, 2020 Petition for Issuance of an
2 Emergency Order on an Expedited Basis in this proceeding. The OCA Petition sought the
3 appointment of Aqua as a receiver for the Twin Lakes system. However, the
4 Commission's September 22, 2020 Opinion and Order rejected the Petition and no
5 receiver was appointed.

6 Q. WHY DID MIDDLESEX STOP PROVIDING FINANCIAL SUPPORT OF TWIN
7 LAKES?

8 A. To Middlesex, it became clear in the findings of the Commission Order rendered in the
9 2019 Twin Lakes rate case matter that no matter what level of investment needed for, or
10 expenses incurred for, operation of the Twin Lakes system, there was no indication that
11 the Commission would allow rates to be set at a level that would enable recovery of
12 prudently incurred costs and expenses. That level of risk for investing in a regulated
13 public utility is unreasonable, unrealistic and unconscionable.

14 Q. HAS TWIN LAKES EVER SOUGHT TO ESTABLISH AN INDEPENDENT CREDIT
15 RELATIONSHIP WITH A FINANCIAL INSTITUTION?

16 A. Part of the role of a Chief Financial Officer is to develop and maintain relationships with
17 existing and potential investors and lenders. Over the last thirty years, I have brought
18 numerous requests to financial institutions for stand-alone credit arrangements for small
19 companies Middlesex has purchased that had a better risk profile than Twin Lakes. And
20 each time, these institutions required a guarantee from Middlesex. I approached the same
21 institutions with Twin Lakes' financial statements and received the same response.

22 Q. HOW LIKELY IS IT THAT TWIN LAKES WILL SOON NOT HAVE THE ABILITY
23 TO PAY FOR ITS OPERATING EXPENSES AND SYSTEM REPAIR EXPENSES?

1 A. In my opinion, Twin Lakes is one or two pipe leaks away from complete financial and
 2 operational failure.

3 Q. CAN YOU EXPAND ON THAT STATEMENT?

4 A. Yes. The table below represents the latest estimate of projected cash flows for the next
 5 three months.

	/---Projected Cash Flow---\			
	10/31/20	11/30/20	12/31/20	01/31/21
Cash Balance - Beginning		\$ 25,869	\$ 13,785	\$ 2,251
Inflows - Billing Receipts		11,540	11,540	33,846
Outflows - Expenses(1)		(23,624)	(23,074)	(23,316)
Cash Balance - Ending	\$ 25,869	\$ 13,785	\$ 2,251	\$ 12,781
Includes operating & debt service expenditures				

6
 7 The projected cash flows do not contemplate repair costs for any type of large surfacing
 8 leak or main break. It is not uncommon for those types of repairs on the Twin Lakes
 9 system to exceed \$10,000. So, if there are large repair costs and Twin Lakes is unable to
 10 pay the contractor, the next pipe leak will probably go unattended since in all likelihood
 11 the contractor will not dispatch a crew to make the repair if payment has not been made
 12 on the first leak repair invoice.

13 Q. WHAT ARE THE CONSEQUENCES OF NOT REPAIRING A LEAK?

14 A. If there is a delay in repairing a leak, the leak will likely worsen until such time that the
 15 system will lose all pressure and customers will have no water until the leak is located
 16 and repaired. But if there is no contractor to locate and fix the leak, there is no water
 17 available to the customers.

18 Q. WHAT ELSE CAN HAPPEN IF THERE IS NO WORKING CAPITAL?

19 A. Twin Lakes would not be able to pay its part-time employee and would also be unable to
 20 pay the Licensed Operator.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

Appendix A

PROFESSIONAL QUALIFICATIONS OF
A. BRUCE O'CONNOR, C.P.A.

EXPERIENCE

Middlesex Water Company, Iselin, New Jersey

1990 - Present; Senior Vice President, Treasurer and Chief Financial Officer - Responsibilities include administering, monitoring and providing oversight to ensure that timely, accurate and meaningful financial information is delivered to internal and external stakeholders. Monitor, interpret and implement changes in Security and Exchange Commission rules, Accounting Standards Codification pronouncements, public utility regulatory requirements and tax laws. Administer internal control procedures. Manage Company's daily cash requirements, cash management program, and maintain banking relations. Develop and execute long-range financial plans, recommend type of financing, and coordinate documentation with investment bankers and attorneys. In addition, all financial based regulatory filings and customer service are the responsibility of this position.

Deloitte & Touche LLP

1984 - 1990; Staff Auditor to Tax Manager - Specialization in public utilities.

PROFESSIONAL ASSOCIATIONS

American Institute of Certified Public Accountants

New Jersey Utilities Association

National Association of Water Companies

New Jersey Society of Certified Public Accountants

EDUCATION

Rutgers University, New Brunswick, New Jersey

Master of Business Administration - Finance

Monmouth University, West Long Branch, New Jersey

Bachelor of Science-Accounting

VERIFICATION

I, A. Bruce O'Connor, Vice President and Treasurer of Twin Lakes Utilities, Inc., hereby state that the facts set forth in the foregoing Direct Testimony are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



A. Bruce O'Connor

Date: November 17, 2020

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC.
FOR A COMMISSION ORDER AUTHORIZING
THE ACQUISITION OF TWIN LAKES UTILITIES, INC.
BY A CAPABLE PUBLIC UTILITY PURSUANT TO
66 PA. C.S. §529

DOCKET NO. P-2020-3020914

REBUTTAL TESTIMONY

OF

A. BRUCE O'CONNOR

ON BEHALF OF
TWIN LAKES UTILITIES, INC.

DECEMBER 9, 2020

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. A. Bruce O'Connor, 485C Route One South, Iselin, New Jersey 08830.

3 Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS
4 PROCEEDING?

5 A. Yes.

6 Q. HAVE YOU REVIEWED THE DIRECT TESTIMONIES FILED BY THE OTHER
7 PARTIES TO THIS PROCEEDING?

8 A. Yes.

9 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

10 A. The purpose of my rebuttal testimony is to address the direct testimonies filed by Mr.
11 Christopher Keller and Mr. Esyan Sakaya on behalf of the Pennsylvania Public Utility
12 Commission's Bureau of Investigation and Enforcement ("I&E") and, more specifically,
13 to address I&E's review of the Petition of Twin Lakes Utilities, Inc. ("Twin Lakes") for a
14 Commission Order Authorizing the Acquisition of Twin Lakes Utilities, Inc. by a
15 Capable Public Utility Pursuant to 66 Pa. C.S. §529 ("Twin Lakes Petition") and Mr.
16 Keller's and Mr. Sakaya's position that Twin Lakes does not meet all criteria in Section
17 529 of the Public Utility Code.

18 Q. CAN YOU SUMMARIZE THE POSITIONS OF MR. KELLER AND MR. SAKAYA
19 WITH RESPECT TO THE TWIN LAKES PETITION?

20 A. Yes. Mr. Keller and Mr. Sakaya collectively conclude that the Twin Lakes Petition meets
21 all of the six elements of Section 529(a) warranting acquisition of Twin Lakes by a
22 capable public utility with the exception of one element – Section 529(a)(3). Section
23 529(a)(3) permits the Commission to order an acquisition of a small water utility by a

1 capable public utility if the Commission determines that the small water utility cannot
2 reasonably be expected to furnish and maintain adequate, efficient, safe and reasonable
3 service and facilities in the future. Mr. Keller and Mr. Sakaya conclude that because in
4 their view Twin Lakes can reasonably be expected to furnish and maintain adequate,
5 efficient, safe and reasonable service and facilities in the future, Twin Lakes does not
6 meet the criteria set forth in Section 529(a)(3) and Twin Lakes' Petition should therefore
7 be denied.

8 Q. WHAT IS THE BASIS FOR MR. KELLER'S AND MR. SAKAYA'S
9 DETERMINATION THAT TWIN LAKES DOES NOT MEET THE CRITERIA SET
10 FORTH IN SECTION 529(a)(3)?

11 A. Section 529(a) sets forth the six elements that must be met before the Commission can
12 order an acquisition under Section 529. Section 529(c) sets forth six factors that the
13 Commission considers when making its determination that the six elements of Section
14 529(a) have been met. One of those six factors is set forth in Section 529(c)(1), which is
15 the financial, managerial and technical capability of the small water utility. Mr. Keller
16 and Mr. Sakaya conclude that Middlesex Water Company ("Middlesex"), the parent
17 company of Twin Lakes, has the financial, managerial and technical capability to furnish
18 and maintain adequate, efficient, safe and reasonable service for the customers of Twin
19 Lakes. As a result, according to Mr. Keller and Mr. Sakaya, Twin Lakes does not meet
20 the criteria set forth in Section 529(a)(3) to qualify for relief under Section 529.

21 Q. DO YOU AGREE WITH MR. KELLER'S AND MR. SAKAYA'S FINDINGS,
22 DETERMINATIONS AND RECOMMENDATIONS?

1 A. No, I do not because Mr. Keller and Mr. Sakaya evaluate the wrong entity in analyzing
2 the Twin Lakes Petition under Section 529(a)(3) and (c)(1). Middlesex is a New Jersey
3 corporation. It is incorporated in New Jersey. Its principal place of business is in New
4 Jersey. Middlesex is not a Pennsylvania corporation. It is not registered to do business in
5 the Commonwealth of Pennsylvania. It is not a jurisdictional utility in the
6 Commonwealth of Pennsylvania. Middlesex is not the entity that entered into the Asset
7 Purchase Agreement to acquire the Twin Lakes system on November 3, 2009 and is not
8 the entity listed on the Recorded Deed, recorded on November 9, 2009, as the owner of
9 the Twin Lakes system. In short, it is my understanding based on the advice of legal
10 counsel that Middlesex is a foreign corporation to the Commonwealth of Pennsylvania
11 not subject to its jurisdiction and therefore cannot serve as the entity to be evaluated
12 under Section 529(a)(3). Furthermore, based on this understanding, Middlesex has no
13 legal or regulatory responsibility to provide financial or operational support to Twin
14 Lakes.

15 Q. WHAT IS THE CORRECT ENTITY TO EVALUATE UNDER SECTION 529(a)(3)
16 AND (c)(1)?

17 A. Twin Lakes Utilities, Inc. is the correct entity and must be evaluated on its own merits.
18 Twin Lakes is a Pennsylvania corporation and the jurisdictional utility in Pennsylvania. It
19 is subject to the jurisdiction of the Commonwealth of Pennsylvania inclusive of the
20 Commission. Twin Lakes has been recognized as the jurisdictional utility by the
21 Commission since 2009, through three rate cases (in 2011, 2015 and 2019) and through
22 present day. In every rate case, regulatory proceeding and compliance outreach, the

1 Commission has in word and in action acknowledged and treated Twin Lakes as the
2 jurisdictional utility in Pennsylvania regulated by the Commission.

3 Q. MR. KELLER STATES ON PAGES 4 AND 5 OF HIS DIRECT TESTIMONY THAT
4 MIDDLESEX WAS GRANTED A CERTIFICATE OF PUBLIC CONVENIENCE IN
5 2009 TO BEGIN SERVING THE THEN-EXISTING CUSTOMERS OF THE TWIN
6 LAKES SYSTEM AND OFFERS A DOCUMENT IN I&E EXHIBIT NO. 2,
7 SCHEDULE 1 THAT PURPORTS TO BE A CERTIFICATE OF PUBLIC
8 CONVENIENCE. IS THAT A CORRECT STATEMENT AND A LEGITIMATE
9 EXHIBIT DOCUMENT PRESENTED BY MR. KELLER?

10 A. No, it is not a correct statement and the exhibit document does not resemble any executed
11 Commission document pertaining the to the Twin Lakes water system.

12 Q. CAN YOU EXPLAIN THIS CONCLUSION?

13 A. Yes, I can. First, it is my understanding based on the advice of legal counsel that all
14 authentic, valid and binding Certificates of Public Convenience are signed by the
15 Secretary of the Commission. Looking at the document in I&E Exhibit No. 2, Schedule
16 1, one can see that the space above the Commission Secretary's signature block is blank.
17 Second, the date set forth on this document is February 26, 2009, which is the same date
18 the Commission issued its Order approving the acquisition of the Twin Lakes system at
19 Docket No. A-2008-2050092. This Order, however, required the completion of two
20 conditions subsequent before the Commission would issue a Certificate of Public
21 Convenience. The first condition was that a Notice of Closing had to be provided to the
22 Commission upon the closing of the acquisition (an event that on February 26, 2009 had
23 not yet occurred; in fact, the closing did not occur until November 3, 2009). The second

1 condition was that Twin Lakes had to file within ten days of the date of the closing a new
2 tariff adopting the rules, rates and regulations contained in the up-to-then present tariff of
3 the predecessor owner. Only when those two conditions were met would a Certificate of
4 Public Convenience be issued to Twin Lakes and a Certificate of Abandonment be issued
5 to the predecessor owner, Twin Lakes Water Services, LLC. Because these events had
6 not yet occurred as of February 26, 2009, it is impossible that the Commission could have
7 issued a Certificate of Public Convenience on that date, without all the preconditions
8 completed, notwithstanding the fact that the exhibit document provided by I&E is not
9 signed and is therefore not valid.

10 Q. TO YOUR KNOWLEDGE, HAS A CERTIFICATE OF PUBLIC CONVENIENCE
11 EVER BEEN ISSUED WITH RESPECT TO THE ACQUISITION OF THE TWIN
12 LAKES SYSTEM IN 2009?

13 A. To the best of my knowledge, information and belief and for reasons unknown to me, the
14 Commission did not issue a Certificate of Public Convenience to Twin Lakes or a
15 Certificate of Abandonment to Twin Lakes' predecessor, Twin Lakes Water Services,
16 LLC in, or after, 2009. However, since 2009, in matters brought before the Commission
17 by Twin Lakes, the Commission has repeatedly acknowledged Twin Lakes as the
18 jurisdictional public utility that owns the Twin Lakes system serving customers in
19 Sagamore Estates.

20 Q. FOR WHAT PURPOSE DID MR. KELLER REFER TO THE UNEXECUTED
21 CERTIFICATE OF PUBLIC CONVENIENCE IN I&E EXHIBIT NO. 2, SCHEDULE
22 1?

1 A. Mr. Keller was attempting to show that the Certificate of Public Convenience was issued
2 to Middlesex rather than Twin Lakes (I&E St. No. 2 at 4-5). As I explained, this
3 Certificate was never officially issued. In addition, as discussed further below and in the
4 attached Exhibit ABO-1, initially the Commission’s records erroneously referred to
5 Middlesex as the owner of the Twin Lakes system. This error was corrected through a
6 filing submitted on April 4, 2011 and a subsequent Secretarial Letter issued on May 17,
7 2011.¹

8 Q. IN THEIR DIRECT TESTIMONIES, BOTH MR. KELLER AND MR. SAKAYA
9 CHARACTERIZE MIDDLESEX AS THE OWNER OF THE TWIN LAKES SYSTEM
10 IN DETERMINING THAT MIDDLESEX IS A CAPABLE PUBLIC UTILITY. IS THIS
11 CHARACTERIZATION ACCURATE?

12 A. No, it is not. From its very first communication seeking Commission approval of the
13 acquisition of the Twin Lakes system, Middlesex was fully transparent that the entity
14 acquiring the system, Twin Lakes Utilities, Inc., would be a wholly-owned subsidiary of
15 Middlesex and that Twin Lakes would be incorporated in the Commonwealth of
16 Pennsylvania. This was clearly stated in Middlesex’s February 26, 2008 letter application
17 first seeking Commission approval of the acquisition, where it was clearly stated that the
18 proposed acquisition anticipated “the creation of a regulated Pennsylvania wholly-owned
19 subsidiary of the MWC” that would later become Twin Lakes Utilities, Inc. This was
20 clearly reflected in the formation of Twin Lakes Utilities, Inc. on April 6, 2009
21 concomitant with the filing of its Articles of Incorporation with the Pennsylvania
22 Department of State Bureau of Corporations. It is further reflected in the November 3,

¹ Docket No. A-2008-2050092.

1 2009 Asset Purchase Agreement and November 9, 2009 Recorded Deed that clearly set
2 forth Twin Lakes Utilities, Inc. as the owner and titleholder of the assets acquired from
3 Twin Lakes Water Services, LLC. It is further reflected in the tariff Twin Lakes filed
4 with the Commission on November 16, 2009. It is further reflected in the April 4, 2011
5 and May 17, 2011 correspondence between Middlesex and the Commission where
6 Middlesex sought and received from the Commission a corrective acknowledgement that
7 Twin Lakes is the owner of the Twin Lakes system, not Middlesex. Twin Lakes'
8 ownership of the system and status as the jurisdictional utility in Pennsylvania has been
9 fully disclosed to, and acknowledged by, the Commission in three subsequent rate cases
10 in 2011, 2015 and 2019.

11 Q. HAS TWIN LAKES MORE RECENTLY POINTED OUT THIS ERRONEOUS
12 LABELING OF MIDDLESEX AS THE OWNER OF THE TWIN LAKES SYSTEM?

13 A. Yes. I am attaching as exhibits to this testimony Twin Lakes' July 1, 2020 responses to
14 the Set I Data Requests M-3 and M-18 issued by the Commission's Bureau of Technical
15 Utility Services in Docket No. M-2020-3020390, the predecessor to this current docket.
16 These responses are attached as Exhibits ABO-1 and ABO-2, respectively. These
17 discovery responses were incorporated by reference in the Twin Lakes Petition and
18 contain the documents that I just referenced in the answer immediately above. Many of
19 these documents are also provided as Appendices to the Twin Lakes Petition itself.

20 Q. DO YOU AGREE WITH MR. KELLER'S AND MR. SAKAYA'S FINDINGS WITH
21 RESPECT TO THEIR EVALUATION OF FINANCIAL AND TECHNICAL
22 CAPABILITIES UNDER SECTION 529(c)(1)?

1 A. No, I do not. Both Mr. Keller and Mr. Sakaya acknowledge that Twin Lakes' sole source of
2 financing and operational support has been Middlesex, but go on to conclude that Middlesex,
3 and not Twin Lakes, must be the entity evaluated under Section 529(c)(1). This analysis and
4 conclusion defy reality. Middlesex is not a jurisdictional utility in the Commonwealth of
5 Pennsylvania, as has been demonstrated numerous times to the parties throughout this
6 proceeding. Middlesex is not the owner of this system – Twin Lakes Utilities, Inc. is the
7 owner. Middlesex is not a financial institution and the Commonwealth of Pennsylvania
8 cannot compel Middlesex to lend money to, or make further equity investments in, Twin
9 Lakes, or to continue to provide the services it has provided to Twin Lakes under the Service
10 Agreement past that Agreement's expiration date. As such, Mr. Keller and Mr. Sakaya are
11 incorrect that an investigation of the financial and technical capability criteria under Section
12 529(c)(1) must center on an entity that is under no legal or regulatory obligation to provide
13 financial or operational support to Twin Lakes now or in the future.

14 As detailed in Mr. Fullagar's and my Direct Testimonies in this proceeding, absent the
15 financial and operational backing of Middlesex, Twin Lakes is at best one or two pipe leaks
16 away from complete operational and financial failure, and consequently complete and
17 indefinite disruption of service to the Twin Lakes customers. Middlesex has already ceased
18 financial support to Twin Lakes as of May 28, 2020, and Twin Lakes has been unable to
19 establish an independent credit relationship with a financial institution. Middlesex is under no
20 obligation to provide operational support to Twin Lakes following expiration of the Service
21 Agreement on January 1, 2021. The evidence is clear that Twin Lakes, as the sole small water
22 utility entity that should be measured under Section 529(a)(3) and (c)(1), does not have the

1 financial or technical capability to furnish and maintain adequate, efficient, safe and
2 reasonable service and facilities in the future.

3 Q. WITH RESPECT TO MANAGERIAL CAPABILITY, MR. KELLER AND MR.
4 SAKAYA NOTE THAT THE OFFICERS AND DIRECTORS OF TWIN LAKES ALSO
5 SERVE AS OFFICERS OR DIRECTORS OF MIDDLESEX AND POSSESS THE
6 MANAGERIAL EXPERTISE TO PROVIDE ADEQUATE, EFFICIENT, SAFE AND
7 REASONABLE SERVICE TO THE CUSTOMERS OF TWIN LAKES. DOES THIS
8 CHANGE YOUR ANSWER TO THE PREVIOUS QUESTION?

9 A. No, it does not. Mr. Keller and Mr. Sakaya conclude that the officers and directors of
10 Twin Lakes possess managerial expertise to provide safe and adequate service to Twin
11 Lakes and they single out Mr. Fullagar in particular as one whose experience and
12 capabilities are, as stated in their testimonies, “beyond reproach.” Those are very
13 complimentary things to say and Mr. Keller’s and Mr. Sakaya’s comments are
14 appreciated. Unfortunately, as discussed in both Mr. Fullagar’s and my Direct
15 Testimonies, the challenges facing Twin Lakes are far greater than the managerial
16 expertise of any one Officer, or group of Officers, no matter how experienced or talented,
17 absent the financial and operational support of Middlesex. Absent the financial backing
18 and operational support of Middlesex, Twin Lakes alone does not have the financial or
19 technical capability to operate the system in a manner that does not necessitate Section
20 529 relief. The managerial expertise of the Directors and Officers of Twin Lakes in no
21 way changes that reality.

1 Q. MR. KELLER STATES ON PAGE 19 OF HIS DIRECT TESTIMONY THAT NO
2 OTHER CAPABLE PUBLIC UTILITY “CAN BRING MORE TO THE TABLE”
3 THAN MIDDLESEX. DO YOU AGREE WITH MR. KELLER’S STATEMENT?

4 A. No, I do not. The most concerning aspect of this case has been I&E’s decision to ignore
5 the reality that Twin Lakes cannot continue to serve its customers in Sagamore Estates
6 because it does not have the financial capability to pay for the necessary improvements or
7 the managerial capability necessary to provide adequate, efficient, safe and reasonable
8 service to those customers. Even if, assuming for the sake of argument, Twin Lakes was
9 financially capable of providing adequate service going forward, a public utility has the
10 right under the regulatory compact to recover a return of, and a return on, its prudent
11 investments. The Commission has, however, made it obvious in its final Order in the
12 2019 Twin Lakes rate case that affordability of rates would be given supreme priority
13 over allowing Twin Lakes an opportunity to recover the investments needed, as such
14 need has been acknowledged by the Commission, to upgrade the Twin Lakes system, a
15 system that requires millions of dollars in upgrades. Assuming access to debt and equity
16 capital were even available to Twin Lakes, no responsible public utility can risk making
17 investments in a system where it clearly would not be allowed a reasonable opportunity
18 to recover its investment. Yet, by precluding this opportunity under the banner of
19 affordability of rates, the Commission has placed Twin Lakes in this precise position
20 where it cannot adequately meet its service obligations to its customers.

21 For Mr. Keller to state that no other utility can bring more to the table than
22 Middlesex – a foreign corporation not subject to Commission jurisdiction – is simply not
23 accurate. A Pennsylvania public utility such as Aqua Pennsylvania, Inc. (“Aqua”), has a

1 large Pennsylvania customer base over which Aqua can spread these costs with a
2 miniscule impact on any individual customer's bill, as roughly calculated by OCA
3 witness Morgan DeAngelo on pages 4 and 5 of her Direct Testimony. This is not a fact
4 any party in this proceeding has disputed. Aqua's ability to spread these costs over a
5 large Pennsylvania customer base also adequately addresses the Commission's strong
6 policy of ensuring the affordability of customer rates and high quality of service in a
7 manner Twin Lakes' continued ownership of the system cannot.

8 Q. DO YOU HAVE ANY ADDITIONAL OBSERVATIONS CONCERNING THE
9 DIRECT TESTIMONIES SPONSORED BY I&E AND THE OTHER PARTIES TO
10 THIS PROCEEDING?

11 A. Yes. None of the parties in this matter dispute that Twin Lakes has met the criteria set
12 forth in Section 529(a)(1), (2), (4), (5) and (6) warranting Commission approval of
13 Section 529 relief. All parties to this proceeding acknowledge the dire condition of the
14 Twin Lakes system and the related significant risks to its customers. They also
15 acknowledge Twin Lakes' longstanding efforts, with assistance from OCA, to find
16 solutions for the long-term benefit of Twin Lakes' customers. All parties acknowledge
17 that Aqua is more than capable of acquiring and operating the system in compliance with
18 applicable statutory and regulatory standards and in a manner that can protect the
19 affordability of service to, and the health and safety of, the Twin Lakes customers. I&E
20 stands alone as the only party opposing Twin Lakes' request for the granting of Section
21 529 relief. I&E's position ignores the reality that transferring ownership and operation of
22 the Twin Lakes system to a well-respected and eminently capable company who can
23 provide significantly greater service quality at lower rates is in the customers' best

1 interest and is the only plausible solution to ensure that these customers will receive safe
2 and adequate service going forward. I&E's position is based on a clearly incorrect
3 argument that Middlesex, and not Twin Lakes, is the jurisdictional public utility in
4 Pennsylvania and should therefore be required to continue to provide financial and
5 operational support to Twin Lakes in perpetuity. This position is unfounded and
6 ultimately to the detriment of Twin Lakes' customers.

7 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

8 A. Yes.

VERIFICATION

I, A. Bruce O'Connor, Vice President and Treasurer of Twin Lakes Utilities, Inc., hereby state that the facts set forth in the foregoing Rebuttal Testimony are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in blue ink, reading "A. Bruce O'Connor", written over a horizontal line.

A. Bruce O'Connor

Date: December 9, 2020

Exhibit ABO-1

**Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1**

**Notice of Termination of Service Agreement Between Middlesex Water Company and
Twin Lakes Utilities, Inc. at Docket No. M-2020-3020390**

M-3 Please identify the name of the entity the Commission approved to acquire the water system previously owned by Twin Lakes Water Services LLC at Docket Nos. A-2008-2050089 and A-2008-2050092.

Response: In response, a summary of the history Twin Lakes Utilities, Inc., inclusive of the answer to the above question, is as follows:

Twin Lakes Utilities, Inc. is a Pennsylvania corporation and is a wholly-owned subsidiary of Middlesex Water Company. Middlesex Water Company is a New Jersey corporation and the sole owner of Twin Lakes Utilities, Inc. Middlesex Water Company is not a Pennsylvania corporation; it is not incorporated in Pennsylvania and is therefore not approved to do business in the Commonwealth of Pennsylvania. Neither Middlesex Water Company nor Twin Lakes Utilities, Inc. have ever designated themselves as a “doing business as” (“d/b/a”) entity and reject any assertion that they have used such an acronym to describe their business operations in Pennsylvania.

On February 26, 2008, Middlesex Water Company filed with the Pennsylvania Public Utility Commission (the Commission) a Letter Application requesting a Certificate of Public Convenience for the purpose of acquiring the assets and to operate the water system of Twin Lakes Water Services, LLC. Enclosed in this Letter Application was an executed Letter of Intent for the Sale of Twin Lakes Water Services, LLC. Page 1 of the Letter Application stated as follows:

“At this time, MWC seeks to acquire the assets of the TLWC which provides service to 120 customers in the lake front community called Sagamore Estates, located in Shohola Township, Pike County, Pennsylvania. Further, the Company is seeking permission to operate water systems in Pennsylvania and is anticipating the creation of a regulated Pennsylvania wholly owned subsidiary of the MWC.” Id.

**Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1**

**Notice of Termination of Service Agreement Between Middlesex Water Company and
Twin Lakes Utilities, Inc. at Docket No. M-2020-3020390**

The Commission placed the February 26, 2008 Letter Application into the file for Docket Nos. A-2008-2050089 and A-2008-2050092, which subsequently became the dockets reviewing the request for the acquisition of the assets of Twin Lakes Water Services, LLC. A copy of the Letter Application is located on the Commission's website and is attached to the response to this interrogatory.

On May 20, 2008, a Joint Application was filed with the Commission by Middlesex Water Company and Twin Lakes Water Services, LLC (the previous owner of the Twin Lakes system) for Commission approval of the acquisition of the assets of Twin Lakes Water Services, LLC. This Joint Application was then docketed by the Commission as Docket Nos. A-2008-2050089 and A-2008-2050092.

On February 26, 2009, the Commission adopted an Order approving the Joint Application with the Order subsequently entered on March 2, 2009. This Order stated that upon receipt of a notice of closing, the Commission would issue a Certificate of Public Convenience authorizing Middlesex Water Company to begin to offer, render, furnish or supply water service to the public in the Sagamore Estates development. The Order further stated that upon receipt of a notice of closing, the Commission would issue a Certificate of Public Convenience evidencing abandonment of the system by Twin Lakes Water Services, LLC.

The Commission's Order adopted on February 26, 2009 further stated "That within 10 days of closing, Middlesex Water shall file, with the Commission, a tariff adopting the rules, rates and regulations contained in Twin Lakes' tariff, effective on the date of closing."

Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1

**Notice of Termination of Service Agreement Between Middlesex Water Company and
Twin Lakes Utilities, Inc. at Docket No. M-2020-3020390**

On April 6, 2009, Middlesex Water Company formed Twin Lakes Utilities, Inc., a Pennsylvania Corporation and a wholly-owned subsidiary of Middlesex Water Company by filing Articles of Incorporation with the Pennsylvania Department of State Corporation Bureau. As Middlesex Water Company is not a duly-authorized Pennsylvania corporation, the creation of this wholly-owned Pennsylvania subsidiary company was necessary to ensure that the assets of Twin Lakes Water System, LLC could be operated by an entity incorporated in the Commonwealth of Pennsylvania. Middlesex Water Company had previously informed the Commission of its intent to create this subsidiary company in its February 26, 2008 Letter Application to the Commission.

On November 3, 2009, Twin Lakes Utilities, Inc. entered into an “Asset Purchase Agreement For The Acquisition of the Assets of Twin Lakes Water Services, LLC By Twin Lakes Utilities, Inc.” A complete copy of this Agreement is attached to the response to Interrogatory M-18 in this Data Request Set. This Agreement provided for the acquisition of the assets of Twin Lakes Water Services, LLC, including the right to provide public water supply services in the Township of Shohola, Pike County, Pennsylvania. On November 9, 2009, a Recorded Deed was entered evidencing transfer of ownership of the assets of Twin Lakes Water Services, LLC to Twin Lakes Utilities, Inc. A copy of this Recorded Deed, Recorded Mortgage Satisfaction Piece and Title Insurance Policy are attached to the response to this interrogatory.

On November 16, 2009, Twin Lakes Utilities, Inc. filed with the Commission a letter advising the Commission that Twin Lakes Utilities, Inc. was adopting the tariff of Twin Lakes Water Services, LLC, that was then presently in effect, along with a copy of the new Twin Lakes Utilities, Inc. tariff effective November 3, 2009, the date of the sale of Twin Lakes Water Services, LLC.

**Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1**

**Notice of Termination of Service Agreement Between Middlesex Water Company and
Twin Lakes Utilities, Inc. at Docket No. M-2020-3020390**

Upon a search of the internal corporate records of Twin Lakes Utilities, Inc., I was unable to locate any correspondence to the Commission containing a notice of the closing. Similarly, I was unable to locate such correspondence in the public records contained in Commission's website.

Upon a search of the internal corporate records of Twin Lakes Utilities, Inc., I was unable to locate a physical Certificate of Public Convenience issued by the Commission for Twin Lakes Utilities, Inc. I was also unable to locate a Certificate of Public Convenience issued to Twin Lakes Utilities, Inc. on the Commission's website. Based on my search of the public records contained on the Commission's website of all Commission-issued Certificates of Public Convenience issued to private water companies, it appears that the last set of Certificates of Public Convenience for the Twin Lakes system were issued on May 4, 2006. The recipients of these Certificates were Twin Lakes Water Services, LLC (for the right to supply water) and Twin Lakes Water Company, the predecessor owner to Twin Lakes Water Services, LLC., (for the right to abandon water service).

On April 4, 2011, Middlesex Water Company issued a letter to the Pennsylvania Public Utility Commission stating that it had come to the Company's attention that the Commission had incorrectly indicated Middlesex Water Company as the purchaser of the assets of Twin Lakes Water Services, LLC. This letter requested the Commission to correct its records to reflect the proper name of the purchaser of the assets of the Twin Lakes system as Twin Lakes Utilities, Inc. In this letter, Middlesex Water Company restated much of the history described above in this response. A copy of this letter and the attachments is located in the public records of the Pennsylvania Public Utility Commission's website and is attached here. Nowhere in this correspondence did Twin Lakes Utilities, Inc. or Middlesex Water Company use the designation "d/b/a" to describe their business operations in Pennsylvania.

Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1

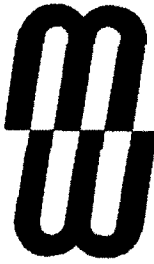
**Notice of Termination of Service Agreement Between Middlesex Water Company and
Twin Lakes Utilities, Inc. at Docket No. M-2020-3020390**

On May 17, 2011, the Commission responded to Middlesex's April 4, 2011 letter. In that letter, the Commission Secretary, noting the Twin Lakes Utilities, Inc. tariff filed on November 16, 2009, indicated that the Commission's records now "recognized Middlesex Water Company as Twin Lake Utilities, Inc." Id.

In three subsequent base rate cases before the Commission in 2011 (Docket No. R-2011-2246415), 2015 (Docket No. R-2015-2506337) and 2019 (Docket No. R-2019-3010958), Twin Lakes Utilities, Inc. has fully disclosed on the record its identity as the purchaser of the Twin Lakes system acquired from Twin Lakes Water Services, LLC and its corporate relationship to Middlesex Water Company, namely that Twin Lakes Utilities, Inc. is a Pennsylvania Corporation and wholly-owned subsidiary of Middlesex Water Company, a New Jersey Corporation.

Twin Lakes Utilities, Inc. has also fully disclosed in these rate cases its financial and operational management of the assets acquired from Twin Lakes Water Company, LLC including, but not limited to, the disclosure of Unsecured Revolving Promissory Notes between Middlesex Water Company as Lender and Twin Lakes Utilities, Inc. as Borrower and the Service Agreement Between Middlesex Water Company and Twin Lakes Utilities, Inc. Dated December 1, 2009. The Commission has issued Orders in all three rate cases approving Twin Lakes Utilities, Inc. tariffs as modified. In its Opinion and Order issued on March 26, 2020 in Twin Lakes' most recent rate case, the Commission explicitly recognized Twin Lakes Utilities, Inc. as "a public utility and jurisdictional water distribution company as those terms are defined in the Pennsylvania Public Utility Code (Code), 66 Pa. C.S. § 102." Id. at 4-5.

Based on the foregoing, Twin Lakes Utilities, Inc. has been and is recognized as, the owner and jurisdictional operator of the assets acquired from Twin Lakes Water Services, LLC.



MIDDLESEX
WATER COMPANY

1500 Ronson Road
P.O. Box 1500
Iselin, New Jersey 08830-0452

Tel. (732) 634-1500
Fax (732) 638-7515

NASDAQ Stock Market Symbol: MSEX
www.middlesexwater.com

February 26, 2008

James McNulty, Secretary
Pennsylvania Public Service Commission
PO Box 3265
Harrisburg, PA 17105-3265

Dear Mr. McNulty:

Enclosed please find a Letter of Intent for the sale of the Twin Lakes Water Services, L.L.C. that has been signed by the owner, Mr. Nicholas Bracco and an application for a Pennsylvania Subchapter G, Water Utility Proceeding, Section 3.501 Certificate of public Convenience as a water supplier.

Please let me know if there is anything further in order to proceed with this sale.

Thank you in advance for your assistance in this matter.

Very truly yours,

Richard M. Risoldi
Vice President-Subsidiary Operations

RMR:dw

Enclosure

CC: Stanley Brown

RECEIVED
2008 MAR -3 AM 8:42
PA.P.U.C.
SECRETARY'S BUREAU

Application for a Pennsylvania Subchapter G, Water Utility Proceeding, Section 3.501
Certificate of public convenience as a water supplier

I Purpose

The Middlesex Water Company at this time requests to obtain from the Pennsylvania Public Utility Commission (PUC) a Certificate of Public Convenience as a water supplier for the purpose of acquiring the assets of and the right to operate the Twin Lakes Water Company (TLWC) which provides retail water service to 120 customers in the lake front community called Sagamore Estates, located in Shohola Township, Pike County, Pennsylvania

II Background

The Middlesex Water Company (MWC), established in 1897 and headquartered in Iselin, New Jersey, provides regulated and unregulated water, wastewater and related services in New Jersey, Delaware and has just received permission to provide water and wastewater services in Maryland.

The New Jersey Utility (the Middlesex System) provides retail water services to 59,000 customers and water under contract to 7 municipalities in Central New Jersey. The Company's unregulated subsidiary USA-PA operates the water and wastewater assets of the City of Perth Amboy under a long term privatization contract. The Companies other New Jersey Subsidiaries, the Pinelands Water and Wastewater Companies provide water and wastewater service to Southampton Township in Southern New Jersey.

In Delaware, the Company's regulated subsidiary Tidewater Utilities provides retail water service to 30,000 customers in New Castle, Kent, and Sussex County Delaware. The Company's unregulated Delaware subsidiary White Marsh Environmental Services provides water and wastewater services throughout Delaware through 41 operations and maintenance contracts.

In all, the Company and its subsidiaries collectively serve more than 125,000 water and wastewater customers.

At this time the MWC seeks to acquire the assets of the TLWC which provides service to 120 customers in the lake front community called Sagamore Estates, located in Shohola Township, Pike County, Pennsylvania. Further, the Company is seeking permission to operate water systems in Pennsylvania and is anticipating the creation of a regulated Pennsylvania wholly owned subsidiary of the MWC.

The acquisition of the Company will be contingent upon the Public Utility Commissions (PUC) approval of the sale of the assets of the system by its current owner to the MWC and the PUC's approval of the Company's proposed Rate Base for the TLWC.

To this end, the MWC has prepared and is providing herein an application for a Pennsylvania Code Subchapter G Water Proceeding, Section 3.501 Certificate of public convenience as a water supplier.

(1) *Plant in Service*

(ii) Requirements for Utilities that have been providing service

(A) The Original cost by year and major plant category, of used and useful plant in service and related accrued depreciation calculations.

The latest available PUC report provided by the TLC was 2004. On page 15 of that Report, the Total Net Utility Plant is listed as having a value of \$13,186 with a yearly depreciation of \$2,446. An overall Depreciation rate calculation table was not provided in the Report. Carrying this forward, in 2007 the TLWC is worth, net of Capital Additions;

13,186	Net Utility Plant value in 2004
- 2,446	Depreciation amount for 2005
<u>- 2,446</u>	Depreciation amount for 2005
8,294	Net Utility Plant Value in 2007

Capital Additions after 2004 will be provided by the current owner Nick Braco

(B) A breakdown of the sources of funds used to finance the construction of the Facilities

The existing water production facilities have been constructed and are currently in service. The funds required to purchase the assets of the TLWC will be provided according to the Capital Structure of the Middlesex Water Company currently set up as 55 % Debt and 45% Equity.

(2) *Map of Service Area.* A map or plan of suitable scale highlighting the boundaries of the proposed service area, including;

- (i) A courses and distances or metes and bounds description
The TLWC does not have a metes and bounds survey of system
- (ii) The location or route of the proposed waterworks
The existing water infrastructure is outlined on the System Map Provided
- (iii) The approximate time schedule for the installation of the various component facilities.

The locations of the existing facilities are located on the System Map provided. There are no additional facilities planned at this time.

- (iv) The elevations of major facilities and service areas
A topographic map of the area is not owned by the Company
- (v) The DEP permitted productive or treatment capacity of sources or treatment facility and pipeline sizes and materials used for construction for all transmission and distribution facilities

PENDING

- (vi) A copy of the County comprehensive plan, municipal comprehensive plan and applicable zoning designations
We will obtain and provide copies of the materials if requested

(3) Customers

- (i) 120 existing connections all in the General Metered Service Class
Flow data for the past 10 years is not available but can be estimated at
120 customers x 200 gallons per day x 365 gallons per year = 8,760,000
gallons per year
- (ii) 120 retail customers only, no new planned expansions of the system. See (ii) above for number of gallons produced per year
- (iii) Analysis available upon request

(4) Rates

- (i) The attached Income Statement outlines our investment our anticipated requests for increases and our timetable for requesting rate increases. Since metering is a requirement, we proposed to operate the system for one year post metering as a flat fee and then after one years usage has been determined, request that the tariff be split to include a facilities charge and volumetric charge component.
- (ii) See (i) above

(5) Costs of Service

- (i) **See Rates (i) above**

- (ii) **The current owner Nick Braco will provide the two most recent Federal Income Tax Return**

(6) Proof of Compliance

- (i) Copy of Public Water Supply permit – PENDING
- (ii) Valid Certified operators certificates included
- (iii) 5 year compliance history with DEP – PENDING
- (iv) 5 year compliance history of other utilities owned or operated by the applicant, including affiliates

The Twin Lakes Water Company is the only Company that the Middlesex Water Company proposes to serve in Pennsylvania

(7) Additional Documentation

The Twin Lakes Water Company is an existing 120 unit system

(8) Affected Persons

The Twin Lakes Water Company is an existing 120 unit system

(9) Other Requirements

- (i) The Twin Lakes Water Company is an existing 120 unit system
- (ii) The Twin Lake water Company is an existing 120 unit system

(10) Verification

A metering proposal is attached

National Metering SERVICES, INC.

163 Schuyler Ave, PO Box 491
Kearny, NJ 07032
(201) 246-1115 Fax (201) 246-1831
Toll Free 1-888-448-0009

Proposal

Customer

Name	Middlesex Water Company		
Address	1500 Ronson Road		
City	Iselin	State	NJ ZIP
Phone			

Date	4-Jan-08
Order No.	
Rep	Castle
FOB	Twin Lakes

Qty	Description	Unit Price	TOTAL
120	Meter Installation services, project management, customer notices, data processing	\$ 225.00	\$ 27,000.00
120	3/4 K horn as manufactured by Ford Meter Box Company or equal	\$ 53.00	\$ 6,360.00
120	3/4 K horn ball valve as manufactured by Ford Meter Box Company I	\$ 38.00	\$ 4,560.00
240	Pac Joint assembly for horn installation (fits 1/2, 3/4 iron, copper, lead)	\$ 12.00	\$ 2,880.00
		SubTotal	\$ 40,800.00
		Shipping	
		TOTAL	\$ 40,800.00

<u>Credit Card Payments</u>	
Comments	
Name	
CC #	
Expires	



National Metering Services, Inc. Your full service meter contractor. Meter sales, service, meter system installation & turnkey packages available. Meter reading and billing services.
 ▶ Certified Meter Testing ▲ Wi-Fi ▲ Composite Lids ◀

Thank You

National Metering SERVICES, INC.

163 Schuyler Ave, PO Box 491
Kearny, NJ 07032
(201) 246-1115 Fax (201) 246-1831
Toll Free 1-888-448-0009

Proposal

Customer

Name Middlesex Water Company
Address 1500 Ronson Road
City Iselin State NJ ZIP
Phone

Date 24-Jan-08
Order No.
Rep Castle
FOB Twin Lakes

Qty	Description	Unit Price	TOTAL
120	Water Meters equipped w/ Badger Orion RF Unit size 5/8x3/4	\$ 192.00	\$ 23,040.00
1	Handheld data collection unit, with cables, charger and software 2 days on site customer training included	\$ 12,312.50	\$ 12,312.50
		SubTotal	\$ 35,352.50
		Shipping	
		TOTAL	\$ 35,352.50

Credit Card Payments

Comments
Name
CC #
Expires



National Metering Services, Inc. Your full service meter contractor. Meter sales, service, meter system installation & turnkey packages available. Meter reading and billing services.

► Certified Meter Testing ▲ Wi-Fi ▲ Composite Lids ◀

Thank You

Commonwealth of Pennsylvania

Department of Environmental Protection

*In accordance with the
State Board for Certification of Water and Wastewater Systems Operators
and the Regulations of the
Department of Environmental Protection*

ROBERT K FULLAGAR JR

*Is Hereby Authorized to Operate
WATER SYSTEM*

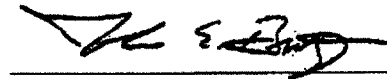
Class: A,E

Client ID: 193017

Subclass: 1,2,3,4,5,6,7,8,9,10,11,12,13,14

ROBERT K FULLAGAR JR
122 SPENCER RD
BASKING RIDGE NJ 07920

Issue Date Jul 01, 2005
Expiration Date Jun 30, 2008



Board Chairman

Certificate No. W8072

Commonwealth of Pennsylvania

Department of Environmental Protection

*In accordance with the
State Board for Certification of Water and Wastewater Systems Operators
and the Regulations of the
Department of Environmental Protection*

ROBERT K FULLAGAR JR

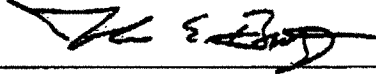
Is Hereby Authorized to Operate
WASTEWATER SYSTEM

Class: A,E
Subclass: 1,2,3,4

Client ID: 193017

ROBERT K FULLAGAR JR
122 SPENCER RD
BASKING RIDGE NJ 07920

Issue Date Jul 01, 2005
Expiration Date Jun 30, 2008



Board Chairman

Certificate No. T2043

Commonwealth of Pennsylvania
Department of State
Bureau of Professional and Occupational Affairs
PO Box 2649 Harrisburg PA 17105-2649

07 404241

License Type
Professional Engineer

License Status
Active

ROBERT K FULLAGAR
122 SPENCER RD
BASKING RIDGE NJ 07920

License Number

PE050207E

Initial License Date
12/05/1995

Expiration Date
09/30/2009

Basil L. Meola

Commissioner of Professional and Occupational Affairs

Signature



MIDDLESEX
WATER COMPANY

CC: DWD

1500 Ronson Road
P.O. Box 1500
Isellen, New Jersey 08830-0452

Tel. (732) 634-1500
Fax (732) 638-7515

NASDAQ Stock Market Symbol: MSEX
www.middlesexwater.com

February 4, 2008

Mr. Nicholas Braco
23 Sutton Road
Lebanon, NJ 08833

RE: Sale of Water Utility System
Owner: Twin Lakes Water Services, LLC

Dear Nick:

In connection with our recent discussions regarding the above, you indicated that the owner of the water utility in question (the "System") is Twin Lakes Water Services, LLC, a New Jersey limited liability company, of which you are the sole member. Middlesex Water Company ("Middlesex") is interested in purchasing the System under the following terms and conditions:

- A cash purchase price of \$35,000 which includes all assets and components of the System.
- Assignment of all past due receivables for the most recent billing cycle.
- Pending agreement by the Pennsylvania Department of Environmental Protection (DEP) and the Pennsylvania Public Utility Commission (PUC), Middlesex will provide owner, free of charge, land in and around the System's wells and tank as long as there is no intrusion upon the well protection radius required by the DEP, and further provided that there are no other legal or regulatory requirements preventing the transfer of land. Further, the transfer of land is contingent upon Middlesex not being prevented from having access to the well and tank site for the purposes of the operation and maintenance of the same.
- Owner will deliver the System to Middlesex free and clear of all liens. Owner has currently represented that there is an outstanding mortgage on the System with an amount of \$65,000 outstanding.
- The ultimate sale of the system is contingent upon Middlesex certifying that the System can meet current water pressure and volume requirements as set forth by the local fire districts.
- Owner has represented that there are no outstanding payments or payables due to the owner and that there are no violations pending or outstanding either at a state, local or federal level or with any federal or state regulatory agencies.
- Owner has further represented that there are no outstanding contracts of any type relating to the operation or in connection with the operation of the System.

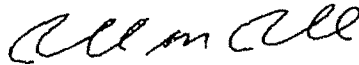
- Pending agreement by the PUC, Middlesex agrees to pay to the owner the cost of all non-used and useful capital additions provided the same are determined to be used and useful by the PUC and Middlesex bills and collects contributions in aid of construction from the developers who will utilize such capital additions.

Middlesex will pay the cash purchase price to the owner at the closing in this matter, subject to any adjustments. Upon receipt of a copy of this letter signed by you, Middlesex will instruct its counsel to draft a definitive agreement for submission to you and your counsel. It will contain among other things, covenants, representations and warranties that are customary in transactions of this type and a requirement that you indemnify Middlesex against loss resulting from misrepresentations or a breach of those covenants and warranties. In the absence of a definitive written agreement between us, fully executed by you and by Middlesex, neither of us will have any obligation to the other respecting the subject matter of our discussions. No oral representations, this letter or other writings evidencing intentions or written or oral offers or proposals shall be deemed to constitute legal obligations of either of us to the other, even though given or accepted in good faith, and neither of us shall be obligated to continue our discussions or negotiations or to enter into a definitive agreement.

You have further advised us that no finder or broker has induced you to enter into this transaction or had any communication with you about this transaction.

This letter of intent shall be void unless accepted by you by signing and returning a copy to us not later than thirty days from the date of this letter.

Very truly yours,



Richard M. Risoldi
Vice President – Subsidiary Operations

The forgoing letter is acceptable in principle to the undersigned.

Twin Lakes Water Services, LLC

By: Nicholas Braco
Nicholas Braco
Sole Member

Date: Feb 24, 2008

**NO SCANNED IMAGES ARE
AVAILABLE FOR OVERSIZED
MAPS OR PLANS**

**MAPS AND PLANS
MAY BE VIEWED IN THE
COMMISSION'S
FILE ROOM**



1500 Ronson Road
P.O. Box 1500
Iselin, New Jersey 08830-0452

Tel. (732) 634-1500
Fax (732) 750-5981

NASDAQ Stock Market Symbol: MSEX
www.middlesexwater.com

April 4, 2011

Secretary of the Pennsylvania Public Utilities Commission
Rosemary Chiavetta
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Middlesex Water Company - Name Change

Dear Ms. Chiavetta:

It has come to our attention that the records of the Pennsylvania Public Utilities Commission (the "Commission") indicate that the purchaser of the assets of Twin Lakes Water Services, LLC is Middlesex Water Company, a New Jersey regulated public utility. This is not correct, and in fact, our subsidiary, Twin Lakes Utilities, Inc., a Pennsylvania corporation, purchased those assets on or about November 3, 2009. Therefore, we are asking that you change your records to reflect the name of the purchaser of the assets of Twin Lakes Water Services, LLC as Twin Lakes Utilities, Inc.

The original joint application to the Commission for approval of the transfer of sale of these assets was made jointly by Middlesex Water Company and Twin Lakes Water Services, LLC. The Commission entered an Order dated March 2, 2009 approving such transfer, and I enclose a copy of that Order for your reference. Subsequently, Middlesex Water Company formed a wholly-owned subsidiary corporation in the Commonwealth of Pennsylvania by filing Articles of Incorporation with the Pennsylvania Department of State, Corporation Bureau, on April 6, 2009. A copy of those Articles of Incorporation forming Twin Lakes Utilities, Inc. are attached for your reference. The Pennsylvania corporation, Twin Lakes Utilities, Inc., entered into an Asset Purchase Agreement dated as of November 3, 2009 for the acquisition of certain assets of Twin Lakes Water Services, LLC, including the right of the Seller to provide public water supply services in the Township of Shohola, Pike County, Pennsylvania. A copy of the cover page of such Asset Purchase Agreement and the preliminary statement contained on page one are attached for your reference.

Subsequent to the completion of the asset purchase, Richard M. Risoldi, President of Twin Lakes Utilities, Inc. by letter dated November 16, 2009, advised the Secretary of the Commission that the purchaser, Twin Lakes Utilities, Inc., was adopting the Tariff of the seller, Twin Lakes Water Services, LLC by forwarding the Adoption Supplements. A copy of such communication is also attached for your reference.

RECEIVED
2011 APR -6 AM 9:43
PA. P.U.C.
SECRETARY'S BUREAU

In light of the above, we respectfully request that the records of the Commission be corrected to reflect the name change from Middlesex Water Company to Twin Lakes Utilities, Inc. as the purchaser of certain assets of the former entity providing public water service, namely, Twin Lakes Water Services, LLC.

If you have any questions regarding this matter, or if you require additional information, please do not hesitate to contact the undersigned.

Very truly yours,



Vice President, General Counsel,
Secretary & Treasurer

cc: Richard M. Risoldi
A Bruce O'Connor

Elaine McDonald
Pennsylvania Public Utilities Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RECEIVED
2011 APR -6 AM 9:43
P.A.P.U.C.
SECRETARY'S BUREAU

Entity #: 3873590
Date Filed: 04/06/2009
Pedro A. Cortés
Secretary of the Commonwealth

RECEIVED

2011 APR -6 AM 9:44

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Articles of Incorporation-For Profit
(15 Pa.C.S.)

- Business-stock (§ 1306)
- Business-nonstock (§ 2102)
- Business-statutory close (§ 2303)
- Cooperative (§ 7102)
- Management (§ 2703)
- Professional (§ 2903)
- Insurance (§ 3101)

Name: **CT-COUNTER**

Address: _____

City: _____ State: _____ Zip Code: _____

75313330FA

Document will be returned to the name and address you enter to the left.

Commonwealth of Pennsylvania
ARTICLES OF INCORPORATION 3 Page(s)



Fee: \$125

In compliance with the requirements of the applicable provisions (relating to corporations and unincorporated associations), the undersigned, desiring to incorporate a corporation for profit, hereby states that:

1. The name of the corporation (corporate designator required, i.e., "corporation", "incorporated", "limited" "company" or any abbreviation. "Professional corporation" or "P.C"):

Twin Lakes Utilities, Inc.

2. The (a) address of this corporation's current registered office in this Commonwealth (post office box, alone, is not acceptable) or (b) name of its commercial registered office provider and the county of venue is:

(a) Number and Street	City	State	Zip	County
(b) Name of Commercial Registered Office Provider				County
c/o: CT Corporation System				Lehigh

3. The corporation is incorporated under the provisions of the Business Corporation Law of 1988.

4. The aggregate number of shares authorized: 1,000

2009 APR -6 PM 3:49
PA. STATE

5. The name and address, including number and street, if any, of each incorporator (all incorporators must sign below):

Name	Address
Douglas R. Brown, Esq.	Norris, McLaughlin & Marcus, PA
	721 Route 202-206
	Bridgewater, New Jersey 08807

6. The specified effective date, if any: _____
month/day/year hour, if any

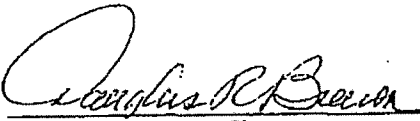
7. Additional provisions of the articles, if any, attach an 8 1/2 by 11 sheet.

8. *Statutory close corporation only:* Neither the corporation nor any shareholder shall make an offering of any of its shares of any class that would constitute a "public offering" within the meaning of the Securities Act of 1933 (15 U.S.C. 77a et seq.)

9. *Cooperative corporations only: Complete and strike out inapplicable term:*
The common bond of membership among its members/shareholders is: _____

IN TESTIMONY WHEREOF, the incorporator(s) has/have signed these Articles of Incorporation this

3rd day of April, 2009.



Signature

Signature

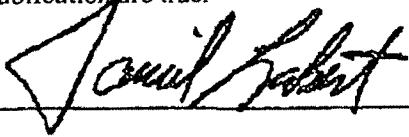
STATE OF PENNSYLVANIA
COUNTY OF LEHIGH

SS:

The undersigned, as the designated agent of the Bar Association of Lehigh County, the owner of **LEHIGH LAW JOURNAL**, being duly sworn according to law, says that the **LEHIGH LAW JOURNAL** is a legal periodical as defined by Act of Assembly, published at the City of Allentown, in said County, continuously since 1904; that the hereto attached notice (exactly as printed) was published in said Lehigh Law Journal, on Friday(s), the

24th day(s) of April 2009
and the day(s) of 2009;

that this deponent is not interested in the subject matter of the notice or advertisement; and that all of the allegations of the statement as to the time, place and character of publication are true.



Sworn and subscribed to before me the 24th day of April 2009.



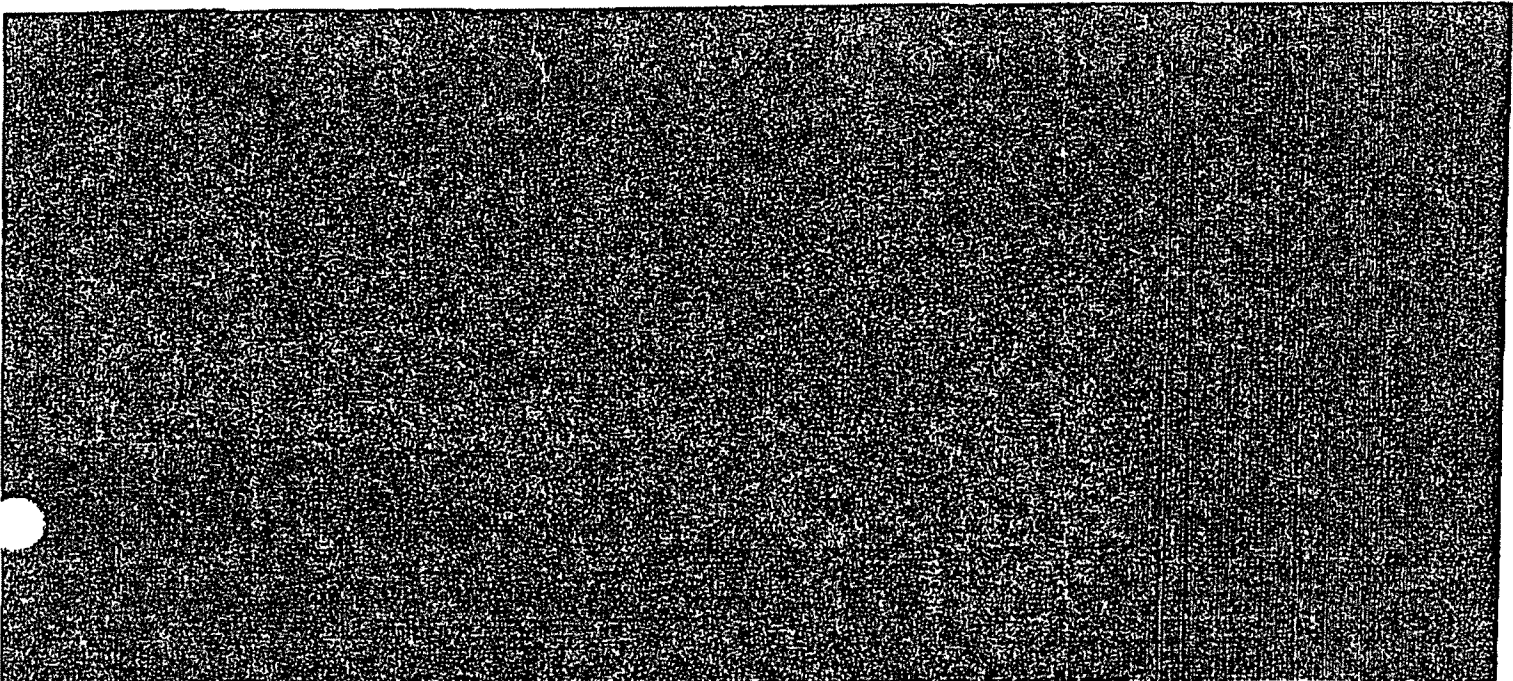
COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL
KATHLEEN A. CONRAD, Notary Public
City of Allentown, Lehigh County
My Commission Expires August 10, 2011

Notice is hereby given that Articles of Incorporation have been (are to be) filed with the Department of State of the Commonwealth of Pennsylvania at Harrisburg, Pennsylvania, for the purpose of obtaining a Certificate of Incorporation pursuant to the provisions of the Business Corporation Law of the Commonwealth of Pennsylvania, Act of December 21, 1988 (P.L. 1444, No. 177), by the following corporation:

The name of the corporation is:
TWIN LAKES UTILITIES, INC.

A-24



Proof of Publication Notice in The Morning Call

Under Act No. 587, Approved May 16, 1929, and its amendments

STATE OF PENNSYLVANIA }
COUNTY OF LEHIGH } SS:

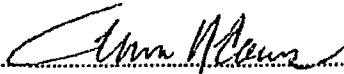
COPY OF NOTICE OR ADVERTISEMENT

Glenn Adams, Credit Manager of THE

MORNING CALL, INC., of the County and State aforesaid, being duly sworn, deposes and says that THE MORNING CALL is a newspaper of general circulation as defined by the aforesaid Act, whose place of business is 101 North Sixth Street, City of Allentown, County and State aforesaid, and that the said newspaper was established in 1888 since which date THE MORNING CALL has been regularly issued in said County, and that the printed notice or advertisement attached hereto is exactly the same as was printed and published in regular editions and issues of the said THE MORNING CALL on the following dates, viz.:

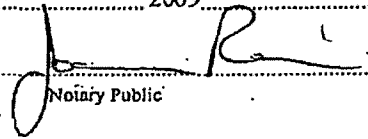
..... and the 22nd day of April 2009.....

Affiant further deposes that he is the designated agent duly authorized by THE MORNING CALL, INC., a corporation, publisher of said THE MORNING CALL, a newspaper of general circulation, to verify the foregoing statement under oath, and the affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statements as to time, place and character of publication are true.



Designated Agent, THE MORNING CALL, INC.

SWORN to and subscribed before me this 22nd day of April 2009.....



Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Joanne Reiss, Notary Public
City of Allentown, Lehigh County
My Commission Expires Nov. 22, 2011
Member, Pennsylvania Association of Notaries

NOTICE OF INCORPORATION
Notice is hereby given that Twin Lakes Utilities, Inc. has been organized under the provisions of the Business Corporation Law of 1988 and has filed articles of incorporation with the Pennsylvania Department of State.
#13765 — 4/22

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE MORNING CALL, INC., publisher of THE MORNING CALL, a newspaper of general circulation, hereby acknowledges receipt of the aforesaid notice and publication costs and certifies that the same have been duly paid.

THE MORNING CALL, INC. a Corporation,
Publishers of THE MORNING CALL
A Newspaper of General Circulation

By



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

CC: KJQ ABQ
DWD RFR, R
IN REPLY PLEASE
REFER TO OUR FILE

March 2, 2009

A-2008-2050092
A-2008-2050089

RECEIVED

APR 06 2011

MAR 04 2009

RICHARD M RISOLDI
MIDDLESEX WATER COMPANY
1500 RONSON ROAD
ISELIN NJ 08830

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

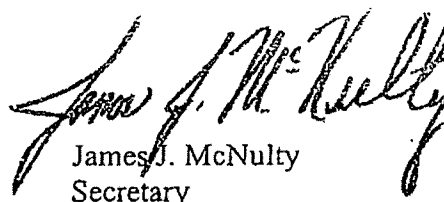
Joint application of Middlesex Water Company (Middlesex) and Twin Lakes Water Services, LLC (Twin Lakes) for approval of: 1) the transfer by sale of Twin Lakes to Middlesex; 2) the right of Middlesex to begin to offer, render, furnish and supply water service to the public in the development of Sagamore Estates, Shohola Township, Pike County; and 3) the abandonment of public water service by Twin Lakes.

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on February 26, 2009 adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

Encls
Cert. Mail
MH

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held February 26, 2009

Commissioners Present:

James H. Cawley, Chairman
Tyrone J. Christy, Vice Chairman
Robert F. Powelson
Kim Pizzingrilli
Wayne E. Gardner

Joint application of Middlesex Water Company (Middlesex) and Twin Lakes Water Services, LLC (Twin Lakes) for approval of: 1) the transfer by sale of Twin Lakes to Middlesex; 2) the right of Middlesex to begin to offer, render, furnish and supply water service to the public in the development of Sagamore Estates, Shohola Township, Pike County; and 3) the abandonment of public water service by Twin Lakes.

Docket Numbers:
A-2008-2050092
A-2008-2050089

ORDER

BY THE COMMISSION:

By the application filed on February 26, 2008, and perfected on May 20, 2008, the joint applicants, Middlesex Water Company (Middlesex), 1500 Ronson Road, Iselin, NJ 08830, and Twin Lakes Water Services, LLC (Twin Lakes) 23 Sutton Road, Lebanon, NJ 08833, pursuant to sections 1101 and 1102(a)(2) of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1101 and 1102(a)(2), seek Commission approval for the sale of the water system assets by Twin Lakes to Middlesex; the right of Middlesex to begin providing water service in the existing service territory of Twin Lakes; and the abandonment of water service by Twin Lakes in its certificated service territory

consisting of the development known as Sagamore Estates, in Shohola Township, Pike County, PA.

Proofs of service and publication to appropriate entities were submitted by Middlesex and a protest was filed by the Office of Consumer Advocate (OCA). Negotiations were held between the parties and after Middlesex filed a modification to the application, OCA filed a Statement of Satisfaction on October 14, 2008 indicating the causes for the protest had been satisfied.

The subject water system was initially certificated by the Commission as Deabel, Inc. in June 1979. Deabel was the owner/developer of a vacation or second home real estate development known as Sagamore Estates, located on Route #6, Shohola Township, Pike County. In August 1995, Deabel filed for Chapter 11 bankruptcy protection and sought court approval for the sale of the water system. In July 1996, the bankruptcy court authorized the transfer of the water system to Twin Lakes Water Company, subject to Commission approval.

After consideration of a protested application, in December 1996 the Commission approved the transfer of ownership from Deabel, Inc. to Twin Lakes Water Company (TLWC), a Pennsylvania Corporation owned by Susan Rogers. In 1998, the Commission directed TLWC to install water meters within two years. After several extensions of time and by the year 2005, the meters had not been installed. Susan Rogers indicated there was a persistent problem with system leaks and the revenues were being used to replace substantial portions of the distribution system.

On August 17, 2005, Nicholas P. Braco, Jr., the owner of Twin Lakes Water Services, LLC, a limited liability company organized in the State of New Jersey, filed an application with the Commission, seeking Commission approval to acquire the

assets and operational rights of Twin Lakes Water Company. Mr. Braco, a real estate developer, sought Commission approval to purchase the assets for a price well in excess of the actual value. When questioned regarding the disparity, Mr. Braco indicated that his financial status was sufficient to cover the purchase price and provide the funding necessary to make the needed upgrades to the system. When the Commission approved the transfer of ownership in May of 2006, a list of compliance issues was attached regarding the metering of the system; in short, water meters were to be installed within six months of closing. Since that time, Mr. Braco has provided a litany of excuses for not fulfilling the requirement.

The Twin Lakes system currently provides water service to approximately 120 residential customers in the lake front community of Sagamore Estates. The system consists of a 40,000 gallon holding tank and two wells. Two pump stations service both wells and the distribution system consists of approximately five miles of two inch service lines.

The Middlesex Water Company, established in 1897 and headquartered in Iselin, New Jersey, provides regulated and unregulated water, wastewater and related services in New Jersey, Delaware and Maryland. In New Jersey, the Middlesex system provides retail water service to approximately 59,000 customers and is under contract to seven (7) municipalities in central New Jersey. The company's unregulated subsidiary operates the water and wastewater assets of the City of Perth Amboy under a long term privatization contract. The company's other subsidiaries, the Pineland Water and Wastewater Companies provide water and wastewater service to Southampton Township in southern New Jersey.

In Delaware, the company's regulated subsidiary, Tidewater Utilities provides retail water service to 30,000 customers in New Castle, Kent and Sussex

Counties. The company's unregulated Delaware subsidiary, White Marsh Environmental Services, provides water and wastewater services throughout Delaware through 41 operations and maintenance contracts. Middlesex has just recently received permission to provide water and wastewater services in Maryland. In all, the company and its subsidiaries collectively serve more than 125,000 water and wastewater customers.

The purchase of the Twin Lakes system will be Middlesex's first Pennsylvania utility. A copy of the Agreement between Twin Lakes and Middlesex was provided with the application listing a purchase price of \$35,000.

As indicated earlier, OCA did file a protest to the application and has since indicated their satisfaction with the modifications to the application as agreed to by Middlesex. There were eight numbered items in the modification, submitted to the Commission on October 2, 2008. Several were specific to the uncompleted metering issue and the service rates. Those items were:

- "Middlesex Water Company (MWC) agrees to install water meters between 2 to 6 months of the date of closing.
- MWC will not file a rate increase request until (1) 6 months from date of closing; (2) after all the existing service connections as of the closing date are metered; and (3) the Commission has granted a waiver of any applicable requirements regarding the available usage data.
- MWC will propose to continue billing the Twin Lakes' customers monthly as part of its future rate filing.
- MWC will submit monthly meter installation reports to Fixed Utility Services and OCA after closing.

- MWC agrees to adopt the rules, rates and regulations contained in Twin Lakes' tariff."

Twin Lakes' current service rates were approved by the Commission in 1999. When Mr. Braco purchased the system in 2006, the service rates remained unchanged and no increase has been requested or approved since then. The service rates are flat rates of \$23.50 per month for full time residential customers and \$11.75 per month for seasonal residents.

Whenever a water/wastewater utility is directed to convert from flat rates to metered rates, the Commission has routinely required that meter readings be compiled for a specific period of time in order to determine the customers' usage patterns. The period of time for the readings is usually based on the utility's specific circumstances and there are no established requirements. In light of Middlesex's experience and prominence in the water industry, the Commission is of the opinion that Middlesex is well capable of determining the appropriate customer usage for this system, and therefore the Commission will not specify any particular requirement in this matter.

Twin Lakes has no unpaid fines or assessments due to the Commission.

The Department of Environmental Protection (DEP) has indicated the system is very aged, poorly maintained and cannot hold pressure in the distribution lines; the storage tank is very fragile. Between the months of September 2008 and January 2009, there have been many leaks and system breakdowns resulting in water outages and boil water advisories. In addition, DEP has emphasized that Mr. Braco, as the system owner, has not been cooperative in communicating or addressing the problems with the DEP field staff or the certified water operator whom he employs. DEP supports the proposed transfer.

Middlesex Water Company is a large, public water provider who has the managerial, technical and financial capabilities to safely and adequately operate the subject system and make the badly needed repairs and upgrades. The Commission finds that the granting of the joint application of Middlesex Water Company and Twin Lakes Water Services, LLC for approval of the transfer of ownership of the Twin Lakes water system assets is necessary or proper for the service, accommodation, convenience or safety of the public. Therefore, we find that the record provides substantial evidence of affirmative public benefit sufficient to warrant approval of the proposed transaction under *City of York v. Pennsylvania Public Utility Commission*, 295 A.2d 825 (Pa. 1972) and *Irwin A. Popowsky v. Pa. PUC*, 937 A.2d 1040 (Pa. 2007); **THEREFORE,**

IT IS ORDERED:

1. That the joint application, as modified, of Middlesex Water Company, and Twin Lakes Water Services, LLC, at Docket Nos. A-2008-2050089 and A-2008-2050092 is hereby approved.

2. That upon receipt of a notice of closing, a Certificate of Public Convenience shall be issued pursuant to section 1101 of the Public Utility Code, 66 Pa. C.S. § 1101, authorizing Middlesex Water Company to begin to offer, render, furnish, or supply water service to the public in the Sagamore Estates development, located in Shohola Township, Pike County.

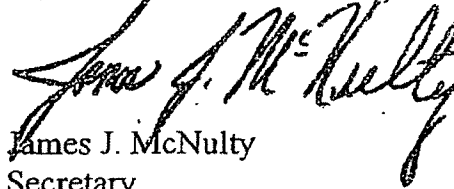
3. That upon receipt of a notice of closing, a Certificate of Public Convenience shall be issued pursuant to section 1102(a)(2) of the Public Utility Code, 66 Pa. C.S. § 1102(a)(2), evidencing Commission approval for the abandonment by Twin Lakes Water Services, LLC of all public water service.

4. That nothing herein shall be construed to exempt Middlesex Water Company from obtaining all other necessary permits, licenses and approvals from other state, federal and local governmental agencies.

5. That within ten days following the date of closing, Middlesex Water Company shall file, with the Commission, a tariff adopting the rules, rates and regulations contained in Twin Lakes' tariff, effective on the date of closing.

6. That a copy of this Order be served upon Middlesex Water Company, Twin Lakes Water Services, LLC, the Office of Trial Staff, the Office of Consumer Advocate, the Department of Environmental Protection – Northeast Regional Office and its Bureau of Regulatory Counsel and the Department of Revenue – Bureau of Corporate Taxes.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: February 26, 2009

ORDER ENTERED: MAR 02 2009

RECEIVED
2011 APR -6 AM 9:43
FA.P.U.C.
SECRETARY'S BUREAU

ASSET PURCHASE AGREEMENT

FOR THE ACQUISITION

OF

THE ASSETS OF TWIN LAKES WATER SERVICES LLC

BY

TWIN LAKES UTILITIES, INC.

Dated as of November 3, 2009

ASSET PURCHASE AGREEMENT

This AGREEMENT, dated as of this 3rd day of November, 2009, among Twin Lakes Water Services, LLC, a New Jersey limited liability company (the "Company"); Nicholas P. Braco, Jr. (the "Member"); and Twin Lakes Utilities, Inc. a Pennsylvania corporation (the "Purchaser").

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2011 APR - 6 AM 9:43
P.A.P.U.C.
SECRETARY'S OFFICE

Preliminary Statement

- A. The Company is engaged in the business of providing public water supply services in the Township of Shohola, Pike County, Pennsylvania, and owns certain real and personal property used in connection therewith.
- B. The Member owns one hundred percent (100%) of the outstanding membership interests of the Company.
- C. The Purchaser is a wholly owned subsidiary of Middlesex Water Company, a New Jersey corporation ("Middlesex").
- D. The Company desires to sell, and the Purchaser desires to purchase, certain assets and business of the Company, all on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the covenants, representations, warranties and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1. SALE AND PURCHASE OF COMPANY ASSETS

1.1. Company Assets to be Purchased. Subject to the terms and conditions hereinafter set forth, the Purchaser shall purchase from the Company, and the Company shall sell, assign, transfer, convey and deliver to the Purchaser, at the Closing (as hereinafter defined), (a) the real property known as Block No. 1, Lot 1, Account No./Control # 12-0-109553 in the Tax Map of the Township of Shohola, Pike County, Pennsylvania, consisting of approximately 1.15 acres (the "Property"); (b) (i) any and all privileges, tenements, hereditaments, rights of way, easements and appurtenances of the Property; (ii) any and all streets, ways, strips or gores of land adjoining the Property; (iii) any and all buildings, wells, improvements and fixtures on or attached to attached to the Property (the "Appurtenant Rights"); (c) all easements, rights of way, rights of use, licenses, privileges and other property rights related to the water distribution system owned by the Company (the "Other Rights"); (d) any and all equipment, water distribution lines, pump stations, pump house meters, and water meters (the "System Equipment"); (e) any and all governmental approvals and permits relating to the Property (the "Approvals"); (f) any and all rights, warranties, and guarantees relating to the Property or the System Equipment; (g) all accounts receivable as set forth on Schedule 1.1(b) (the "Purchased A/R"), free and clear of all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever (the "Encumbrances") (hereinafter collectively called the "Company Assets").

TWIN LAKES
UTILITIES, INC.

A Middlesex Water Company Affiliate

RECEIVED

APR 06 2011

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

November 16, 2009

Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
Mr. James J. McNulty, Secretary
PO Box 3265
Harrisburg, PA 17105-3265

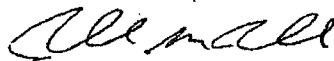
Re: **Notice of Adoption of the Twin Lakes Water Service Tariff by Twin Lakes Utility, Inc.**

Dear Secretary McNulty:

Attached please find an original and three (3) copies of the Pennsylvania Public Utility Commission Adoption Supplements notating the adoption of the PA P.U.C. No. 3 Tariff; the tariff that is presently in effect for Twin Lakes Water Services, LLC.

Should you have any questions, please feel free to call me.

Very truly yours,



Richard M. Risoldi
President

Enclosures

Pennsylvania Public Utility Commission Adoption Supplements

Twin Lakes Water Services, LLC (Seller) Tariff – Water - PA. P.U.C. No.3

Twin Lakes Utilities, Inc. (Buyer) Tariff – Water - PA. P.U.C. No.3

Twin Lakes, Inc, hereby adopts as its Tariff Water- Pa. P.U.C. No. 3 that tariff presently in effect for Twin Lakes Water Services, LLC designated as Tariff Water - Pa. P.U.C. No.3 and all Supplements thereto.

Twin Lakes Utilities, Inc.

By: *William*
(Name of Officer)
President
(Title)

Twin Lakes Water Services, LLC hereby withdraws its Tariff - Water - Pa. P.U.C. No. 3 and all Supplements thereto.

Twin Lakes Water Services, LLC

By: _____
(Name of Officer)

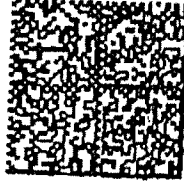
(Title)

ISSUED: November 3, 2009

EFFECTIVE: November 3, 2009



MIDDLESEX
WATER COMPANY
P.O. Box 1500
Iselin, NJ 08830-0452



US POSTAGE
\$ 00.78



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Secretary of the Pennsylvania Public Utilities
Commission
Rosemary Chiavetta
P.O. Box 3265
Harrisburg, PA 17105-3265

cc: RMA & ABO

Norris McLaughlin & Marcus, P.A.

ATTORNEYS AT LAW



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Bridgewater, NJ 08807

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Suite 300, 1611 Pond Road
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F: (610) 391-1805

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BY FEDERAL EXPRESS
Kenneth J. Quinn, Esq.
Middlesex Water Company
1500 Ronson Road
Iselin, New Jersey 08830-0452

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Richard J. Schachter*
J. Anthony Manger
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Victor S. Elgort
Kenneth D. Meskin
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M. Karen Thompson*
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Robert Mahoney
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John N. Vanarthos
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Dean M. Roberts
Frank T. Araps
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Bryan Blaney
Kathleen Cavanaugh

Jeanne Hamburg*
Jerry S. D'Aniello**
Jeralyn L. Lawrence**
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Annamarie Simone
David S. Blatteis
Haekyoung Suh
Fernando M. Pinguelo
Jeremy I. Silberman
Padraig P. Flanagan
Charles A. Bruder
Karol S. Robinson*
Christopher Stevenson

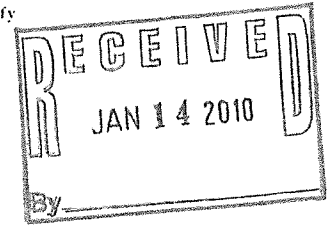
Christina Boulougouris*
Mia D. Falls*
Rachel A. Wingertler
Robert L. Schmidt
April Scott McCann
John A. Jakub
Kerry J. Roach
Christopher S. Casieri
Jeffrey M. Casaletto
Stefanie R. McNamara
Mark D. Marin
Brian C. Anscorb
Oren M. Chaplin
Michael T. Reilly*
Karen Bekker*
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Kerry A. Duffy

Keith D. McDonald
Melissa A. Pena
William J. Beneduce
Jesse P. Nash
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Joseph M. Freda
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Erin T. Welsh
Andrew D. Linden
Andrew K. Taylor
Christopher G. Elko

Of Counsel:
Jill Lebowitz
Serle I. Mossloff*
Melinda Fellner Bramwit
Michele S. Marcus
Kenneth M. Kaplan

Certified By The
Supreme Court of
New Jersey as a
*Civil Trial Attorney
**Matrimonial Law
Attorney
1 NY Bar Only
2 MD Bar Only
3 PA Bar Only

January 13, 2010



RE: Twin Lakes Utilities, Inc. - Acquisition of Assets of Twin Lakes Water Services, LLC

Dear Ken:

I enclose herewith for the Company's records originals of the following closing documents:

1. Recorded Deed;
2. Recorded Mortgage Satisfaction Piece; and
3. Title Insurance Policy.

Very truly yours,

NORRIS McLAUGHLIN & MARCUS, PA

Douglas R. Brown

DRB/lls
Enclosures

File No. BT-56730

Parcel ID No. 12-0-109553

This Indenture, made the 3rd day of November, 2009,

Between

**TWIN LAKES WATER SERVICES, LLC, A NEW JERSEY LIMITED
LIABILITY COMPANY**

(hereinafter called the Grantor), of the one part, and

TWIN LAKES UTILITIES, INC., A PENNSYLVANIA CORPORATION

(hereinafter called the Grantee), of the other part,

Witnesseth, that the said Grantor for and in consideration of the sum of **thirty-five thousand and 00/100 Dollars (\$35,000.00)** lawful money of the United States of America, unto it well and truly paid by the said Grantee, at or before the sealing and delivery hereof, the receipt whereof is hereby acknowledged, has granted, bargained and sold, released and confirmed, and by these presents does grant, bargain and sell, release and confirm unto the said Grantee

ALL THAT CERTAIN lot, parcel and piece of land, situate in the Township of Shohola, County of Pike and State of Pennsylvania, more particularly described as follows, to wit:

BEGINNING at a point in the center of Sagamore Road, said point being the extension of the Easterly line of Lot 1 Block 1; thence (1) leaving said road and along the Easterly said line of Lot 1 Block 1 revised, State 1, as shown and laid out on a map entitled "Plan of Lots, Sagamore Estates, State 1 revised, Block 1, Block 2 and Block 3, Shohola Township, Pike County, Penna.", Scale 1"=100 feet, filed December 1967, in Plat Book 6, at page 120 and again filed in Plat Book 6, at page 196, North 17 degrees 16 minutes, East 148.99 feet to a point, said point being the Northeasterly corner of said Lot 1; thence (2) North 24 degrees, 04 minutes, East 150 feet more or less to an iron pipe; thence (3) South 62 degrees, 11 minutes, East 320 feet more or less to a point where the Northerly line of Tee Pee Drive intersects the Northerly line of the whole tract of which this is a part; thence (4) in a Southwesterly direction 20 feet more or less to a point at the center of Tee Pee Drive; thence (5) in a Westerly direction along the center of said Tee Pee Drive the various courses to a point at the center line intersection of said Tee Pee Drive with Sagamore Road; thence (6) along the center of said Sagamore Road, North 70 degrees, 22 minutes, West 145.00 feet to the point and place of beginning.

TOGETHER with a water distribution system including, but not limited to those facilities, lines, pipes, conduits, valves and accessories shown, detailed and laid out on a map or drawing incorporated herein by referenced, prepared and made by Edward C. Hess Associates, Inc., Consulting Engineers and Surveyors, Stroudsburg, PA, dated

August 27, 1976, Scale 1"=200 feet. Said map or drawing embraces the several maps filed in the Office of the Recorder of Deeds, including Section 1, Section 2 and the several Stage maps heretofore filed by Sagamore Estates, Inc. and Deabel Inc., and is embraced or contained within the boundaries of the tax assessment maps of the Township of Shohola, County of Pike, more particularly, Map #78.02 and Map #78.04.

TOGETHER with the right, privilege and authority to construct, reconstruct, operate and maintain aerial and/or underground lines, equipment and appurtenant facilities as said Grantee may deem necessary and proper for the operation of water transmission and distribution systems and communication systems or utility services which the Grantee may be authorized to provide now or in the future, upon, over, across, under and along the private roads, streets or highways, including the service extensions of these lines to individual lots as may be from time to time necessary, including the right of ingress and egress to and from the said lines and service extensions at all times for any of the aforesaid purposes; and also the right to trim or cut trees and other obstructions within ten feet from either side of said water, electric or communication lines which in the judgment of the Grantee may at anytime interfere with the construction, reconstruction, maintenance or operation of the said water, electric or communication lines or menace the same and in connection therewith the right to remove, if necessary, the root systems of said trees, brush or other undergrowth and to treat said brush or undergrowth with non-toxic chemicals for their removal and/or control.

TOGETHER with and including nonetheless, the right and privilege of laying under, over and along the public or private passageways or roadways as set forth on the aforesaid maps or lots, at any time, pipes, drainage pipes, conduits, sewers, electric lines, telephone and gas lines; with further right and privilege to trim and cut any trees that may overhand on said private passageways or roadways and interfere with or menace with aforesaid lines without obtaining permission.

TOGETHER with unto the Grantee, its successors and assigns, in common, however, with the Grantor, its successors and assigns, the right of ingress, egress and regress in, over and upon and through any and all of the private roadways situate upon the premises of the Grantor. Also, together with unto the Grantee, its successors and assigns, in common with the Grantor, its successors and assigns, the right to use the private roadways as shown on recorded Plats hereinbefore referred to, contained within that subdivision commonly known as Sagamore Estate, Pike County, together with such other rights-of-way over other lands of the Grantor, its successors and assigns, as the Grantor, its successors and assigns, may designate from time to time for the purpose of ingress, egress and regress to and from Legislative Route 51008 or United States Route #6. The granting of this right by the Grantor to the Grantees does not constituted a dedication of such private roadways to the public.

THE Grantee shall be under no duty or obligation of any kind whatsoever to join Sagamore Estates Maintenance, Inc., or any other community or property owner association and shall be under no duty or obligation to pay or contribute to any maintenance fees, assessments, dues or fees of any kind or nature whatsoever for the upkeep, maintenance or capital improvement to any road, way, lane, drive, street or access nor any amenity within Sagamore Estates and the Grantor specifically exempts or

is not responsible for the payment of any association, maintenance or other assessments, dues and fees to the Sagamore Estates Inc. or Sagamore Estates Property Owners Association.

TOGETHER with all and singular the land, improvements, ways, waters, watercourses, rights, liberties, privileges, hereditaments and appurtenances whatsoever thereunto belonging or in anywise appertaining, and the reversions and remainders, rents, issues and profits thereof; and all the estate, right, title interest, property, claim and demand whatsoever of the said original Grantor, in law, equity or otherwise howsoever, in and the same and every part thereof.

THE premises herein described, the roads, ways, lanes, streets and accesses are contained within the lands described in a certain deed dated March 2, 1965, between Camp Sagamore Inc. and Sagamore Estates, Inc. Corporations, Grantors, unto Deabel, Inc., Grantee, recorded in the Office of the Prothonotary for the County of Pike in Deed Book 191 page 299.

CERTAIN water lines extend through and beneath lots within Sate 1 revised, Blocks 1, 2 and 3 and particularly extending through and beneath Lot 8 and Lot 11 in Block 2, Stage 1, together with a structure, an original well housing facility servicing Sagamore Estates wherein the Grantor herein has rights by way of easement and proprietary interest. The Grantor's rights above enumerated, together with the right to enter, construct, reconstruct said facilities are hereby granted and conveyed to the Grantee named herein, its successors and assigns,

BEING THE SAME PREMISES which TWIN LAKES WATER COMPANY, INC., a Pennsylvania Corporation by Indenture bearing the date of June 30, 2006 and recorded in the Office of the Recorder of Deeds, in and for the County of Pike, COMMONWEALTH OF PENNSYLVANIA on November 1, 2006 in Book 2202 Page 1839 granted and conveyed unto TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, in fee.

Together with all and singular the buildings and improvements, ways, streets, alleys, driveways, passages, waters, water-courses, rights, liberties, privileges, hereditaments and appurtenances, whatsoever unto the hereby granted premises belonging, or in anywise appertaining, and the reversions and remainders, rents, issues, and profits thereof; and all the estate, right, title, interest, property, claim and demand whatsoever of it, the said grantor, as well at law as in equity, of, in and to the same.

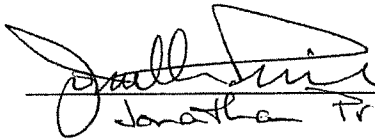
To have and to hold the said lot or piece of ground described above, with the buildings and improvements thereon erected, hereditaments and premises hereby granted, or mentioned and intended so to be, with the appurtenances, unto the said Grantee, its successors and assigns, to and for the only proper use and behoof of the said Grantee, its successors and assigns, forever.

And the said Grantor, for itself and its successors, does, by these presents, covenant, grant and agree, to and with the said Grantee, its successors and assigns, that it, the said Grantor, and its successors and assigns, all and singular the hereditaments and premises herein described and granted, or mentioned and intended so to be, with the appurtenances, unto the said Grantee, its successors and assigns, against it, the said Grantor, and its successors and assigns, and against all and every other person and persons whosoever lawfully claiming or to claim the same or any part thereof, by, from or under him, her, it, or any of them, shall and will

Warrant and Foreber Defend.

In Witness Whereof, the party of the first part has caused these presents to be property signed. Dated the day and year first above written.

Sealed and Delivered
IN THE PRESENCE OF US:


Jonathan Prince

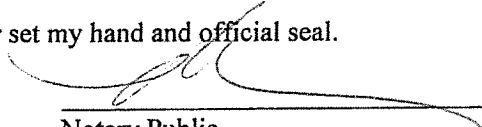
TWIN LAKES WATER SERVICES, LLC, A NEW JERSEY LIMITED LIABILITY COMPANY

By:  (SEAL)
NICHOLAS P. BRACO, JR., MANAGING MEMBER

STATE OF NEW JERSEY } ss
COUNTY OF SOMERSET

AND NOW, this 3rd day of November, 2009, before me, the undersigned Notary Public, appeared NICHOLAS P. GRACO, JR., who acknowledged himself/herself to be the MANAGING MEMBER of **TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company**, and he/she, as such Managing Member being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Limited Liability Company by himself/herself as Managing Member.

IN WITNESS WHEREOF, I hereunder set my hand and official seal.



Notary Public
My commission expires _____

Marci LaDage
Notary Public
My Commission
Expires on 4/23/2010
State of New Jersey

Instrument Book Page
200900011541 OR 2323 1566

The address of the above-named Grantee is:
C/O MIDDLESEX WATER COMPANY
1500 RONSON ROAD
P.O. BOX 1500
ISELIN, NEW JERSEY 08850



On behalf of the Grantee
Richard M. Risoldi, President

File No. **BT-56730**

Record and return to:
Brokers Abstract and Search Company
245 Jacksonville Road
Ivyland, Pa 18974

200900011541
Filed for Record in
PIKE COUNTY, PA
SHARON SCHROEDER
11-09-2009 At 01:53 pm.
DEED 745.50
OR Book 2323 Page 1562 - 1566

200900011541
Exempt Status - N
STATE RE \$ 350.00
LOCAL RE \$ 350.00
\$ 175.00 SHDHOLA TWP
\$ 175.00 DELAWARE VALLEY SCHOOL DISTRICT

I hereby CERTIFY that this document is
recorded in the Recorder's Office of
Pike County, Pennsylvania.



Sharon Schroeder
Sharon Schroeder,
Recorder of Deeds

File No. BT-56730

Instrument 200900011542 Book Page OR 2323 1567

Mortgage Satisfaction Piece

KNOW ALL MEN BY THESE PRESENTS that SUSAN ROGERS does hereby certify to have received payment of the full amount due on the Mortgage secured upon the premises, SITUATE at 21-0-078.02-02-11.001, Pike County.

MORTGAGOR: TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company

MORTGAGEE: SUSAN ROGERS

MORTGAGE DATED: 06/30/2006

AMOUNT \$75,000.00

RECORDED 11/01/2006 IN MORTGAGE BOOK 2202 PAGE 1846. Township of Shohola

This Mortgage has not been assigned, except as follows, N/A and that upon the recordation of this Indenture the said Mortgage shall be and is hereby forever discharged.

Mortgaged Premises:

21-0-078.02-02-11.001,

Shohola Township

IN WITNESS WHEREOF, the said Mortgagee has hereunto set (his/her/its) hand and seal. Dated the 17 day of Sept, 2009.

Susan Rogers

SUSAN ROGERS

2308 River Rd, Ft. Pleasant NJ 08742

ADDRESS OF MORTGAGEE OR ASSIGNEE

State of NEW JERSEY
County of Ocean

AND NOW, this 17 day of Sept, 2009, before me, the undersigned Notary Public appeared the above named Susan Rogers and acknowledged the above release to be her act and deed, and desired the same to be recorded as such.

IN WITNESS WHEREOF, I hereunder set my hand and official seal.

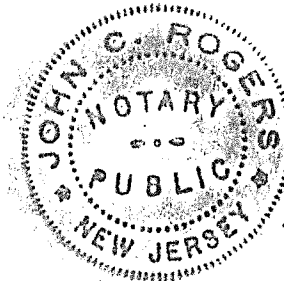
My Commission Expires: 1/30/2014

JCR
NOTARY PUBLIC

After recording return to:
Brokers Abstract and Search Company
245 Jacksonville Road
Ivyland, PA 18974

Return to:
BROKERS ABSTRACT & SEARCH CO. INC
245 JACKSONVILLE ROAD
IVYLAND, PA 18974
215-674-8600

JOHN C ROGERS
NOTARY PUBLIC / NEW JERSEY
COMMISSION EXPIRES 1/30/2014



Instrument Book Page
200900011542 DR 2323 1568

200900011542
Filed for Record in
PIKE COUNTY, PA
SHARON SCHROEDER
11-09-2009 At 01:53 PM.
SATISFACT 33.50
DR Book 2323 Page 1567 - 1568

**I hereby CERTIFY that this document is
recorded in the Recorder's Office of
Pike County, Pennsylvania.**



Sharon Schroeder
**Sharon Schroeder,
Recorder of Deeds**

Form No. 1402.06
ALTA Owner's Policy (6-17-06)
1100302P120600
(As Modified by TIRBOP)



N^o106258733 PAO

OWNER'S POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police

power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.

7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this policy, but only to the extent provided in the Conditions.

First American Title Insurance Company

Curt B. Johnson

Christy G. King

Robert J. Williams



*First American
Title Insurance Company*

Name and Address of Title Insurance Company: **First American Title Insurance Company, 1 First American Way,
Santa Ana, CA 92707**

SCHEDULE A

File No. **BT-56730**

Policy No. **106258733**

Amount of Insurance: **\$35,000.00**

Date of Policy: **November 9, 2009 at 1:53 pm**

1. Name of Insured:

TWIN LAKES UTILITIES, INC.

2. The estate or interest in the Land that is covered by this policy is:

FEE SIMPLE

3. Title is vested in:

TWIN LAKES UTILITIES, INC. by virtue of a deed from TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, dated November 3, 2009, and recorded November 9, 2009 at 1:53 pm in the Office of the Recorder of Deeds for the County of Pike, in Book 2323, at Page 1562.

4. The Land referred to in this policy is described as follows:

For informational purposes only:

**21-0-078.02-02-11.001,
Shohola Township
County of Pike**

SEE CONTINUATION OF SCHEDULE A FOR LEGAL DESCRIPTION



*First American
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**OWNER'S POLICY
SCHEDULE A**
(continued)

LEGAL DESCRIPTION

ALL THAT CERTAIN lot, parcel and piece of land, situate in the Township of Shohola, County of Pike and State of Pennsylvania, more particularly described as follows, to wit:

BEGINNING at a point in the center of Sagamore Road, said point being the extension of the Easterly line of Lot 1 Block 1; thence (1) leaving said road and along the Easterly said line of Lot 1 Block 1 revised, State 1, as shown and laid out on a map entitled "Plan of Lots, Sagamore Estates, State 1 revised, Block 1, Block 2 and Block 3, Shohola Township, Pike County, Penna.", Scale 1"=100 feet, filed December 1967, in Plat Book 6, at page 120 and again filed in Plat Book 6, at page 196, North 17 degrees 16 minutes, East 148.99 feet to a point, said point being the Northeastly corner of said Lot 1; thence (2) North 24 degrees, 04 minutes, East 150 feet more or less to an iron pipe; thence (3) South 62 degrees, 11 minutes, East 320 feet more or less to a point where the Northerly line of Tee Pee Drive intersects the Northerly line of the whole tract of which this is a part; thence (4) in a Southwesterly direction 20 feet more or less to a point at the center of Tee Pee Drive; thence (5) in a Westerly direction along the center of said Tee Pee Drive the various courses to a point at the center line intersection of said Tee Pee Drive with Sagamore Road; thence (6) along the center of said Sagamore Road, North 70 degrees, 22 minutes, West 145.00 feet to the point and place of beginning.

TOGETHER with a water distribution system including, but not limited to those facilities, lines, pipes, conduits, valves and accessories shown, detailed and laid out on a map or drawing incorporated herein by referenced, prepared and made by Edward C. Hess Associates, Inc., Consulting Engineers and Surveyors, Stroudsburg, PA, dated August 27, 1976, Scale 1"=200 feet. Said map or drawing embraces the several maps filed in the Office of the Recorder of Deeds, including Section 1, Section 2 and the several Stage maps heretofore filed by Sagamore Estates, Inc. and Deabel Inc., and is embraced or contained within the boundaries of the tax assessment maps of the Township of Shohola, County of Pike, more particularly, Map #78.02 and Map #78.04.

TOGETHER with the right, privilege and authority to construct, reconstruct, operate and maintain aerial and/or underground lines, equipment and appurtenant facilities as said Grantee may deem necessary and proper for the operation of water transmission and distribution systems and communication systems or utility services which the Grantee may be authorized to provide now or in the future, upon, over, across, under and along the private roads, streets or highways, including the service extensions of these lines to individual lots as may be from time to time necessary, including the right of ingress and egress to and from the said lines and service extensions at all times for any of the aforesaid purposes; and also the right to trim or cut trees and other obstructions within ten feet from either side of said water, electric or communication lines which in the judgment of the Grantee may at anytime interfere with the construction, reconstruction, maintenance or operation of the said water, electric or communication lines or menace the same and in connection therewith the right to remove, if necessary, the root systems of said trees, brush or other undergrowth and to treat said brush or undergrowth with non-toxic chemicals for their removal and/or control.



*First American
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**OWNER'S POLICY
SCHEDULE A
(continued)**

TOGETHER with and including nonetheless, the right and privilege of laying under, over and along the public or private passageways or roadways as set forth on the aforesaid maps or lots, at any time, pipes, drainage pipes, conduits, sewers, electric lines, telephone and gas lines; with further right and privilege to trim and cut any trees that may overhand on said private passageways or roadways and interfere with or menace with aforesaid lines without obtaining permission.

TOGETHER with unto the Grantee, its successors and assigns, in common, however, with the Grantor, its successors and assigns, the right of ingress, egress and regress in, over and upon and through any and all of the private roadways situate upon the premises of the Grantor. Also, together with unto the Grantee, its successors and assigns, in common with the Grantor, its successors and assigns, the right to use the private roadways as shown on recorded Plats hereinbefore referred to, contained within that subdivision commonly known as Sagamore Estate, Pike County, together with such other rights-of-way over other lands of the Grantor, its successors and assigns, as the Grantor, its successors and assigns, may designate from time to time for the purpose of ingress, egress and regress to and from Legislative Route 51008 or United States Route #6. The granting of this right by the Grantor to the Grantees does not constitute a dedication of such private roadways to the public.

THE Grantee shall be under no duty or obligation of any kind whatsoever to join Sagamore Estates Maintenance, Inc., or any other community or property owner association and shall be under no duty or obligation to pay or contribute to any maintenance fees, assessments, dues or fees of any kind or nature whatsoever for the upkeep, maintenance or capital improvement to any road, way, lane, drive, street or access nor any amenity within Sagamore Estates and the Grantor specifically exempts the parcel of land conveyed herein from the date of this instrument to the end of the world.

TOGETHER with all and singular the land, improvements, ways, waters, watercourses, rights, liberties, privileges, hereditaments and appurtenances whatsoever thereunto belonging or in anywise appertaining, and the reversions and remainders, rents, issues and profits thereof, and all the estate, right, title interest, property, claim and demand whatsoever of the said original Grantor, in law, equity or otherwise howsoever, in and the same and every part thereof.

THE premises herein described, the roads, ways, lanes, streets and accesses are contained within the lands described in a certain deed dated March 2, 1965, between Camp Sagamore Inc. and Sagamore Estates, Inc. Corporations, Grantors, unto Deabel, Inc., Grantee, recorded in the Office of the Prothonotary for the County of Pike in Deed Book 191 page 299.

CERTAIN water lines extend through and beneath lots within Sate 1 revised, Blocks 1, 2 and 3 and particularly extending through and beneath Lot 8 and Lot 11 in Block 2, Stage 1, together with a structure, an original well housing facility servicing Sagamore Estates wherein the Grantor herein has rights by way of easement and proprietary interest. The Grantor's rights above enumerated, together with the right to enter, construct, reconstruct said facilities are hereby granted and conveyed to the Grantee named herein, its successors and assigns,

BEING THE SAME PREMISES which TWIN LAKES WATER COMPANY, INC., a Pennsylvania Corporation by Indenture bearing the date of June 30, 2006 and recorded in the Office of the



*First American
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**OWNER'S POLICY
SCHEDULE A**
(continued)

Recorder of Deeds, in and for the County of Pike, COMMONWEALTH OF PENNSYLVANIA on November 1, 2006 in Book 2202 Page 1839 granted and conveyed unto TWIN LAKES WATER SERVICES, LLC, a New Jersey Limited Liability Company, in fee.



*First American
Title Insurance Company*

File No. **BT-56730**

Policy No. **106258733**

**SCHEDULE B
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage and the Company will not pay costs, attorneys' fees or expenses that arise by reason of:

1. Any variation in location of lines or dimensions or other matters which an accurate survey would disclose.
2. Easements, or claims of easements, not shown by the Public Records.
3. Rights or claims of parties in possession or under the terms of any unrecorded lease or agreement of sale.
4. Possible additional tax assessments for new construction and/or major improvements.
5. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.
6. Accuracy of area content not insured.
7. Deed of Easement by Drabel, Inc. and Chris R. Arnold, Sr. and Catherine A. Arnold, his wife dated 06/14/1998 and recorded 06/14/1998 in Record Book 1245 page 97.
8. Rights granted to Pennsylvania Power and Light Company dated 11/02/1966 and recorded 12/12/1966 in Record Book 204 page 232.
9. Conditions, easements, etc. as contained in Record Books 1312 page 251 and 2202 page 1839.
10. Title to that portion of the premises within the beds of Sagamore Road and Tee Pee Drive are subject to public and private rights therein.

Exhibit ABO-2

Bureau of Technical Utility Services
Water/Wastewater Division
Data Request Set 1

**Notice of Termination of Service Agreement Between Middlesex Water Company and
Twin Lakes Utilities, Inc. at Docket No. M-2020-3020390**

M-18 The Middlesex letter dated April 4, 2011 filed at Docket Nos. A-20082050089 and A-2008-2050092 included the first two pages of a document titled “Asset Purchase Agreement for the Acquisition of the Assets of Twin Lakes Water Services LLC by Twin Lakes Utilities, Inc. Dated as of November 3, 2009”. Please provide a complete copy of this document.

Response: A copy of the Asset Purchase Agreement for the Acquisition of the Assets of Twin Lakes Water Services, LLC by Twin Lakes Utilities, Inc. Dated as of November 3, 2009, is attached.

Also attached is a copy of the additional closing documents for the transfer of ownership of the assets of Twin Lakes Water Services, LLC to Twin Lakes Utilities, Inc., including Bill of Sale, Option and Sale Agreement, Closing Statement, Member’s Certificate of Seller, Secretary’s Certificate of Buyer, and Certified Account Receivable List from Seller.

ASSET PURCHASE AGREEMENT
FOR THE ACQUISITION
OF
THE ASSETS OF TWIN LAKES WATER SERVICES LLC
BY
TWIN LAKES UTILITIES, INC.

Dated as of November 3, 2009

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ASSET PURCHASE AGREEMENT

This AGREEMENT, dated as of this 3rd day of November, 2009, among Twin Lakes Water Services, LLC, a New Jersey limited liability company (the "Company"); Nicholas P. Braco, Jr. (the "Member"); and Twin Lakes Utilities, Inc. a Pennsylvania corporation (the "Purchaser").

Preliminary Statement

- A. The Company is engaged in the business of providing public water supply services in the Township of Shohola, Pike County, Pennsylvania, and owns certain real and personal property used in connection therewith.
- B. The Member owns one hundred percent (100%) of the outstanding membership interests of the Company.
- C. The Purchaser is a wholly owned subsidiary of Middlesex Water Company, a New Jersey corporation ("Middlesex").
- D. The Company desires to sell, and the Purchaser desires to purchase, certain assets and business of the Company, all on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the covenants, representations, warranties and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1. SALE AND PURCHASE OF COMPANY ASSETS

1.1. Company Assets to be Purchased. Subject to the terms and conditions hereinafter set forth, the Purchaser shall purchase from the Company, and the Company shall sell, assign, transfer, convey and deliver to the Purchaser, at the Closing (as hereinafter defined), (a) the real property known as Block No. 1, Lot 1, Account No./Control # 12-0-109553 in the Tax Map of the Township of Shohola, Pike County, Pennsylvania, consisting of approximately 1.15 acres (the "Property"); (b) (i) any and all privileges, tenements, hereditaments, rights of way, easements and appurtenances of the Property; (ii) any and all streets, ways, strips or gores of land adjoining the Property; (iii) any and all buildings, wells, improvements and fixtures on or attached to attached to the Property (the "Appurtenant Rights"); (c) all easements, rights of way, rights of use, licenses, privileges and other property rights related to the water distribution system owned by the Company (the "Other Rights"); (d) any and all equipment, water distribution lines, pump stations, pump house meters, and water meters (the "System Equipment"); (e) any and all governmental approvals and permits relating to the Property (the "Approvals"); (f) any and all rights, warranties, and guarantees relating to the Property or the System Equipment; (g) all accounts receivable as set forth on Schedule 1.1(b) (the "Purchased A/R"), free and clear of all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever (the "Encumbrances") (hereinafter collectively called the "Company Assets").

1.2. Purchase Price. The purchase price shall be payable by the Purchaser as follows:

- (a) Thirty Five Thousand Dollars (\$35,000), to be delivered at the Closing; plus
- (b) A payment of \$7,410.75 representing the amount of the Purchased A/R less the Deferred A/R (as defined below) at the Closing; plus
- (c) A payment of \$7,050.75 at the Closing; representing unbilled revenue for the three month period from August 1, 2009 through October 31, 2009;
- (d) A payment in the amount of \$28,450 at the Closing, representing reimbursement for the Company's costs of acquisition and installation of certain pumps included with the System Equipment; plus
- (e) Payment after the Closing of the amounts of Deferred A/R and unbilled revenue set forth in Section 6.2 when, as and if the condition set forth in Section 6.2 is satisfied.

As used herein, the term "Deferred A/R" means the accounts and balances identified in Section 6.2 below as Deferred A/R.

All of the payments in respect of the Purchase Price, less the amount (if any) of the escrow imposed by the New Jersey Division of Taxation in accordance with its bulk transfer notification procedures, shall be made at Closing in the form of certified or bank check, attorney trust account check or wire transfer of immediately available funds.

1.3. No Assumption of Obligations. Purchaser is not assuming any liabilities or obligations of the Company, expressly or impliedly, in connection with the transactions contemplated hereby.

1.4. Closing. The closing of the transaction contemplated hereby (the "*Closing*") is taking place at the offices of Norris McLaughlin & Marcus, PA, counsel to the Purchaser, in Bridgewater, New Jersey concurrently with the execution and delivery hereof.

1.5. Allocation of Purchase Price. The purchase price payable by the Purchaser shall be allocated among the Company Assets as provided in Schedule 1.5 hereto.

ARTICLE 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE MEMBER.

The Company and, with respect to the representations in Sections 2.5 and 2.13 only, the Member, hereby jointly and severally represent and warrant to the Purchaser that except as described in a Schedule attached hereto (with specific reference in such Schedule to the Section of this Agreement to which each exception or addition disclosed in such Schedule applies):

2.1. Organization and Good Standing. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of State of New Jersey and has all requisite power and authority and all necessary licenses and permits to conduct its

business as now conducted and to own or lease and operate the assets and properties now owned or leased and operated by it.

2.2. Subsidiaries and Other Investments. The Company does not have any investments in or own any securities of any business, enterprise, corporation, partnership, joint venture or other entity or organization.

2.3. Compliance with Law. Neither the Company, nor its use or occupancy of any of the Company Assets, is in violation of any applicable federal, state, local or other governmental law or ordinance, or any order, rule or regulation of any federal, state, local or other governmental authority, to which the Company or any of its business, operations, assets or properties are subject. The licenses, permits, approvals, registrations, qualifications, certificates and other governmental authorizations that are listed on Schedule 2.3 hereof are the only governmental authorizations that are necessary for the operations of the Company. There are no proceedings pending or, to the best of the Company's knowledge, threatened which seek the revocation, cancellation, suspension or any adverse modification of any permits or approvals of the Company.

2.4. Authority and Compliance. Each of the Company and the Member has full power and lawful authority to execute and deliver this Agreement and, subject to PAPUC approval, to consummate and perform the transaction contemplated hereby. The execution and delivery of this Agreement by the Company and the Member and the consummation and performance of the transaction contemplated hereby have been duly and validly authorized by all necessary proceedings, and this Agreement constitutes the legal, valid and binding obligation of the Company and each Member, enforceable against each of them in accordance with its terms. Neither the execution and delivery of this Agreement by the Company or the Member nor the consummation and performance of the transaction contemplated hereby in accordance with the terms hereof (A) requires the approval or consent of, or notice to, any governmental authority, or (B) will conflict with or result in the breach or default under, or cause an acceleration of any payments pursuant to (i) the Certificate of Formation or Operating Agreement of the Company, or (ii) any law or any rule, regulation, order, writ, injunction or decree of any court or other governmental authority, or (iii) any mortgage, note or other agreement or instrument to which the Company or any Member is a party or by which any of them (or the property of any of them) is bound.

2.5. Accounts Receivable. All of the Purchased A/R have been acquired or have arisen only in the ordinary course of business for goods sold and delivered or services performed. All of such accounts receivable are due within 30 days after the date hereof, and are collectible in full within 90 days after billing in the aggregate recorded amounts thereof, subject to no defenses, offsets or counterclaims; except that no representation is made as to the collectability of Deferred A/R.

2.6. Governmental Approvals. To the best of the Company's knowledge, except for PAPUC approval and any exceptions set forth on Schedule 2.6, no consent, approval, or authorization of, or designation, declaration, notification, or filing with any court, tribunal, administrative agency or commission, or other governmental or other regulatory authority or

agency on the part of the Company or the Member is required in connection with the valid execution, delivery and performance of this Agreement or the consummation of this transaction.

2.7. Assets and Properties. On the date of closing, the Company will convey good, valid and marketable title to, all of the Company Assets, free and clear of all Encumbrances. No person other than the Company owns any of the System Equipment. None of the Company Assets are leased or licensed by the Company.

2.8. [Intentionally omitted.]

2.9. Legal Proceedings, Etc. There is no dispute, claim, action, suit, proceeding, arbitration or investigation, either administrative or judicial, pending or, to the best knowledge of the Company and the Member, threatened by or against or affecting the Company or its business, or any of its assets, properties or prospects, whether or not covered by insurance, before or by any court or governmental authority, or before an arbitrator of any kind. The Company is not subject to or in default with respect to any indictment, order, injunction, decree or award of any court, arbitrator or governmental agency. Neither the Company nor the Member has any knowledge of any state of facts or the occurrence of any event that might reasonably form the basis of any claim against the Company. The Company has not violated any local, state or federal law, rule or regulation with respect to its used and operation of the Purchased Assets. No notices, citations, summons or order have been issued and remain outstanding, or to the Company's knowledge, threatened, by any authority with respect to the ownership and operation of the Purchased Assets.

2.10. Transactions with Affiliates. No officer or Member of the Company, or any member of his immediate family, owns, directly or indirectly, or has an ownership interest, (a) in any business (corporate or otherwise) which is a party to, or in any property which is the subject of, business arrangements or relationships of any kind with the Company, or (b) in any business (corporate or otherwise) which conducts the same business as, or a business similar to, that conducted by the Company.

2.11. Contracts and Commitments. The Company is not a party to any outstanding contracts of any type relating to the Company Assets.

2.12. No Third Party Options. There are no existing Contracts with any person to acquire any of the assets or properties of the Company or any interest therein, except for this Agreement.

2.13. Environmental Matters. To the Knowledge of the Member, the Company is in compliance with all Environmental Laws. The Company has not received any summons, citation, directive, order, claim, investigation, communication or other action from the United States Environmental Protection Agency, the PA DEP or any other governmental authority seeking any information under or alleging any violation of any Environmental Law with respect to the Property. The Company has not caused or permitted the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process any Hazardous Materials. The Company has not caused or permitted, nor does the Company have

any Knowledge of, any release, spill, leak, emittance, discharge, leaching, seeping, draining or dumping of any Hazardous Materials on the Property or off site emanating from the Property. To the best of the Company's knowledge, there are no underground or above-ground tanks at the Property. To the Knowledge of the Member there are no Hazardous Substances at the Property in excess of tolerances allowed by Environmental Laws. To the Knowledge of the Member, there is no asbestos-containing material, and there are no PCB's, incorporated, installed or otherwise located in or on the Property. "Hazardous Material" means the collective meanings given to the terms "hazardous material", "hazardous substances" and "hazardous waste" in the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC §9601 et seq., as amended, the Resource Conservation and Recovery Act, 42 USC §6901 et seq., as amended, the Federal Water Pollution Control Act, 33 USC §1251 et seq., as amended, the Oil Pollution and Control Act of 1990, the Hazardous Materials Transportation Act, 49 USC §1801 et seq., as amended, and shall also include any meanings given to such terms in any similar federal, state or local statutes, ordinances, regulations, or executive orders concerning or relating to industrial hygiene or the protection of health or the environment ("Environmental Laws"). Without limiting the generality of the foregoing, the term "Hazardous Material" shall include oil and any other substance known to be hazardous, such as hazardous waste, lead-based paint, asbestos, methane gas, radon gas, urea formaldehyde insulation, oil, polychlorinated biphenyls ("PCB's"). As used herein, the term "Knowledge" means the actual knowledge of the Member, without having made any investigation or inquiry in connection with the transactions contemplated by this Agreement, and with due regard to the following considerations: (i) the Company acquired the Property and the System Equipment on June 30, 2006 and did not conduct any environmental audit or investigation of the Property or System Equipment in connection with the acquisition, (ii) the Company has not conducted any environmental audit of the Property or System Equipment during the period of its ownership and is not otherwise in possession of any environmental report or information with respect to the environmental condition of the Property conducted by any third party; (iii) the Purchaser acknowledges that it has had the opportunity to engage third parties to perform environmental investigations of the Property and the System Equipment in connection with the transactions contemplated hereby and has not done so.

2.14. No Name Change. The operations now being conducted by the Company have not been conducted under any other name during the period of its ownership, which commenced on June 30, 2006. Prior to that date, the subject water system was owned and operated by the Company's predecessor, Twin Lakes Water Company, Inc.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

The Purchaser hereby represents and warrants to the Company as follows:

3.1. Organization and Good Standing. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania.

3.2. Authority and Compliance. The Purchaser has full corporate power and lawful authority to execute and deliver this Agreement. The consummation and performance by the Purchaser of the transaction contemplated by this Agreement have been duly and validly

authorized by all necessary corporate proceedings, and this Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms. The execution, delivery and performance of this Agreement by the Purchaser will not conflict with or result in the breach or violation of any term or provision of, or constitute a default under, the certificate of incorporation or by-laws of the Purchaser, or any mortgage, note or other agreement or instrument to which the Purchaser is a party or by which it is bound.

ARTICLE 4. INDEMNIFICATION.

4.1. Indemnification by the Company and the Member. From and for a limited period of two years after the Closing, the Company and the Member (subject to the limitations below) shall, jointly and severally, indemnify the Purchaser and Middlesex, and hold the Purchaser and Middlesex harmless, against and in respect of:

- (a) any and all liabilities and obligations of the Company of any nature whatsoever;
- (b) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against the Purchaser that relate to the Company or its business and operations, in which the event giving rise thereto occurred prior to the date hereof or which result from or arise out of any action or inaction prior to the date hereof on the part of the Company or any member, manager, officer, employee, agent, representative or subcontractor of the Company;
- (c) any and all damage, loss, liability or deficiency resulting from any misrepresentation, or any breach of any warranty or of any covenant or agreement, on the part of the Company or the Member under this Agreement;
- (d) any and all damage, loss, liability or deficiency for payment of or failure on the part of the Company or the Member to pay any taxes or the filing of or failure to file any reports required in connection therewith; and
- (e) any and all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and other expenses (including, without limitation, reasonable audit and legal fees) incident to any of the foregoing.

The liability of the Member pursuant to this Section 4.1 shall be limited to claims arising from (i) a breach of the representations in Sections 2.5 and 2.13 above, (ii) breach by the Member of the covenant set forth in Section 6 below, (iii) failure by the Company or the Member to pay any taxes (including penalties or interest, if any, with respect thereto); (iv) actions by any creditor of the Company or the Member to collect from Purchaser any liabilities and obligations of the Company and/or the Member.

4.2. Indemnification by the Purchaser. From and after the Closing, the Purchaser shall indemnify the Company and the Member, and hold the Company and the Member harmless, from and against:

(a) any and all damage, loss, liability or deficiency resulting from any misrepresentation, or any breach of any warranty or of any agreement or covenant, on the part of the Purchaser under this Agreement;

(b) any and all actions, suits, claims, or legal, administrative, arbitration, governmental or other proceedings or investigations against the Company that relate to the Purchased Assets or the operation thereof, in which the event giving rise thereto occurred after the date hereof or which result from or arise out of any action or inaction after the date hereof on the part of the Purchaser or any director, officer, employee, agent, representative or subcontractor of the Purchaser and all actions, suits, claims, proceedings, investigations, audits, demands, assessments, fines, judgments, costs and other expenses (including, without limitation, reasonable legal fees) incident to any of the foregoing.

4.3. Method of Asserting Claims, Etc. All claims for indemnification under this Article 4 shall be asserted and resolved as follows:

(a) In the event that any claim or demand for which the Company or the Member would be liable to the Purchaser hereunder is asserted against or sought to be collected from the Purchaser by a third party, the Purchaser shall promptly notify the Company and the Member of such claim or demand, specifying the nature of such claim or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "*Claim Notice*"). The Company and the Member shall have 10 days from their receipt of the Claim Notice (the "*Notice Period*") to notify the Purchaser (i) whether or not they dispute their liability to the Purchaser hereunder with respect to such claim or demand and (ii) whether or not they desire, at their sole cost and expense, to defend the Purchaser against such claim or demand. In the event that the Company or the Member notify the Purchaser within the Notice Period that they desire to defend the Purchaser against such claim or demand, except as hereinafter provided, the Company and the Member shall have the right to defend the Purchaser by appropriate proceedings, which proceedings shall be promptly settled or prosecuted by them to a final conclusion in such a manner as to avoid any risk of the Purchaser becoming subject to liability for any other matter. If the Purchaser desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If, in the reasonable opinion of the Purchaser, any such claim or demand involves an issue or matter which could have a materially adverse effect on the business, operations, properties, assets or prospects of the Purchaser, the Purchaser shall have the right to control the defense or settlement of any such claim or demand and its reasonable costs and expense shall be included as part of the indemnification obligations of the Company and the Member hereunder. If the Purchaser elects to exercise such right, the Company and the Member shall have the right to participate in, but not control, the defense or settlement of such claim or demand at the sole cost and expense of the Company and the Member. If the Company and the Member elect not to defend the Purchaser against such claim or demand, whether by not giving the Purchaser timely notice as provided above or otherwise, then the amount of any such claim or demand (or, if the same be contested by the Company or the Member or by the Purchaser (but the Purchaser shall have no obligation to contest any such claim or demand), then that portion thereof as to which such defense is unsuccessful), shall be conclusively deemed to be a liability of the Company and the Members hereunder.

(b) In the event the Purchaser shall have a claim against the Company or the Member hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Purchaser shall promptly send a Claim Notice with respect to such claim to the Company and the Member. If the Company and the Member do not notify the Purchaser within the Notice Period that they dispute such claim, the amount of such claim shall be conclusively deemed a liability of the Company and the Member hereunder.

(c) Nothing herein shall be deemed to prevent the Purchaser from making a claim hereunder for potential or contingent claims or demands, provided the Claim Notice sets forth the specific basis for any such potential or contingent claim or demand to the extent then feasible and the Purchaser has reasonable grounds to believe that such a claim or demand may be made.

(d) All claims for indemnification by the Company or the Member under this Agreement shall be asserted and resolved under the procedures set forth above, substituting in the appropriate place "*the Company*" or the name of such Member for "*the Purchaser*" and vice versa.

ARTICLE 5. RECOVERY AND REIMBURSEMENT OF CERTAIN COSTS.

The Company installed two lengths of water main in a yet unbuilt portion of the subdivision serviced by the Company. The cost of these installations is \$14,700. The Purchaser shall apply to the Pennsylvania Public Utility Commission (PAPUC) to recover the costs as impact fees from utility customers as they connect to the water mains. In the event that the Purchaser's application is approved by the PAPUC, then the Purchaser agrees to pay the impact fees to the Company if and when the same are collected from the connecting utility customer.

ARTICLE 6. COLLECTION OF PURCHASED A/R AND DEFERRED A/R.

6.1. General. The Company and the Member, jointly and severally, agree to turn over to the Purchaser any and all payments received from customers in respect of Purchased A/R following the Closing. Customer checks received by the Company shall be endorsed to the Purchaser and delivered to the Purchaser once weekly. The Company and the Member agree that all payments so received from customers shall be held in trust for the Purchaser pending delivery thereof to the Purchaser. At Purchaser's request, the Company shall give written notification to the Company's customers of the assignment of the Purchased A/R to the Purchaser and instructions to forward payments to the address specified by the Purchaser.

6.2. Deferred A/R and Unbilled Revenue. The Purchaser has held back payment of \$5,074.55 representing balances due on the following accounts receivable identified in Schedule 1.1(b) (collectively, the "Deferred A/R") and unbilled revenue for the period August 1 – October 31, 2009, in the amount of \$70.50 per customer:

<u>Account No.</u>	<u>Name</u>	<u>Balance</u>	<u>Unbilled Rev</u>	<u>Total</u>
20123	Figueroa	\$535.81	\$70.50	\$606.31
40533	Babcock	\$492.50	\$70.50	\$563.00

40576	Guensch	\$822.67	\$70.50	\$893.17
40743	King	\$1,004.57	\$70.50	\$1,075.07
40749	Manzoni	\$ 597.50	\$70.50	\$ 668.00
40759	Garcia	\$493.50	\$70.50	\$ 564.00
40760	Edwards	\$493.50	\$70.50	\$ 564.00

For each of the above accounts, the Purchaser shall pay the Company the respective totals of accounts receivable plus unbilled revenue listed above if and when the applicable customer enters into a written payment plan with the Purchaser for payment of the entire balance. If they do not enter a written payment plan, Purchaser shall pay the Company when, as and if the account debtor pays the Company the balances thereof. The Purchaser shall use commercially reasonable efforts to locate and offer payment plans to the above customers.

Two accounts listed on Schedule 1.1(b) – no. 40757 (Quill) and 20117 (Weldon), are deemed written off by the Company and are not Purchased A/R.

Purchaser shall give an accounting to the Company of all amounts collected by Purchaser in respect of Deferred A/R once monthly for six months after the Closing, and thereafter as and when necessary by reason of receipt of collections.

ARTICLE 7. MISCELLANEOUS MATTERS.

7.1. Survival of Representations and Warranties. All representations and warranties made by the Company, the Member or the Purchaser in this Agreement shall survive for a limited period of two years following the Closing, notwithstanding any investigation made by or on behalf of the Purchaser, provided however that any action or suit thereon must be commenced by the date that is two years after the Closing.

7.2. Right of Collection. The Purchaser shall be entitled to collect for its own account all Purchased A/R and other items transferred to the Purchaser, and to endorse with the name of the Company any checks received on account of such receivables or other items. The Company agrees that it shall, at all times after the Closing, maintain any cash or property in trust, and promptly transfer and deliver such cash or property to the Purchaser, which the Company may receive in respect of such Purchased A/R. The Company shall at Purchaser's request give written notice to customers of the change in address for payment of invoices.

7.3. Further Assurances. At any time and from time to time after the Closing, at the request of the Purchaser and without further consideration, the Company and the Member shall execute, acknowledge and deliver all such further documents, and shall do and perform all such further acts and deeds, as may reasonably be requested to more effectively vest in the Purchaser the rights and benefits intended to be conferred hereby.

7.4. Mail. After the Closing, the Purchaser may receive and open all mail addressed to the Company and deal with the contents thereof at its discretion. The Purchaser shall remit to the Company all mail that does not relate to the Company Assets or the obligations of the Company assumed by the Purchaser.

7.5. Changes, Waivers. No provision of this Agreement may be changed or waived orally or by any course of dealing, but only by an instrument in writing signed by the party to be charged with such change or waiver.

7.6. Brokerage, Expenses, Taxes, Etc.

(a) The Purchaser, the Company and the Members represent and warrant that all negotiations relative to this Agreement have been carried on by them directly without the intervention of any person, firm or corporation. The Company and the Members shall indemnify the Purchaser and hold it harmless against and in respect of any claim for brokerage or other commissions relative to this Agreement or the transaction contemplated hereby made by any person, firm or corporation claiming through the Company, the Members, or any of them. The Purchaser shall similarly indemnify the Company and the Members as to any such claim made by any person, firm or corporation claiming through the Purchaser.

(b) Each party shall pay all of its own legal, accounting and other fees and expenses incurred by it in connection with this Agreement and the transaction contemplated hereby.

7.7. Cooperation. Subject to the terms and conditions herein provided, each of the parties hereto shall use its best efforts to take (or cause to be taken) such action, to execute and deliver (or cause to be executed and delivered) such additional documents and instruments, and to do (or cause to be done) all things necessary, proper or advisable under the provisions of this Agreement and under applicable law, to consummate and make effective the transaction contemplated by this Agreement.

7.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of such counterparts together shall be deemed to be one and the same instrument.

7.9. Contents of Agreement; Parties in Interest; Assignment, Etc. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof. All previous agreements and understandings between the parties regarding the subject matter hereof are merged into and superseded by this Agreement. The Purchaser may assign its rights and benefits hereunder, including the benefit of any representation, warranty, covenant or indemnification, to any third party, but no other party hereto shall assign this Agreement or any right or benefit hereunder without the prior written consent of the Purchaser. Subject to the foregoing, all representations, warranties, covenants, terms and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, legal representatives, successors and assigns of the parties hereto.

7.10. Section Headings and Gender. The section headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof. The use of the masculine or any other pronoun herein when referring to any

party is for convenience only and shall be deemed to refer to the particular party intended regardless of the actual gender of such party.

7.11. Certain Term. As used in this Agreement, the term "*including*" means "*including, without limitation*".

7.12. Notices. All notices, consents, waivers or other communications which are required or permitted hereunder shall be in writing and shall be sufficient if delivered personally (including by means of recognized courier service for which a written receipt is given) or by registered or certified mail, return receipt requested, postage prepaid, as follows (or to such other address as shall be set forth in a notice given in the same manner):

If to the Purchaser:

Twin Lakes Utilities, Inc.
c/o Middlesex Water Company
1500 Ronson Road
P.O. Box 1500
Iselin, New Jersey 08830
Attn: Richard M. Risoldi
Vice President – Subsidiary Operations

With a copy to:

Kenneth J. Quinn, Esq.
Vice President and General Counsel

If to the Company and/or the Member:

Twin Lakes Water Services, LLC
23 Sutton Road
Lebanon, New Jersey 08833
Attention: Nicholas P. Braco, Jr.

With a copy to:

Douglas R. Henshaw, Esq.
Porzio, Bromberg & Newman P.C.
100 Southgate Parkway
PO Box 1997
Morristown, NJ 07962

All such notices shall be deemed to have given on the date personally delivered or mailed in the manner provided above.

7.13. Governing Law. This Agreement shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

TWIN LAKES WATER SERVICES, LLC

By: Nicholas P. Braco Jr
Name Nicholas P. Braco, Jr.
Title: Managing Member

Nicholas P. Braco Jr
Nicholas P. Braco, Jr., Individually, as to
Sections 2.5, 2.13, 4.1 and 6

TWIN LAKES UTILITIES, INC.

By: Richard M. Risoldi
Richard M. Risoldi
President

SCHEDULES

Each schedule number corresponds to the section of the Agreement in which such schedule is referred to.

- Schedule 1.1(b) [Purchased A/R]:
See Attached Excel Spreadsheet
- Schedule 1.5 [Allocation of purchase price]:
- | | |
|--------------------------|-------------|
| Utility Plant in Service | \$35,000.00 |
| System Equipment | \$28,450.00 |
| Accounts Receivable | \$14,461.50 |
| Total | \$77,911.50 |
- Schedule 2.3 [Licenses and Permits]:
Certificate of Public Convenience from Pennsylvania Public Utilities Commission, described in the Order referred to in Schedule 2.6
- Schedule 2.6 [Governmental Authorizations]:
Order of the Pennsylvania Public Utilities Commission (Docket Nos. 2050089 and 2050092) adopted February 26, 2009 and entered March 2, 2009
- Schedule 2.13 [Environmental Matters]
The PA DEP has issued "boil water advisories" in connection with pump failures. There are no such advisories currently pending.

SCHEDULE 1.1 (b)

Acct #	Name/Address	Inv #	Amount Billed	Check #	Check Date	Amn't Rec'd	
20110	Champy, Al & Miriam 100 Beach Pl., Shohola, PA 18458	0802-001	70.50	4461	8/14/2009	70.50	1
20117	Weldon, Beverly A. P.O. Box 193, Andover, NJ 07821	? returned	1,017.03	mail returned			
20118	Brown, Timothy & Lisa 101 Rock Pl., Shohola, PA 18458	0802-003	70.50	5343	9/25/2009	70.50	1
20120	Huber, Dorothy 105 Rock Pl., Shohola, PA 18458	pd in adv	0.00				
20123	Figueroa, Andres 104 Rock Pl., Shohola, PA 18458	0802-005	535.81				1 lives at this address
20124	Cestare, Suzanne 182 Twin Lakes Dr., Shohola, PA 18458	0802-006	70.50	696	9/3/2009	58.25	1
20126	Berger, Walter 2683 Waterbury ave., Bronx, NY 10461-5828	0802-007	70.50				1
20127	Malone, Pat 106 Pinehurst Ave., Apt A-21, New York, NY 10033	0802-008	352.50				1
20128	DeFrancesco, Pat 115 Josephine Lane, Shohola, PA 18458	0802-009	352.50				1
20129	Ross, Tim & Kellie 113 Josephine Lane, Shohola, PA 18458	0802-010	120.50	172	10/7/2009	100.00	1
20130	Soggs, Faith 111 Josephine Lane, Shohola, PA 18458	0802-011	141.00	1170	7/26/2009	70.50	1
20131	Kimball, Erica can't find	? returned					
20136	Matrecano, Ciro & Felicita 12 Wilson St., Staten Island, NY 10304-4220	0802-012	141.00	1566	8/25/2009	141.00	1
20139	Donald Partyka 530 Grand St., Apt #E58, New York, NY 10002	0802-014	70.50	124	8/13/2009	70.50	1
20142	Ryan, Paul 5 Summit Ave., Bloomfield, NJ 07003-3842	0802-015	70.50	21204367	8/15/2009	70.50	1
20144	Burke, Lisa 117 Susan Lane, Shohola, PA 18458	0802-016	352.50				1
20146	Cavello, Anthony & Ami 134 West 58th St., New York, NY 10019	0802-017	70.50	2275	8/10/2009	70.50	1
20150	DeBlock, Mark & Theresa Sano 107 Susan Lane, Shohola, PA 18458	0802-018	70.50	1940	8/13/2009	70.50	1
20151	Vitchers, Charles 103 Susan Lane, Shohola, PA 18458	0802-019	282.00			282.00	1
20160	Kelly, Elizabeth 12 Woodrow Dr., Yonkers, NY 10710-1912	0802-020	70.50	2903	8/15/2009	70.50	1
20161	Wheatley, Thomas 1487 Franklin Rd., Langhorne, PA 19047-2318	0802-021	66.00	6908	8/10/2009	66.00	1
20169	Hopkins, Jim & Jayne 115 Beach Rd., Shohola, PA 18458	0802-022	70.50	1719	8/12/2009	70.50	1
20181	Lopez, Robert 200 West Harford #791, Milford, PA 18337	0802-023	141.00	pno	8/31/2009	70.50	1
20201	Ogden, Louis 8 Grand Ave., Middletown, NY 10940	0802-024	70.50	642	8/11/2009	70.50	1
20202	Curry, Phyllis P.O. Box 672, Milford, PA 18337	0802-025	70.50	3252	8/24/2009	70.50	1
20214	Donohoe, Kathlene, Peter, & Sean	not billed	consultant			0.00	1
20215	DiMarzio, Joan & Erica can't find	? returned					
20216	Holdorff, William & Judith 108 Sagamore Rd., Shohola, PA 18458	0802-028	70.50	2048	8/10/2009	70.50	1
20217	Hersca, John & Donna 110 Sagamore Rd., Shohola, PA 18458	0802-029	70.50	1700	8/11/2009	70.50	1
20220	Hulme, Arthur 56 5th St., Saddle Brook, NJ 07663	0802-030	70.50	730	8/10/2009	70.50	1
20222	Miller, Frederick & Christine 118 Sagamore Rd., Shohola, PA 18458	0802-031	282.50				1
20226	Heekin, John & Janet 300 E. 74th St., Apt 3B, New York, NY 10021-3713	0802-032	70.50	2490	8/13/2009	70.50	1
20236	Cespino, Monica 34 Pendleton Pl., Staten Island, NY 10301	0802-033	282.00				1
20238	Lombardo, Richard 305 E. 76th St., Apt 3, New York, NY 10021	0802-034	141.00	1231	8/15/2009	141.00	1
20240	Statsinger, Steven 245 E. 19th St., Apt 12B, New York, NY 10003	0802-035	70.50				1
20242	Gannon, Jean account closed- on private well	0802-036	70.50	1075	8/22/2009	70.50	1
20245	Cooney, Edward P.O. Box 690, Milford, PA 18337	0802-037	70.50	827	8/11/2009	70.50	1
20259	Smith, Charlotte P.O. Box 103, Milford, PA 18337	0802-038	70.50	1121	8/11/2009	70.50	1
20271	Zilber, Andrew 110 Twin Lakes Dr., Shohola, PA 18458	0802-039	70.50	874	8/11/2009	70.50	1
20425	Egan, John & Donna 172 Twin Lakes Dr., Shohola, PA 18458	0802-040	141.00				1
20428	Daddario, Michele & Charlene P.O. Box 808, Milford, PA 18337	0802-041	352.50				1
20445	Fiorea, Cosmin & Fenin, Desires P.O. Box 615, Milford, PA 18337	0802-042	352.50				1
20466	Shay, Stephen T. 112 Twin Lakes Dr., Shohola, PA 18458	0802-043	70.50	3479	8/8/2009	70.50	1
20468	Graham, Harry & Diane 116 Twin Lakes Dr., Shohola, PA 18458	0802-044	70.50	2528	8/10/2009	70.50	1
20469	Carco, John & Joan 118 Twin Lakes Dr., Shohola, PA 18458	0802-045	70.50	3462	8/15/2009	70.50	1
20472	Dedes, Kellyann 124 Twin Lakes Dr., Shohola, PA 18458	0802-046	70.50	18014173	8/13/2009	70.50	1
20473	Newmark, Michael & Cheryl 502 West Harford St., Milford, PA 18337	0802-047	70.50	4154	8/25/2009	70.50	1
20474	Upright, Elaine 130 Twin Lakes Dr., Shohola, PA 18458	0802-048	171.50	1088	8/18/2009	70.50	1
20475	Joyce, Neil P.O. Box 1507, Milford, PA 18337	0802-049	70.50	2706	8/29/2009	70.50	1
20476	Beals, Thomas 344 Dongan Hills Ave., Staten Island, NY 10305	0802-050	141.00	774	8/9/2009	141.00	1
20481	Vencill, Joe 146 Twin Lakes Dr., Shohola, PA 18458	0802-051	141.00	1432	8/19/2009	70.50	1
20483	Chasin, Steven & Judith 150 Twin Lakes Dr., Shohola, PA 18458	0802-052	70.50	5775	8/19/2009	70.50	1
20485	Moore, Edward & Laura 154 Twin Lakes Dr., Shohola, PA 18458	0802-053	70.50	3711	7/28/2009	70.50	1
20501	Conli, Victoria 303 E. 8th St., New York, NY 11218-4205	0802-054	140.50				1
20502	LaChance, Cathy 104 Josephine Lane, Shohola, PA 18458	0802-055	141.00				1

SCHEDULE 1.1 (b)

40504	Charles, Eric	112 Josephine Lane, Shohola, PA 18458	0802-056	141.00					1
40506	Unknown Occupant	116 Josephine Lane, Shohola, PA 18458	moved						
40507	Ciuffrenda, Anthony	75 West Hill Rd., Colonia, NJ 07067	0802-058	70.50					1
40515	Driscoll, Dan	100 Dylan Lane, Shohola, PA 18458	0802-059	281.00					1
40517	Vick, Jim & Diane	156 Hillview Dr., Shohola, PA 18458	0802-060	70.50	2154361577	8/15/2009	70.50		1
40525	Schlegel, Barry	129 N. Hillview Dr., Shohola, PA 18458	0802-061	281.50					1
40530	Pfeiffer, Virginia	424 West 22nd St., Apt 4, New York, NY 10011-2566	0802-063	70.50	3356	8/25/2009	70.50		1
40531	DiLorenzo, Paul	101 Kyra Lane, Shohola, PA 18458	0802-064	70.50	1188	9/1/2009	70.50		1
40532	Reape, Donald & Ella	49 Powers Rd., Hollis, NH 03049	0802-065	281.00					1
40533	Babcock, Sean	102 Kyra Lane, Shohola, PA 18458; cert. mail unclaimed	0802-066	492.50					1 lives at this address
10535	Weber, John	297 Liberty St., Apt 108, Little Ferry, NJ 07643	0802-067	70.50	5049	8/15/2009	70.50		1
10542	Koehler, Tami & Arthur	317 Water St., Milford, PA 18337	0802-068	141.00					1
10546	Taylor, Helen R.	account closed - private well	0802-069	50.00	429	8/14/2009	50.00		
10552	Bailey, Sharon	519 Log Tavem Rd., Milford, PA 18337	0802-070	141.00	105	8/8/2009	70.50		1
10560	Fetter, Ed & McDermott, Christina	137 Ottawa Trail, Shohola, PA 18458	0802-071	70.50	2740	8/16/2009	70.50		1
10562	Ferrara, Peter M.	118 Cheyenne Rd., Shohola, PA 18458	0802-072	70.50	3204	8/13/2009	70.50		1
10567	Riker, Mary	119 Brooke Lane, Shohola, PA 18458	0802-073	211.50					1
10568	Troyan, John	115 Brooke Lane, Shohola, PA 18458	0802-073	282.00	170	8/25/2009	282.00		1
10569	Thiele, John	113 Brooke Lane, Shohola, PA 18458	0802-074	282.00					1
10573	Beals, Harry	103 Brooke Lane, Shohola, PA 18458	0802-075	70.50	2377	8/17/2009	70.50		1
10575	Beals, Marie	100 Brooke Lane, Shohola, PA 18458	0802-076	70.50	1115	8/16/2009	70.50		1
10576	Guensch, Fred	102 Brooke Lane, Shohola, PA 18458	0802-077	822.67					1 lives at this address
10577	Seibert, Elaine G.	608B Lake Point Dr., Lakewood, NJ 08701	0802-079	70.50	2819	8/26/2009	70.50		1
10580	Jeffrey, Robert F. & Teresa	114 Brooke Lane, Shohola, PA 18458	0802-080	70.50	3358	8/11/2009	70.50		1
10607	Rocklin, Stephen & Margaret	can't find	? returned						1
10610	Decker, Edward & Stephanie	145 Twin Lakes Dr., Shohola, PA 18458	0802-082	252.50					1
10611	Kashimba, Frank & Shuko	111 Shawnee Rd., Shohola, PA 18458	0802-083	70.50	750	8/12/2009	70.50		1
10616	Zabriskie, Glen & Watkins, Karen A.	109 Shawnee Rd., Shohola, PA 18458	0802-084	211.50					1
10617	Watkins, Richard & Helen	110 Shawnee Rd., Shohola, PA 18458	0802-085	282.00					1
10621	Deibert, Charles	P.O. Box 710, Milford, PA 18337	0802-086	141.00					1
10626	Kazmierczak, John & Heidi	114 Shawnee Rd., Shohola, PA 18458	0802-087	141.00					1
10633	Deehan, Marilyn Davis	119 Samantha Lane, Shohola, PA 18458	0802-088	352.50					1
10635	Perez, Frank	307 Pine Run Rd., Milford, PA 18337	0802-089	70.50					1
10642	Geng, Joanne	128 Ottawa Trail, Shohola, PA 18458	0802-090	70.50	1483	9/2/2009	70.50		1
10645	Cosenlino, Bob & Matz, Nicole	104 Samantha Lane, Shohola, PA 18458	0802-091	70.50	1563	8/23/2009	70.50		1
10649	DeGroat, Samuel & Stacey	116 Samantha Lane, Shohola, PA 18458	0802-092	282.50					1
10650	Monz, Jeremy	118 Samantha Lane, Shohola, PA 18458	0802-093	70.50					1
10651	Estok, Shery	P.O. Box 1111, Milford, PA 18337	0802-094	70.50	761	8/17/2009	70.50		1
10653	Dechert, Donald	23 Boiling Springs Ave., East Rutherford, NJ 07073	0802-095	70.50	2403	8/12/2009	70.50		1
10654	Kibler, Donald & Linda	131 Twin Lakes Dr., Shohola, PA 18458	0802-096	70.50	786	8/14/2009	70.50		1
10659	Dapkins, Constance	113 Allyson Lane, Shohola, PA 18458	0802-097	70.50	1471	8/16/2009	70.50		1
10667	Fetter, Ed & McDermott, Christina	137 Ottawa Trail, Shohola, PA 18458	0802-098	70.50	2740	8/16/2009	70.50		1
10676	Germann, Tyler	118 Allyson Lane, Shohola, PA 18458	0802-099	141.00					1
10680	Kirk, John & Phyllis	121 Chippewa Rd., Shohola, PA 18458	0802-100	141.00	312	8/18/2009	70.50		1
10701	Ferraro, Michelle	112 Ottawa Trail, Shohola, PA 18458 (mail unclaimed)	0802-101	141.00					1
10710	Simons, Patricia	19 Gadney Pl., White Plains, NY 10605	0802-102	70.50					1
10715	Weissleder, John & Louise	63 Hamlin Rd., Mahopac, NY 10541	0802-103	70.50	210	9/3/2009	70.50		1
10716	DeSandis, Ada (Cortes)	119 John Lane, Shohola, PA 18458	0802-104	70.50	624	8/14/2009	70.50		1
10723	Miller, Arthur and Helen	110 Ottawa Trail, Shohola, PA 18458	0802-105	70.50	831	9/1/2009	70.50		1
10725	Rogers, Michael & Christa	P.O. Box 955, Milford, PA 18337	0802-106	70.50	4564	8/15/2009	70.50		1
10735	Schindler, Harold	used to be 113 Twin Lakes Dr., Shohola, PA 18458	? Returned						1
10743	King, Wayne	103 Cherokee Rd., Shohola, PA 18458	0802-109	1,004.57					1 lives at his address
10745	Zientek, Tracy	115 Dylan Lane, Shohola, PA 18458	0802-110	141.00	5316	8/31/2009	70.50		1
10747	Ortiz, Emilio	120 Twin Lakes Dr., Shohola, PA 18458	0802-111	282.00					1
10749	Marzoni, Nadeen & Michael	117 Allyson Lane, Shohola, PA 18458	0802-112	597.50					1
10750	Mishiyev, Daniel	113 John Lane, Shohola, PA 18458	0802-113	399.50					1
10751	Baird, Nathaniel	180 Twin Lakes Dr., Shohola, PA 18458	0802-114	70.50					1

SCHEDULE 1.1 (b)

40753	Lordi, Chris	112 Samantha Lane, Shohola, PA 18458	0802-115	70.50	18153732	8/28/2009	70.50	1	
40755	Paciullo, Joseph	56 Danbury St., Bay Shore, NY 11706-5818	0802-116	70.50	1326	8/13/2009	70.50	1	
40757	Quill, Shane	170 Twin Lakes Dr., Shohola, PA 18458	0802-117	483.50	bankruptcy				
40759	Garcia, Sai & Robin	104 Beach Pl., Shohola, PA	0802-118	493.50				1	lives at this address
40760	Edwards, Shania	110 Alyson Lane, Shohola, PA 18458	0802-119	483.50	Mail Returned			1	lives at this address
								109	customer count
			Amount Billed	19,275.58			5,279.75		
			Amount Collected	5,279.75	by Nick				
			Escrow	5,074.55	untill confirmed as residents and on payment plan				
			Total Write - Offs	1,510.53					
			Net A/R's	7,410.75					
			August 1 - October 31st	7,050.00	A/R for billing period				
			Total A/R's	14,460.75					

0802-115 0802-116 0802-117 0802-118 0802-119
 18153732 1326
 8/28/2009 8/13/2009
 70.50 70.50
 1 1
 483.50 493.50 483.50
 bankruptcy
 1 lives at this address
 1 lives at this address
 109 customer count
 19,275.58 5,279.75
 5,279.75 by Nick
 5,074.55 untill confirmed as residents and on payment plan
 1,510.53
 7,410.75
 7,050.00 A/R for billing period
 14,460.75

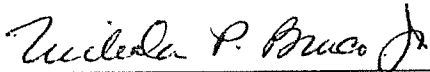
BILL OF SALE

For value received, TWIN LAKES WATER SERVICES, LLC, a New Jersey limited liability company ("Transferor"), does hereby sell, transfer and convey to TWIN LAKES UTILITIES, INC., a Pennsylvania corporation ("Transferee"), pursuant to the Asset Purchase Agreement dated as of November 3, 2009 between Transferor and Transferee (the "Purchase Agreement") all of Transferor's right, title and interest in and to the Company Assets(as such term is defined in the Purchase Agreement).

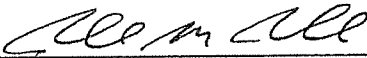
This Bill of Sale is given pursuant to the Purchase Agreement and is subject to the representations, warranties, and covenants of the parties contained therein. Except as expressly stated in the Purchase Agreement, Transferor makes no representations and warranties, express or implied, with respect to the Purchased Assets.

IN WITNESS WHEREOF, the undersigned have each executed and delivered this Bill of Sale as of the 3rd day of November, 2009.

TWIN LAKES WATER SERVICES, LLC

By: 
Nicholas P. Braco, Jr.
Managing Member

TWIN LAKES UTILITIES, INC.

By: 
Richard M. Risoldi
President

OPTION AND SALE AGREEMENT

AGREEMENT made this day November 3, 2009, by and between: TWIN LAKES UTILITIES, INC. ("OPTIONOR"), and Nicholas P. Braco, Jr. ("OPTIONEE").

WITNESSETH:

WHEREAS, Optionor is the owner of certain unimproved real property premises commonly known as Block No. 1, Lot 1, Account No./Control # 12-0-109553 in the Tax Map of the Township of Shohola, Pike County, Pennsylvania, consisting of approximately 1.15 acres (the "Property") and more particularly described on Exhibit A attached hereto and made a part hereof, having acquired the same by deed from Optionee dated the date hereof; and

WHEREAS, Optionee desires to enter into an option to purchase a portion of the Property from Optionor to be defined and determined as set forth below (the "Premises") in accordance with the terms and conditions hereof, provided that Optionee can obtain necessary governmental approvals to subdivide the Property and develop the portion thereof to be conveyed to Optionee with a single family residence; and

WHEREAS, Optionor is willing to grant the Option provided that any proposed subdivision and development of the Premises does not adversely affect the ability of Optionor to construct, maintain and operate the public water supply system located on and adjacent to the Property; and

WHEREAS, the parties hereto intend to be bound by the provisions of this Agreement and set forth their entire mutual understanding with respect to the terms of the option and the potential sale as contemplated herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows:

1. *GRANT OF OPTION.* Optionor does hereby grant to Optionee the sole and exclusive option to purchase the Premises. The Premises shall be defined and described by agreement of the parties as set forth below, and shall in no event include the existing well, pump house or areas within 100 feet of either structure. The area of the Property reserved to Optionor following subdivision shall have pedestrian and vehicular access to a public street and shall be satisfactory to Optionor, in its sole discretion, for the construction, maintenance and operation by Optionor of the public water supply system located on and adjacent to the Property. Optionee shall obtain, at Optionee's expense, an engineer's subdivision plan depicting the proposed subdivision line of the Premises and depicting each of the Premises and remaining part of the Property by metes and bounds. The proposed subdivision plan shall be subject to Optionor's approval.

2. *PURCHASE PRICE.* The purchase price to be paid by Optionee to Optionor for purchase of the Premises shall be One Hundred Dollars (\$100.00), payable in full at closing.

3. *TERM OF OPTION.* The term of this option shall commence on the date hereof and shall terminate on November 3, 2011, unless exercised by Optionee.

4. *CONSIDERATION FOR OPTION.* This Option has been granted by Optionor for and in consideration of the conveyance of the Property by Optionee to Optionor and for other good and valuable consideration, receipt of which is hereby acknowledged.

5. *EXERCISE OF OPTION.* At any time prior to the expiration of the option period(s), Optionee shall have the right to exercise its option to purchase the Premises; Optionee shall exercise its option by giving written notice to that effect to Optionor. In that event, closing of title shall take place not more than thirty (30) days after the Approvals are obtained in satisfaction of the condition set forth in Section 6.

6. *APPROVAL CONTINGENCY, OPTIONEE'S OBLIGATIONS.* The obligation of the Optionor to close title shall be subject to satisfaction of the condition that Optionee, at its own cost and expense, obtain all requisite governmental (federal, state, county, and local) approvals and permits in form and substance reasonably satisfactory to the Optionor, including, without limitation, preliminary and final site plan approval, any necessary relief by way of variances (any variances sought being subject to the limitations set forth below), final subdivision approval, sewer extension permits, sewer connection permits, utility connection permits, road opening permits and curb cut permits needed to enable Optionee to subdivide the Property and construct on the Premises a single family residence (hereinafter "Approvals" and "Contemplated Use"). The Optionee shall be responsible for obtaining, and paying any and all costs associated with obtaining, all Approvals. Optionor shall cooperate with the Optionee in executing any land use application or authorizations necessary for the Optionee to obtain the appropriate governmental approves. The Optionee or its engineer shall provide the Optionor with a complete copy of all filed applications and any subsequent amendments thereto within five (5) days of filing the application or amendment. In addition, the Optionee shall provide Optionor with timely notification of any board meetings at which the Optionee's application may be considered. In the event the Optionee is unable to obtain the Approvals within eighteen (18) months after the date of exercise of this Option, then the Optionor shall have the option of canceling this contract by written notice thereof to Optionor..

7. *OPTIONOR'S OBLIGATIONS.* Optionor represents, covenants and agrees that it shall abide by each and every provision hereinafter, and, as applicable, represents that each and every statement hereinafter is true as of the date hereof and shall remain true throughout the term of the option:

(a) Optionor shall not sell or offer to sell or in any way dispose of the Premises.

(b) Optionor shall execute any and all documents reasonably necessary to enable Optionee to proceed with any application or litigation in connection with the rezoning of the Premises, provided, however, that all such documents shall be prepared by Optionee at Optionee's expense, shall contain only accurate statements and the cost of all such proceedings shall be borne by Optionee.

(c) Optionor represents that no person, firm or other entity has any right or option to acquire the Premises, or any portion thereof, or any interest therein.

8. *ENTRY ONTO THE PREMISES.* During the term of this Option and Sale Agreement, before and after the exercise of the option given hereunder, Optionee, its assigns, designees, nominees, agents and servants shall have the right to enter upon the Premises for the purpose of conducting such engineering tests, studies, surveys and other procedures as it shall deem necessary. Optionee agrees to indemnify and save Optionor harmless from and against any and all claims, demands, charges, expenses or judgments with respect to any personal injury, property damage or other liability which Optionor may incur arising out of such entry and activity by Optionee, including reasonable attorneys' fees. Optionor shall restore the Premises to their condition prior to such entry. The provisions of this Paragraph 8 shall survive the termination or closing hereunder, except that if Optionee exercises the option and purchases the Premises, it shall have no obligation to restore the Premises if it had not theretofore restored the Premises as above provided.

9. *CONSEQUENCES OF FAILURE TO EXERCISE OPTION OR TERMINATION OF OPTION.* If Optionee has not exercised its option to purchase the Premises prior to the expiration of the option period, TIME BEING OF THE ESSENCE, then this Option and Sale Agreement shall terminate. In that event, Optionee shall have no further rights under this Option and Sale Agreement. In such event, neither Optionor nor Optionee shall have any further liability to the other, except that Optionee shall execute any and all documents necessary to signify of record the termination of this Option and Sale Agreement.

10. *NO RECORDING OF OPTION AND SALE AGREEMENT OR A MEMORANDUM THEREOF.* Optionor and Optionee agree that neither this Option and Sale Agreement nor any memorandum thereof may be recorded by Optionee, in the land records of the County wherein the Premises are located. If this Option and Sale Agreement is recorded, then by its recordation hereof the parties hereto agree that this Option and Sale Agreement shall thereupon be null and void and of no force and effect.

11. *TERMS AND PROVISIONS OF THE AGREEMENT OF SALE.* The parties hereto agree that if and when Optionee exercises its option to purchase, the following terms and conditions shall apply.

(a) Property taxes shall be prorated through the date of Closing, with the date of Closing being an item of expense to Optionee;

(b) At Closing, Optionor shall convey to Optionee good and marketable title to the Premises, free and clear of mortgages and monetary encumbrances; and

(c) Optionee shall furnish to Optionor prior to Closing, such documents and proofs as are necessary in the judgment of Optionor and its counsel, to establish that the Approvals have been obtained and the conditions in Section 6 have been satisfied.

12. *MISCELLANEOUS PROVISIONS.* The parties hereto agree that the provisions of this paragraph shall apply to this entire Option and Sale Agreement and shall continue to apply if and when Optionee exercises its option as if the following provisions were incorporated in Paragraph 12 hereof.

A. *HEADINGS.* The article headings contained in this Option and Sale Agreement are for reference only for the convenience of the parties. They shall not be deemed to constitute a part of this Option and Sale Agreement nor shall they alter or supersede the contents of the articles themselves.

B. *GOVERNING LAW.* This Option and Sale Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to agreements made and to be performed wholly within the State of New Jersey.

C. *NOTICES.* Any notice required, permitted or appropriate hereunder shall be served upon the respective parties by certified mail, return receipt requested, as follows:

If to the Optionor:

Twin Lakes Utilities, Inc.
c/o Middlesex Water Company
1500 Ronson Road
P.O. Box 1500
Iselin, New Jersey 08830
Attn: Richard M. Risoldi
V ice President Subsidiary Operations

With a copy to

Kenneth J. Quinn
Vice President and General Counsel

If to the Optionee::

Nicholas P. Braco, Jr.
23 Sutton Road
Lebanon, New Jersey 08833
Attention: Nicholas Braco

With a copy to:

Douglas R. Henshaw, Esq.
Porzio, Bromberg & Newman P.C.
100 Southgate Parkway
PO Box 1997
Morristown, NJ 07962

D. *ASSIGNMENT AND SALE.* This Agreement is personal to Optionee and shall be non assignable, except to another legal entity entirely owned by Nicholas P. Braco, Jr. . For purposes hereof, a merger or consolidation of Optionee with one or more legal entities, or a change in voting control of Optionee such that Nicholas P. Braco, Jr. is not the sole member of Optionee, shall be deemed an assignment hereof.

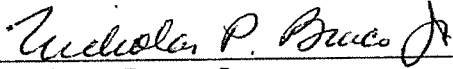
E. *EFFECT OF AGREEMENT.* This Option and Sale Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns.

F. *ENTIRE AGREEMENT.* This Option and Sale Agreement represents the entire agreement and understanding between the parties hereto and no oral representations or promises have been made with respect thereto.

G. *MODIFICATION OF AGREEMENT.* This Option and Sale Agreement may not be altered or modified orally, except by written agreement executed by the parties hereto.


H. *COUNTERPARTS.* This Option and Sale Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals and caused this Option and Sale Agreement to be executed the day and year first above written.



Nicholas P. Braco, Jr.

TWIN LAKES UTILITIES, INC.

By: 

Richard M. Risoldi
President

CLOSING STATEMENT

Reference is made to the Asset Purchase Agreement dated the date hereof between Twin Lakes Utilities, Inc. ("Purchaser") and Twin Lakes Water Services, LLC ("Seller"). The parties acknowledge and confirm the closing figures and sources of uses of funds set forth below:

I. Seller Transaction

Due to Seller:

Base Purchase Price	\$ 35,000.00
Equipment Reimbursement	28,450.00
Accounts Receivable Payment	7,410.75
Unbilled Revenue Payment	7,050.75

Payments to or on behalf of Seller

Satisfaction of Mortgage	\$30,000.00	
Dennis Corcoran (Seller Contractor)	23,000.00	
NJ Division of Taxation Escrow	3,726.62	
Shohola Twp. 2009 Co/Twp. Tax	66.31	
Shohola Twp. 2008-2009 School Tax	286.83	
Shohola Twp.2009-2010 School Tax	226.96	
Recording Fees	55.00	
County Stamp Tax	350.00	
Proceeds to Seller	<u>20,199.98</u>	
	<u>\$77,911.50</u>	<u>\$77,911.50</u>

II. Sources and Uses Statement

	<u>Uses</u>	<u>Sources</u>
Purchaser Funds		\$83,000.00
Susan Rogers (Mortgage Discharge)	\$30,000.00	
Dennis Corcoran	23,000.00	
NMM - NJ Bulk Transfer Escrow	3,726.62	
Brokers Abstract and Insurance Co	2,267.59	
Twin Lakes Water Services LLC	20,199.98	
Middlesex Water Company	<u>3,805.81</u>	
	<u>\$83,000.00</u>	<u>\$83,000.00</u>

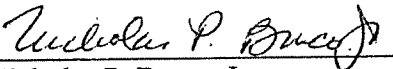
III. Title Company Charges and Payments

Title Insurance Premiums	\$ 456.25
Recording Fees	150.00
Transfer Taxes	700.00
Closing Fee	225.00
Shohola Twp. 2009 Co/Twp. Tax	75.81
Shohola Twp. 2008-2009 School Tax	433.57
Shohola Twp.2009-2010 School Tax	<u>226.96</u>
	<u>\$2,267.59</u>

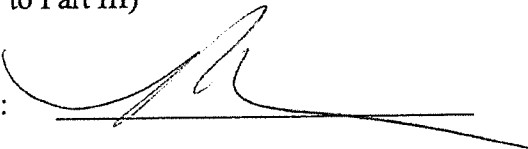
TWIN LAKES UTILITIES, INC.

By: 
Rich Risoldi, President

TWIN LAKES WATER SERVICES, LLC.

By: 
Nicholas P. Braco, Jr.
Member

BROKERS ABSTRACT AND SEARCH COMPANY
(as to Part III)

By: 

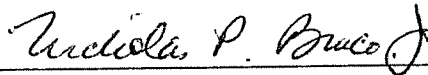
TWIN LAKES WATER SERVICES, LLC

MEMBER'S CERTIFICATE

The undersigned, the sole member of TWIN LAKES WATER SERVICES, LLC, a New Jersey limited liability company ("Company"), does hereby certify to TWIN LAKES UTILITIES, INC., a Pennsylvania corporation ("Purchaser"), pursuant to the Asset Purchase Agreement dated as of November 3, 2009 between the Company and the Purchaser (the "Purchase Agreement") as follows:

1. Nicholas P. Braco, Jr. is the sole member and manager of the Company.
2. The Company is authorized to enter into and perform its obligations under the Purchase Agreement.
3. Nicholas P. Braco, Jr. is authorized to execute and deliver on behalf of the Company the Purchase Agreement, and deeds, bills of sale, assignments, and other agreements, instruments and documents, and to do such other acts or things, which may be necessary and desirable to carry out the Purchase Agreement and the transactions contemplated thereby.

IN WITNESS WHEREOF, the undersigned have each executed and delivered this Bill of Sale as of the 3rd day of November, 2009.



Nicholas P. Braco, Jr.

TWIN LAKES UTILITIES, INC.

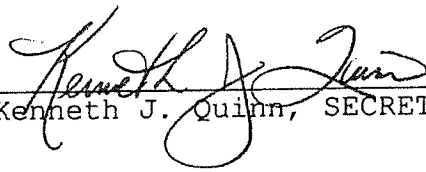
SECRETARY'S CERTIFICATE

The undersigned, Secretary of TWIN LAKES UTILITIES, INC., a Pennsylvania corporation (the "Company"), in connection with the Company's execution and delivery of the Asset Purchase Agreement dated the date hereof (the "Agreement") by and between the Company and Twin Lakes Water Services, LLC (the "Purchaser") does hereby certify to the Lender that:

- (A) Attached hereto as Exhibit A is a true and correct copy of resolutions (the "Resolutions") duly adopted by the Board of Directors of the Company approving the transactions contemplated by the Agreement, which Resolutions have not been modified or rescinded since their adoption, are in full force and effect as of the date hereof, and were adopted in accordance with the Articles of Incorporation and the Bylaws of the Company as in effect at such time; and
- (B) The following are the duly elected, qualified and acting officers of the Company, and that the signatures set forth opposite their respective names below are the true signatures of said officers.

<u>NAME</u>	<u>OFFICE</u>
RICHARD RISOLDI	PRESIDENT
A. BRUCE O'CONNOR	VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
KENNETH J. QUINN	SECRETARY

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of November 3, 2009.


Kenneth J. Quinn, SECRETARY

The undersigned, President of the Company, certifies that Kenneth J. Quinn is the duly elected, qualified and acting Secretary of the Company and that the signature set forth immediately above is his genuine signature.

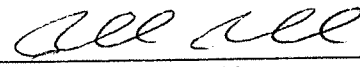

Richard Risoldi

EXHIBIT A

Board Resolutions

Adopted by unanimous vote at a meeting duly called and held on October 30, 2009.

RESOLVED, that the Company is authorized to purchase substantially all of the business assets of TWIN LAKES WATER SERVICES LLC ("Seller") upon the terms and conditions set forth in the draft of the Asset Purchase Agreement by and between the Company and the Seller in the form attached hereto as Exhibit A (the "Purchase Agreement"), with such changes and additions as the officer authorized below may deem appropriate; and be it further

RESOLVED, in connection with the transactions contemplated by the Purchase Agreement, the Company is authorized to enter into an Option and Sale Agreement by and between the Company and Nicholas P. Braco, Jr., the sole member of the Seller in the form attached hereto as Exhibit B (the "Option Agreement") with such changes and additions as the officer authorized below may deem appropriate; and be it further

RESOLVED, that that Richard Risoldi, in his capacity as President of the Company, and Kenneth J. Quinn, in his capacity as Secretary of the Company be and they hereby are, authorized to execute, acknowledge and deliver on behalf of the Company the Purchase Agreement, the Option Agreement and all agreements, certificates, documents and other instruments, and to do such other acts and things, as are called for under the Purchase Agreement and the Option Agreement, and which otherwise are necessary or desirable to effectuate the transactions described in the immediately preceding paragraphs, and his execution of such documents shall constitute conclusive evidence of his or her authority to do so.

Exhibit A - Form of Asset Purchase Agreement
Exhibit B - Form of Option and Sale Agreement

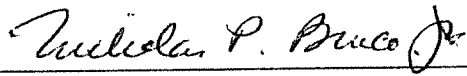
CERTIFIED ACCOUNTS RECEIVABLE LIST

For value received, TWIN LAKES WATER SERVICES, LLC, a New Jersey limited liability company ("Transferor"), does hereby certify to TWIN LAKES UTILITIES, INC., a Pennsylvania corporation ("Transferee"), pursuant to the Asset Purchase Agreement dated as of November 3, 2009 between Transferor and Transferee (the "Purchase Agreement") that attached hereto is a list of the Transferor's Accounts Receivable and the outstanding balances thereof as of the date hereof, and that the list represents a true and accurate statement of the uncollected balances due to the Transferor from customers for the provision of water service.

The last billing by Transferor to its customers was for the three months ended July 31, 2009.

IN WITNESS WHEREOF, the undersigned have each executed and delivered this Bill of Sale as of the 3rd day of November, 2009.

TWIN LAKES WATER SERVICES, LLC

By: 
Nicholas P. Braco, Jr.
Managing Member

SCHEDULE 1.1 (b)

Acct #	Name/Address	Inv #	Amount Billed	Check #	Check Date	Amn't Rec'd	
0110	Champy, AJ & Miriam 100 Beach Pl., Shohola, PA 18458	0802-001	70.50	4461	8/14/2009	70.50	1
0117	Weldon, Beverly A. P.O. Box 193, Andover, NJ 07821	7 returned	1017.03	mar returned			
0118	Brown, Timothy & Lisa 101 Rock Pl., Shohola, PA 18458	0802-003	70.50	5343	9/25/2009	70.50	1
0120	Huber, Dorothy 105 Rock Pl., Shohola, PA 18458	pd in adv	0.00				
0123	Figueroa, Andres 104 Rock Pl., Shohola, PA 18458	0802-005	535.81				1 lives at this address
0124	Cestare, Suzanne 182 Twin Lakes Dr., Shohola, PA 18458	0802-006	70.50	696	9/3/2009	58.25	1
0126	Berger, Walter 2683 Waterbury ave., Bronx, NY 10461-5828	0802-007	70.50				1
0127	Malone, Pat 106 Pinehurst Ave., Apt A-21, New York, NY 10033	0802-008	352.50				1
0128	DeFrancesco, Pat 115 Josephine Lane, Shohola, PA 18458	0802-009	352.50				1
0129	Ross, Tim & Kellie 113 Josephine Lane, Shohola, PA 18458	0802-010	120.50	172	10/7/2009	100.00	1
0130	Soggs, Faith 111 Josephine Lane, Shohola, PA 18458	0802-011	141.00	1170	7/26/2009	70.50	1
0131	Kimball, Erica can't find	7 returned					
0136	Matrecano, Ciro & Felicia, 12 Wilson St., Staten Island, NY 10304-4220	0802-012	141.00	1566	8/25/2009	141.00	1
0139	Donald Partyka 530 Grand St., Apt #E5B, New York, NY 10002	0802-014	70.50	124	8/13/2009	70.50	1
0142	Ryan, Paul 5 Summit Ave., Bloomfield, NJ 07003-3942	0802-015	70.50	21204367	8/15/2009	70.50	1
0144	Burke, Lisa 117 Susan Lane, Shohola, PA 18458	0802-016	352.50				1
0146	Cavello, Anthony & Ami 134 West 58th St., New York, NY 10019	0802-017	70.50	2275	8/10/2009	70.50	1
0150	DeBlock, Mark & Theresa Sano 107 Susan Lane, Shohola, PA 18458	0802-018	70.50	1940	8/13/2009	70.50	1
0151	Vitchers, Charles 103 Susan Lane, Shohola, PA 18458	0802-019	282.00			282.00	1
0160	Kelly, Elizabeth 12 Woodrow Dr., Yonkers, NY 10710-1912	0802-020	70.50	2903	8/15/2009	70.50	1
0161	Wheatley, Thomas 1487 Franklin Rd., Langhorne, PA 19047-2318	0802-021	66.00	6908	8/10/2009	66.00	1
0169	Hopkins, Jim & Jayne 115 Beach Rd., Shohola, PA 18458	0802-022	70.50	1719	8/12/2009	70.50	1
0181	Lopez, Robert, 200 West Harford #791, Milford, PA 18337	0802-023	141.00	pmo	8/31/2009	70.50	1
201	Ogden, Louis 8 Grand Ave., Middletown, NY 10940	0802-024	70.50	642	8/11/2009	70.50	1
202	Curry, Phyllis P.O. Box 672, Milford, PA 18337	0802-025	70.50	3252	8/24/2009	70.50	1
214	Donohoe, Kathlene, Peter, & Sean	not billed	consultant			0.00	1
215	DiMarzio, Joan & Erica can't find	7 returned					
216	Holdorff, William & Judith 108 Sagamore Rd., Shohola, PA 18458	0802-028	70.50	2048	8/10/2009	70.50	1
217	Hersca, John & Donna 110 Sagamore Rd., Shohola, PA 18458	0802-029	70.50	1700	8/11/2009	70.50	1
220	Hulme, Arthur 56 5th St., Saddle Brook, NJ 07663	0802-030	70.50	730	8/10/2009	70.50	1
222	Miller, Frederick & Christine 118 Sagamore Rd., Shohola, PA 18458	0802-031	282.50				1
226	Heekin, John & Janet 300 E. 74th St., Apt 3B, New York, NY 10021-3713	0802-032	70.50	2490	8/13/2009	70.50	1
236	Cespino, Monica 34 Pendleton Pl., Staten Island, NY 10301	0802-033	282.00				1
238	Lombardo, Richard 305 E. 76th St., Apt J, New York, NY 10021	0802-034	141.00	1231	8/15/2009	141.00	1
240	Stalsinger, Steven 245 E. 19th St., Apt 12B, New York, NY 10003	0802-035	70.50				1
242	Gannon, Jean account closed- on private well	0802-036	70.50	1075	8/22/2009	70.50	1
245	Cooney, Edward P.O. Box 690, Milford, PA 18337	0802-037	70.50	827	8/11/2009	70.50	1
259	Smith, Charlotte P.O. Box 103, Milford, PA 18337	0802-038	70.50	1121	8/11/2009	70.50	1
271	Ziiber, Andrew 110 Twin Lakes Dr., Shohola, PA 18458	0802-039	70.50	874	8/11/2009	70.50	1
275	Egan, John & Donna 172 Twin Lakes Dr., Shohola, PA 18458	0802-040	141.00				1
28	Daddario, Michele & Charlene P.O. Box 808, Milford, PA 18337	0802-041	352.50				1
45	Florea, Cosmin & Fenin, Desiree P.O. Box 615, Milford, PA 18337	0802-042	352.50				1
66	Shay, Stephen T. 112 Twin Lakes Dr., Shohola, PA 18458	0802-043	70.50	3479	8/8/2009	70.50	1
68	Graham, Harry & Diane 116 Twin Lakes Dr., Shohola, PA 18458	0802-044	70.50	2528	8/10/2009	70.50	1
69	Carco, John & Joan 118 Twin Lakes Dr., Shohola, PA 18458	0802-045	70.50	3462	8/15/2009	70.50	1
72	Dedes, Kellyann 124 Twin Lakes Dr., Shohola, PA 18458	0802-046	70.50	18014173	8/13/2009	70.50	1
73	Newmark, Michael & Cheryl, 502 West Harford St., Milford, PA 18337	0802-047	70.50	4154	8/25/2009	70.50	1
74	Upright, Elaine 130 Twin Lakes Dr., Shohola, PA 18458	0802-048	171.50	1088	8/18/2009	70.50	1
75	Joyce, Neil P.O. Box 1507, Milford, PA 18337	0802-049	70.50	2706	8/29/2009	70.50	1
76	Beals, Thomas 344 Dongan Hills Ave., Staten Island, NY 10305	0802-050	141.00	774	8/9/2009	141.00	1
31	Vencill, Joe 146 Twin Lakes Dr., Shohola, PA 18458	0802-051	141.00	1432	8/19/2009	70.50	1
33	Chasin, Steven & Judith 150 Twin Lakes Dr., Shohola, PA 18458	0802-052	70.50	5775	8/19/2009	70.50	1
35	Moore, Edward & Laura 154 Twin Lakes Dr., Shohola, PA 18458	0802-053	70.50	3711	7/28/2009	70.50	1
01	Conli, Victoria 303 E. 8th St., New York, NY 11216-4205	0802-054	140.50				1
2	LaChance, Cathy 104 Josephine Lane, Shohola, PA 18458	0802-055	141.00				1

SCHEDULE 1.1 (b)

0504	Charles, Eric	112 Josephine Lane, Shohola, PA 18458	0802-056	141.00					1	
0506	Unknown Occupant	116 Josephine Lane, Shohola, PA 18458	moved							
0507	Ciuffrenda, Anthony	75 West Hill Rd., Colonia, NJ 07067	0802-058	70.50					1	
0515	Driscoll, Dan	100 Dylan Lane, Shohola, PA 18458	0802-059	281.00					1	
0517	Vick, Jim & Diane	156 Hillview Dr., Shohola, PA 18458	0802-060	70.50	2154361577	8/15/2009	70.50		1	
0525	Schlegel, Barry	129 N. Hillview Dr., Shohola, PA 18458	0802-061	281.50					1	
0530	Pfeiffer, Virginia	424 West 22nd St., Apt 4, New York, NY 10011-2566	0802-063	70.50	3356	8/25/2009	70.50		1	
0531	DiLorenzo, Paul	101 Kyra Lane, Shohola, PA 18458	0802-064	70.50	1188	9/1/2009	70.50		1	
0532	Reape, Donald & Ella	49 Powers Rd., Hollis, NH 03049	0802-065	281.00					1	
0533	Babcock, Sean	102 Kyra Lane, Shohola, PA 18458	0802-066	492.50					1	lives at this address
0535	Weber, John	297 Liberty St., Apt 108, Little Ferry, NJ 07643	0802-067	70.50	5049	8/15/2009	70.50		1	
0542	Koehler, Tami & Arthur	317 Water St., Milford, PA 18337	0802-068	141.00					1	
0546	Taylor, Helen R.	account closed - private well	0802-069	50.00	429	8/14/2009	50.00			
0552	Bailey, Sharon	519 Log Tavern Rd., Milford, PA 18337	0802-070	141.00	105	8/8/2009	70.50		1	
0560	Fetter, Ed & McDermott, Christina	137 Ottawa Trail, Shohola, PA 18458	0802-071	70.50	2740	8/16/2009	70.50		1	
0562	Ferrara, Peter M.	118 Cheyenne Rd., Shohola, PA 18458	0802-072	70.50	3204	8/13/2009	70.50		1	
0567	Riker, Mary	119 Brooke Lane, Shohola, PA 18458	0802-073	211.50					1	
0568	Troyan, John	115 Brooke Lane, Shohola, PA 18458	0802-073	282.00	170	8/25/2009	282.00		1	
0569	Thiele, John	113 Brooke Lane, Shohola, PA 18458	0802-074	282.00					1	
0573	Beals, Harry	103 Brooke Lane, Shohola, PA 18458	0802-075	70.50	2377	8/17/2009	70.50		1	
0575	Beals, Marie	100 Brooke Lane, Shohola, PA 18458	0802-076	70.50	1115	8/16/2009	70.50		1	
0576	Guensch, Fred	102 Brooke Lane, Shohola, PA 18458	0802-077	822.67					1	lives at this address
0577	Seibert, Elaine G.	608B Lake Point Dr., Lakewood, NJ 08701	0802-079	70.50	2819	8/26/2009	70.50		1	
0580	Jeffrey, Robert F. & Teresa	114 Brooke Lane, Shohola, PA 18458	0802-080	70.50	3358	8/11/2009	70.50		1	
0607	Rocklin, Stephen & Margaret	can't find	? returned						1	
0610	Decker, Edward & Stephanie	145 Twin Lakes Dr., Shohola, PA 18458	0802-082	252.50					1	
0611	Kashimba, Frank & Shuko	111 Shawnee Rd., Shohola, PA 18458	0802-083	70.50	750	8/12/2009	70.50		1	
0616	Zabriskie, Glen & Watkins, Karen A.	109 Shawnee Rd., Shohola, PA 18458	0802-084	211.50					1	
0617	Watkins, Richard & Helen	110 Shawnee Rd., Shohola, PA 18458	0802-085	282.00					1	
0621	Deilert, Charles	P.O. Box 710, Milford, PA 18337	0802-086	141.00					1	
0626	Kazmierczak, John & Heidi	114 Shawnee Rd., Shohola, PA 18458	0802-087	141.00					1	
0633	Deehan, Marilyn Davis	119 Samantha Lane, Shohola, PA 18458	0802-088	352.50					1	
0635	Perez, Frank	307 Pine Run Rd., Milford, PA 18337	0802-089	70.50					1	
0642	Geng, Joanne	128 Ottawa Trail, Shohola, PA 18458	0802-090	70.50	1483	9/2/2009	70.50		1	
0645	Cosenlino, Bob & Matz, Nicole	104 Samantha Lane, Shohola, PA 18458	0802-091	70.50	1563	8/23/2009	70.50		1	
0649	DeGroat, Samuel & Stacey	116 Samantha Lane, Shohola, PA 18458	0802-092	282.50					1	
0650	Monz, Jeremy	118 Samantha Lane, Shohola, PA 18458	0802-093	70.50					1	
0651	Estok, Sherry	P.O. Box 1111, Milford, PA 18337	0802-094	70.50	761	8/17/2009	70.50		1	
0653	Dechert, Donald	23 Boiling Springs Ave., East Rutherford, NJ 07073	0802-095	70.50	2403	8/12/2009	70.50		1	
0654	Kibler, Donald & Linda	131 Twin Lakes Dr., Shohola, PA 18458	0802-096	70.50	786	8/14/2009	70.50		1	
0659	Dapkins, Constance	113 Allyson Lane, Shohola, PA 18458	0802-097	70.50	1471	8/16/2009	70.50		1	
0667	Fetter, Ed & McDermott, Christina	137 Ottawa Trail, Shohola, PA 18458	0802-098	70.50	2740	8/16/2009	70.50		1	
0676	Germann, Tyler	118 Allyson Lane, Shohola, PA 18458	0802-099	141.00					1	
0680	Kirk, John & Phyllis	121 Chippewa Rd., Shohola, PA 18458	0802-100	141.00	312	8/18/2009	70.50		1	
0601	Ferraro, Michelle	112 Ottawa Trail, Shohola, PA 18458 (mail unclaimed)	0802-101	141.00					1	
0610	Simons, Patricia	19 Gedney Pl., White Plains, NY 10605	0802-102	70.50					1	
0615	Weissleder, John & Louise	63 Hamlin Rd., Mahopac, NY 10541	0802-103	70.50	210	9/3/2009	70.50		1	
0616	DeSantis, Ada (Cortes)	119 John Lane, Shohola, PA 18458	0802-104	70.50	824	8/14/2009	70.50		1	
0623	Miller, Arthur and Helen	110 Ottawa Trail, Shohola, PA 18458	0802-105	70.50	831	9/1/2009	70.50		1	
0625	Rogers, Michael & Christa	P.O. Box 955, Milford, PA 18337	0802-106	70.50	4564	8/15/2009	70.50		1	
0635	Schindler, Harold	used to be 113 Twin Lakes Dr., Shohola, PA 18458	? Returned							
0643	King, Wayne	103 Cherokee Rd., Shohola, PA 18458	0802-109	1,004.57					1	lives at this address
0645	Zientek, Tracy	115 Dylan Lane, Shohola, PA 18458	0802-110	141.00	5316	8/31/2009	70.50		1	
0647	Ortiz, Emilio	120 Twin Lakes Dr., Shohola, PA 18458	0802-111	282.00					1	
0649	Marizoni, Nadeen & Michael	117 Allyson Lane, Shohola, PA 18458	0802-112	597.50					1	
0650	Mishiyev, Daniel	113 John Lane, Shohola, PA 18458	0802-113	399.50					1	
0651	Baird, Nathaniel	180 Twin Lakes Dr., Shohola, PA 18458	0802-114	70.50					1	

SCHEDULE 1.1 (b)

40753	Lordi, Chris	112 Samantha Lane, Shohola, PA 18458	0802-115	70.50	18153732	8/28/2009	70.50	1		
40755	Paciullo, Joseph	56 Danbury St., Bay Shore, NY 11706-5818	0802-116	70.50	1326	8/13/2009	70.50	1		
40757	Qual, Shane	1701 W. Lakes Dr., Shohola, PA 18458	0802-117	493.50	bankrupt					
40759	Garcia, Sai & Robin	104 Beach Dr., Shohola, PA	0802-118	493.50				1	lives at this address	
40760	Edwards, Shania	110 Alyson Lane, Shohola, PA 18458	0802-119	493.50	Mail Returned			1	lives at this address	
								109	customer count	
			Amount Billed	19,275.58			5,279.75			
			Amount Collected	5,279.75	by Nick					
			Escrow	5,074.55	until confirmed as residents and on payment plan					
			Total Write - Offs	1,510.53						
			Net A/R's	7,410.75						
			August 1 - October 31st	7,050.00	A/R for billing period					
			Total A/R's	14,460.75						

11/15/2009 10:00 AM

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC.
FOR A COMMISSION ORDER AUTHORIZING
THE ACQUISITION OF TWIN LAKES UTILITIES, INC.
BY A CAPABLE PUBLIC UTILITY PURSUANT TO
66 PA. C.S. §529

DOCKET NO. P-2020-3020914

SURREBUTTAL TESTIMONY

OF

A. BRUCE O'CONNOR

ON BEHALF OF
TWIN LAKES UTILITIES, INC.

DECEMBER 22, 2020

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. A. Bruce O'Connor, 485C Route One South, Iselin, New Jersey 08830.

3 Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY AND REBUTTAL
4 TESTIMONY IN THIS PROCEEDING?

5 A. Yes.

6 Q. HAVE YOU REVIEWED THE REBUTTAL TESTIMONIES FILED BY THE OTHER
7 PARTIES TO THIS PROCEEDING?

8 A. Yes.

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

10 A. The purpose of my surrebuttal testimony is to address the rebuttal testimonies filed by
11 Mr. William C. Packer and Mr. Stephen Clark on behalf of Aqua Pennsylvania, Inc.
12 ("Aqua") and, more specifically, to address Mr. Packer's and Mr. Clark's position that
13 the Commission should not order Aqua to acquire Twin Lakes Utilities, Inc. ("Twin
14 Lakes") pursuant to Section 529 of the Public Utility Code.

15 Q. CAN YOU SUMMARIZE THE POSITIONS OF MR. PACKER AND MR. CLARK
16 WITH RESPECT TO THE TWIN LAKES PETITION?

17 A. Yes. Mr. Packer and Mr. Clark state that the Commission should not order Aqua to
18 acquire the Twin Lakes system pursuant to Section 529. Mr. Packer and Mr. Clark go on
19 to state that any acquisition of the Twin Lakes system by Aqua should only be authorized
20 if Aqua and Twin Lakes voluntarily complete negotiations and Aqua files an application
21 with the Commission to acquire the Twin Lakes system.

22

1 Q. WHAT IS THE BASIS FOR MR. PACKER’S AND MR. CLARK’S POSITION THAT
2 THE COMMISSION SHOULD NOT REQUIRE AQUA TO ACQUIRE THE TWIN
3 LAKES SYSTEM PURSUANT TO SECTION 529?

4 A. Mr. Packer and Mr. Clark conclude that because, in their view, Middlesex Water
5 Company (“Middlesex”), the parent company of Twin Lakes, has the financial,
6 managerial and technical capability to operate the Twin Lakes system, Twin Lakes
7 therefore does not qualify for Section 529 relief.

8 Q. DO YOU AGREE WITH MR. PACKER’S AND MR. CLARK’S POSITION?

9 A. No, I do not. As I stated in my Rebuttal Testimony, Middlesex is not the correct entity to
10 evaluate with respect to Twin Lakes’ Petition for Section 529 relief. As has been stated
11 numerous times in testimony, discovery and earlier briefing, Middlesex is a New Jersey
12 corporation. It is incorporated in New Jersey. Its principal place of business is in New
13 Jersey. Middlesex is not a Pennsylvania corporation. It is not registered to do business in
14 the Commonwealth of Pennsylvania. It is not a jurisdictional utility in the
15 Commonwealth of Pennsylvania. It is my understanding, based on the advice of legal
16 counsel, that Middlesex is a foreign corporation to the Commonwealth of Pennsylvania
17 not subject to its jurisdiction. Middlesex therefore cannot serve as the entity to be
18 evaluated under Section 529 and any argument that Middlesex has the financial,
19 managerial and technical capability to operate the Twin Lakes system is therefore
20 irrelevant. Furthermore, based on this understanding, Middlesex has no legal or
21 regulatory responsibility to provide financial or operational support of any kind to Twin
22 Lakes.

1 Twin Lakes Utilities, Inc., a Pennsylvania corporation, is the title owner of the Twin
2 Lakes system, the jurisdictional utility in Pennsylvania subject to this Commission's
3 jurisdiction, and the only legitimate entity to be evaluated under Section 529 in this
4 proceeding.

5 Q. MR. PACKER AND MR. CLARK ACCUSE MIDDLESEX OF USING SECTION 529
6 TO IMPROPERLY FORCE AQUA TO PAY MORE THAN IT IS WILLING TO PAY
7 TO EXTRACT ADDITIONAL VALUE OUT OF A "FINANCIALLY POOR
8 PERFORMING SYSTEM." DO YOU AGREE WITH THIS ACCUSATION?

9 A. No, I do not. First, I will note that prior to December 21, 2020¹ I was not privy to any
10 information as to what price Aqua or any other capable public utility would or would not
11 be willing to pay to acquire the Twin Lakes system and to the best of my knowledge,
12 information and belief, no officer or employee of Twin Lakes or its affiliates were aware
13 prior to December 21, 2020 of a price Aqua or any other capable public utility would be
14 willing to pay to acquire the Twin Lakes system now or in the future. Any accusation that
15 Middlesex is somehow improperly plotting to force Aqua or any other capable public
16 utility to pay more than it is willing to pay for the Twin Lakes system is as baseless as it
17 is irrelevant. Middlesex is not the petitioner or a party in this Section 529 proceeding.
18 Twin Lakes is the jurisdictional utility in Pennsylvania serving the customers of
19 Sagamore Estates and therefore, the appropriate party seeking Section 529 relief in this
20 proceeding. The issue to be decided in this proceeding is whether Twin Lakes, on its own
21 merits, has met the elements for Section 529 relief.

¹ The parties to this proceeding held an initial settlement conference on December 21, 2020.

1 Second, with all due respect, since Mr. Packer and Mr. Clark are not attorneys, they are
2 not qualified to pass judgment on what constitutes a proper or improper use of Section
3 529. It is my understanding, based on the advice of legal counsel, that Section 529 does
4 not preclude small water utilities who are affiliated with a larger parent company from
5 seeking or obtaining Section 529 relief. It is also my understanding, based on the advice
6 of legal counsel, that Section 529 does not preclude the Commission from granting relief
7 to small water utilities solely because of who their corporate parent is or because of that
8 corporate parent's financial and operational capabilities, separate and apart from the
9 small water utility. Based on these understandings, Twin Lakes' petition seeking Section
10 529 relief in this case is proper.

11 Third, Mr. Packer and Mr. Clark are not officers or employees of Middlesex and
12 therefore, do not possess the standing to pass judgment on what Middlesex's motives
13 may or may not be relative to Twin Lakes' request for Section 529 relief. Middlesex is
14 under no legal or regulatory obligation to provide financial or operational support to
15 Twin Lakes now or in the future regardless of whether or not the Commission grants
16 Twin Lakes' petition for Section 529 relief. Middlesex's motives, whatever they may or
17 may not be, are irrelevant to this proceeding. Whether Twin Lakes on its own merits has
18 met the elements for Section 529 proceeding is the only relevant issue the Commission
19 must ultimately determine.

20 Finally, Mr. Packer's and Mr. Clark's speculation as to Middlesex completely ignores the
21 substantial record evidence already produced in this proceeding showing that Twin Lakes
22 has sought Section 529 relief not as a first resort and not as a vehicle to somehow extract
23 "additional value" out of a capable public utility, but as an absolute last resort after all

1 numerous options – including the very voluntary arms-length negotiations that Mr.
2 Packer and Mr. Clark are now calling for in their rebuttal testimonies, and that included
3 prior negotiations with Aqua – were explored, attempted and exhausted.

4 Q. MR. PACKER RECOMMENDS ON PAGES 7 AND 8 OF HIS REBUTTAL
5 TESTIMONY THAT IF THE COMMISSION WERE TO ORDER AQUA TO
6 ACQUIRE THE TWIN LAKES SYSTEM UNDER SECTION 529 THEN IT SHOULD
7 CONDITION THE ACQUISITION ON MIDDLESEX SETTING ASIDE FUNDS IN
8 AN ESCROW ACCOUNT TO OFFSET THE COSTS OF REPLACING AND
9 REMEDIATING EXISTING INFRASTRUCTURE NOT COVERED BY PENNVEST.
10 DO YOU CONCUR WITH THIS RECOMMENDATION?

11 A. No, I do not. In his rebuttal testimony, Mr. Packer accuses Middlesex, in a veiled
12 manner, of gaming the Section 529 process to extract additional value for the Twin Lakes
13 system and in doing so, force Aqua to pay a higher price than it is willing to pay.
14 Ironically, Mr. Packer’s recommendation places Aqua in the position of improperly using
15 this Section 529 proceeding to extract from Middlesex that which is ultimately the
16 province of the capable public utility selected to acquire the small water utility system
17 under Section 529 – the cost of replacing and remediating the Twin Lakes system. If the
18 Commission orders Aqua to acquire the Twin Lakes system pursuant to Section 529,
19 Aqua will have the opportunity to request recovery of the system replacement and earn a
20 reasonable return on the prudently incurred investments. Regardless, as already
21 demonstrated on the record numerous times in this proceeding, Middlesex is not the
22 jurisdictional utility in Pennsylvania and the Commonwealth of Pennsylvania cannot
23 legally compel Middlesex to lend money to Twin Lakes, make further equity investments

1 in Twin Lakes, or set aside money in an escrow account, either directly or as a condition
2 for the Section 529 relief, on behalf of Twin Lakes. Based on these facts, Mr. Packer's
3 recommendation is as impractical as it is inappropriate under Section 529.

4 Q. CAN YOU ADDRESS MR. CLARK'S STATEMENT ON PAGE 11 OF HIS
5 REBUTTAL TESTIMONY WHERE HE STATES "I DISAGREE WITH MR.
6 O'CONNOR'S CLAIM THAT MIDDLESEX, AS THE OWNER OF TWIN LAKES,
7 HAS BEEN DENIED THAT OPPORTUNITY [TO EARN A REASONABLE RETURN
8 ON ITS PRUDENTLY INCURRED INVESTMENTS AND EXPENSES] BY THE
9 COMMISSION?"

10 A. Yes. Mr. Clark makes two meritless assertions for his out-of-context claim that
11 Middlesex is the entity being denied the opportunity to earn a return and recover cost.
12 First, Twin Lakes is the jurisdictional utility in Pennsylvania and is the entity, not
13 Middlesex, that petitioned the Commission in 2019 for rate relief for investments and
14 expenses associated with operating the Twin Lakes system. Twin Lakes is the entity that,
15 after participating in a fully litigated base rate increase matter, was ordered by the
16 Commission to set customer rates at a level that, in Middlesex's opinion, would not
17 enable Twin Lakes to recover prudent investments and expenses, ultimately to the
18 detriment of Twin Lakes' customers. The Commission made it obvious in its final Order
19 in the 2019 Twin Lakes rate case that affordability of rates would be given supreme
20 priority over allowing Twin Lakes an opportunity to recover its prudent investments,
21 holding that enabling Twin Lakes a fair opportunity "results in customers not being able

1 to afford water utility service.”² It was this Commission decision that led Middlesex to
 2 conclude that this level of risk for further investing in this regulated public utility is
 3 unreasonable, unrealistic and unconscionable. Middlesex’s financial condition is
 4 irrelevant as to whether there is an opportunity to earn a fair return and recover costs
 5 incurred by Twin Lakes.

6 Second, Mr. Clark incorrectly states that Middlesex is a capable public utility. Section
 7 529(m) defines “capable public utility” as “A public utility...which is not an affiliated
 8 interest of the small water utility.” In this proceeding, Twin Lakes is the small water
 9 utility and Middlesex, the parent company of Twin Lakes, is an affiliated interest of the
 10 small water utility. In addition to Middlesex not being a Pennsylvania corporation or a
 11 jurisdictional utility in the Commonwealth of Pennsylvania, Middlesex does not meet the
 12 definition of a capable public utility under Section 529.

13 Q. MR. CLARK STATES ON PAGE 5 OF HIS REBUTTAL TESTIMONY THAT THE
 14 UNANTICIPATED COSTS RELATED TO THE DISCONNECTION OF SERVICE
 15 LINES TO ACCOMMODATE CUSTOMER INSTALLATION OF PRIVATE WELLS
 16 “FURTHER SHOWS THE RISK OF REQUIRING [AQUA] TO ACQUIRE THE
 17 [TWIN LAKES] SYSTEM.” DO YOU AGREE WITH MR. CLARK’S STATEMENT?

18 A. No, I do not. Actually, these costs further demonstrate the risk to customers of Aqua not
 19 being required to acquire the Twin Lakes system under Section 529. As I stated in my
 20 Rebuttal Testimony, Aqua has a large Pennsylvania customer base over which Aqua can
 21 presumably spread these costs, under regulatory precedent in the Commonwealth of

² *Pennsylvania Public Utility Comm’n et al. v. Twin Lakes Utilities, Inc.*, Opinion and Order, Docket No. R-2019-3010958 (Pa. P.U.C. Mar. 26, 2020) at 73.

1 Pennsylvania, with a miniscule impact on any individual Aqua customer's bill. That goes
2 to the very heart of the affordability issue described in the Commission Order in the 2019
3 Twin Lakes base rate case matter. This miniscule impact on existing Aqua customers is
4 an undisputed fact that Aqua, the Pennsylvania Office of Consumer Advocate and the
5 Pennsylvania Public Utility Commission Bureau of Investigation and Enforcement have
6 already acknowledged in the testimonies of their sponsoring witnesses.

7 By contrast, Twin Lakes serves approximately 114 customers, constituting a far smaller
8 customer base than Aqua's over which these costs would be spread at a far higher impact
9 on the individual Twin Lakes customer's bill. From the perspectives of the theoretical
10 customer bill impact and the very definite future continuity of service impact, the risk to
11 Twin Lakes' customers of Aqua not being required to acquire the Twin Lakes system
12 under Section 529 is extraordinary.


13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14 A. Yes.

VERIFICATION

I, A. Bruce O'Connor, Vice President and Treasurer of Twin Lakes Utilities, Inc., hereby state that the facts set forth in the foregoing Surrebuttal Testimony are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).



A. Bruce O'Connor

Date: December 22, 2020

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF TWIN LAKES UTILITIES, INC. :
FOR A COMMISSION ORDER AUTHORIZING :
THE ACQUISITION OF TWIN LAKES : Docket No. P-2020-3020914
UTILITIES, INC. BY A CAPABLE PUBLIC :
UTILITY PURSUANT TO 66 PA. C.S. § 529 :

DIRECT TESTIMONY
OF
MORGAN N. DEANGELO

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

NOVEMBER 17, 2020

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Introduction:

Q. Please state your name, business address and occupation.

A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

Q. Please describe your educational background and qualifications to provide testimony in this case.

A. I have a Master’s degree in Business Administration and a Bachelor’s degree in Finance from Wilkes University. My educational background and qualifications are described in Appendix A.

Q. Please summarize the nature of this case before the Commission.

A. On July 16, 2020, Twin Lakes Utilities, Inc. (Twin Lakes or Company) filed a petition with the Pennsylvania Public Utility Commission (Commission) for a Commission Order authorizing the acquisition of Twin Lakes by a capable utility. The Office of Consumer Advocate (OCA) requested the Commission enter an expedited order pursuant to 529 of the Public Utility Code, instituting a proceeding to order the acquisition of the ownership and assets of Twin Lakes, by a proximate capable utility. Twin Lakes’ sole financial and operational support, Middlesex Water Company, has indicated that it will no longer be providing its support. As a result, Twin Lakes cannot reasonably be expected to furnish and maintain adequate, efficient, safe and reasonable service and facilities in the future.

Q. What authority is the Commission granted under Section 529 of the Public Utility Code?

A. Section 529(a) of the Public Utility Code allows the Commission to order a capable public utility to acquire a small water or wastewater system if it determines the following:

- (1) that the small water or sewer utility is in violation of statutory or regulatory standards, including, but not limited to, the act of June 22, 1937 (P.L.1987, No.394), known as The Clean Streams Law, the act of January 24, 1966 (1965 P.L.1535, No.537), known as the Pennsylvania Sewage Facilities Act, and the act of May 1, 1984 (P.L.206, No.43), known as the Pennsylvania Safe Drinking

1 Water Act, and the regulations adopted thereunder, which affect the safety,
2 adequacy, efficiency or reasonableness of the service provided by the small water
3 or sewer utility.
4

5 (2) that the small water or sewer utility has failed to comply, within a reasonable
6 period of time, with any order of the Department of Environmental Resources or
7 the commission concerning the safety, adequacy, efficiency or reasonableness of
8 service, including, but not limited to, the availability of water, the potability of
9 water, the palatability of water or the provision of water at adequate volume and
10 pressure.
11

12 (3) that the small water or sewer utility cannot reasonably be expected to furnish
13 and maintain adequate, efficient, safe and reasonable service and facilities in the
14 future.
15

16 (4) that alternatives to acquisition have been considered in accordance with
17 subsection (b) and have been determined by the commission to be impractical or
18 not economically feasible.

19 (5) that the acquiring capable public utility is financially, managerially and
20 technically capable of acquiring and operating the small water or sewer utility in
21 compliance with applicable statutory and regulatory standards; and
22

23 (6) that the rates charged by the acquiring capable public utility to its
24 preacquisition customers will not increase unreasonably because of the
25 acquisition.
26

27 **Adequate and Reasonable Service:**

28 **Q. Please state whether Twin Lakes can “reasonably be expected to furnish and**
29 **maintain adequate, efficient, safe and reasonable service and facilities in the future.”**

30 **A.** Twin Lakes is a wholly owned subsidiary of Middlesex Water Company (Middlesex),
31 providing its financial and operational support through a Service Agreement dated
32 December 1, 2009. As of June 1, 2020, Middlesex notified Twin Lakes of the
33 termination of the Service Agreement, becoming effective on September 1, 2020. On
34 September 1, 2020 Twin Lakes filed an Amended Service Agreement, extending the
35 duration of the original Service Agreement until October 1, 2020, on a month to month
36 basis.
37

1 On February 26, 2018, Twin Lakes issued a letter informing Commission staff members,
2 the Acting Consumer Advocate and the Small Business Advocate of the emergent need to
3 undertake system improvements due to ongoing system failure. These improvements
4 would increase customers' annual water bills to over \$4,000 per customer. The letter
5 identified three options to practically proceed. The options included (1) file a petition for
6 abandonment of the Twin Lakes system franchise; (2) file for emergency rate relief; or
7 (3) identify a larger investor-owned water utility better positioned to make these
8 necessary improvements to the Twin Lakes systems.¹

9
10 Twin Lakes is unable to establish a credit arrangement at any reasonable cost with any
11 financial institution as a stand-alone entity.² Without the support from Middlesex, Twin
12 Lakes cannot "reasonably be expected to furnish and maintain adequate, efficient, safe
13 and reasonable service and facilities in the future." A system take-over solution is
14 necessary to mitigate the risk of losing the only source of water supply serving the
15 residents of the Sagamore Estates community.

16
17 **Q. Please state whether the alternatives to acquisition such as, (1) reorganization under**
18 **new management; (2) entering into a contract with another public utility or**
19 **management or service company to operate the small utility; (3) the appointment of**
20 **a receiver to assure the adequate, efficient, safe and reasonable service and facilities**
21 **are provided to the public; (4) the merger of Twin Lakes with one or more other**
22 **public utilities and (5) the acquisition of Twin Lakes by a municipality, municipal**
23 **authority or cooperative, have been considered.**

24 **A.** The alternatives to acquisition have all been considered and at this point, and aside from
25 (3) the appointment of a receiver to assure the adequate, efficient, safe and reasonable
26 service of facilities are provided to the public, (1), (2) and (4) are deemed impractical and
27 economically unfeasible. Twin Lakes is incapable of finding a business solution with
28 other public utilities, and in addition to management issues, Twin Lakes also faces failing
29 infrastructure. Under alternative (5), the OCA has outstanding discovery to the

¹ Twin Lakes response to I&E-RS-I-4 at Docket No. P-2020-3020914.

² Twin Lakes response to I&E-RS-I-1 at Docket No. P-2020-3020914

1 Borough of Milford Water Authority.
2

3 **Capability of Acquiring Utility:**

4 **Q. Please state whether the acquiring capable utility is financially, managerially and**
5 **technically capable of acquiring and operating the small water or sewer utility in**
6 **compliance with applicable statutory and regulatory standards.**

7 **A.** Aqua Pennsylvania Inc. (Aqua) appears to be financially and managerially capable of
8 “acquiring and operating the small water or sewer utility in compliance with applicable
9 statutory and regulatory standards.” If acquired, Twin Lakes will become a part of
10 Aqua’s Greater Pennsylvania – Honesdale Division operation.³ In response to OCA
11 discovery Set I-1, Aqua anticipates that it would be able to better manage operational
12 expenses through utilizing its own staff and leveraging Aqua’s corporate purchasing
13 agreements for expenditures like power, chemicals and construction materials. Aqua is
14 also aware of necessary capital expenditures in which they would sustain with the
15 acquisition and operation of Twin Lakes and are prepared to do so.⁴ Aqua anticipates an
16 approximate \$4.5 million in capital expenditures to resolve current system issues.⁵
17

18 **Q. What is the requirement of Section 529 of the Public Utility Code regarding**
19 **pre-acquisition customers?**

20 **A.** The sixth factor of Section 529 provides as follows:

21 (6) that the rates charged by the acquiring capable public utility to its
22 preacquisition customers will not increase unreasonably because of the
23 acquisition.
24

25 **Q. Will the rates charged to Aqua’s pre-acquisition customers increase unreasonably if**
26 **Aqua acquires Twin Lakes?**

27 **A.** As stated above, Twin Lakes serves 114 residential customers, and Aqua serves 405,272.
28 Aqua, states there will be no immediate effect of the rates of current customers, in

³ Aqua response to OCA-I-3 at Docket No. P-2020-3020914.

⁴ Aqua response to OCA-I-5 at Docket No. P-2020-3020914.

⁵ Id.

1 response to OCA-I-7. If available, Aqua plans to use the low cost financing option,
2 Pennvest grant/loan approved in February 2020 in the amounts of an approximate \$4.66
3 million grant and a loan up to \$300,000.⁶ With the projected capital expenditures in the
4 range of \$4.5 - \$4.7 million, it would result in an estimated additional revenue
5 requirement in the range of \$258,000 and \$270,000.⁷ If all of the additional revenue
6 requirement is borne by Aqua's existing residential water customers, it would be
7 approximately equal to 0.09% of Aqua's 2019 water revenues from residential metered
8 water customers.

9
10 It does not appear that the impact on Aqua's existing water customers would be
11 unreasonable.

12
13
14 **Conclusion:**

15 **Q. Please Summarize the OCA's recommendation in this proceeding.**

16 **A.** It is the position of the OCA that Twin Lakes lacks the financial, managerial and
17 technical fitness to continue to operate and provide safe and adequate service to
18 customers. I recommend that the Commission order Aqua, as a Capable Public Utility, to
19 acquire Twin Lakes.

20
21 **Q. Does this conclude your direct testimony at this time?**

22 **A.** Yes, it does. I reserve the rights to modify or supplement my testimony if necessary.
23
24
25
26

⁶ Aqua response to OCA-I-6 at Docket No. P-2020-3020914.

⁷ This is based on Aqua's overall rate of return of 6.28% as shown in 2nd Quarter Earnings Report filed on September 3, 2020.. If it is able to use the Pennvest loan and grant, the cost of debt for the loan portion (1%) would be lower than Aqua's embedded debt cost rate (4.21%) that I used in my calculation. See Twin Lakes Petition, Appendix F, Page 110 of PDF.

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**QUALIFICATIONS OF
MORGAN N. DEANGELO**

Education:

2020 M.B.A., Wilkes University
2018 B.B.A. Finance, Wilkes University

Positions:

June 2020 – Present Regulatory Analyst, Pennsylvania Office of Consumer Advocate
2018 – 2020 Graduate Assistant, Office of Student Development, Wilkes University

Experience:

I am currently employed by the Pennsylvania Office of Attorney General, Office of Consumer Advocate (OCA) as a Regulatory Analyst. In this position, my responsibilities of reviewing utility company filings with the Pennsylvania Public Utility Commission (PA PUC) and analyzing the financial, economic, rate of return, and policy issues that are relevant to the filings. Additionally, I am tasked with preparing recommendations for the OCA’s involvement in utility filings with the PA PUC, writing testimony and presenting oral testimony on behalf of the OCA.

Relevant Training:

IPU Accounting and Ratemaking Course, August 2020

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Twin Lakes Utilities, Inc. For A :
Commission Order Authorizing The Acquisition : Docket No. P-2020-3020914
Of Twin Lakes Utilities, Inc. By A Capable Public :
Utility Pursuant To 66 Pa. C.S. § 529 :

VERIFICATION

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

DATED: November 17, 2020
*299534

Signature: *Morgan N. DeAngelo*
Morgan N. DeAngelo

Consultant Address: Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF TWIN LAKES UTILITIES, INC. :
FOR A COMMISSION ORDER AUTHORIZING :
THE ACQUISITION OF TWIN LAKES : Docket No. P-2020-3020914
UTILITIES, INC. BY A CAPABLE PUBLIC :
UTILITY PURSUANT TO 66 PA. C.S. § 529 :

**SURREBUTTAL TESTIMONY
OF
MORGAN N. DEANGELO**

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

DECEMBER 22, 2020

1 **Introduction:**

2 **Q. Please state your name, business address and occupation.**

3 **A.** My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum
4 Place, 5th Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a Regulatory
5 Analyst by the Pennsylvania Office of Consumer Advocate (OCA).
6

7 **Q. Please describe your educational background and qualifications to provide testimony**
8 **in this case.**

9 **A.** My educational background and qualifications are included with my direct testimony.
10

11 **Q. Have you previously provided testimony in this case?**

12 **A.** Yes. I provided direct testimony in this case on November 17, 2020 in OCA Statement 1.
13

14 **Q. What is the purpose of your surrebuttal testimony?**

15 **A.** In my surrebuttal testimony, I will comment on the rebuttal testimony of Aqua
16 Pennsylvania Inc. (Aqua) witnesses Stephen Clark (Aqua Rebuttal Testimony Statement
17 No. 1-R) and William Packer (Aqua Rebuttal Testimony Statement No. 2-R) which
18 responds to the issues discussed in my direct testimony. I will also address the rebuttal
19 testimony of Twin Lake Utilities, Inc. (Twin Lakes or Company) witness Bruce O'Connor
20 (Twin Lakes Rebuttal Testimony Statement No. 2-R).
21

22 **Q. Please summarize the OCA's position in this case.**

23 **A.** The OCA's recommendation in this case is that the Pennsylvania Public Utility
24 Commission (PUC or Commission) order Aqua, as a capable public utility, to acquire Twin
25 Lakes. It is the OCA's position that Twin Lakes lacks the financial, managerial and
26 technical fitness to provide safe and adequate service to customers. Evidence of record
27 demonstrates that it is urgent to appoint a capable public utility to acquire Twin Lakes.
28

29 **Q. Please summarize your direct testimony regarding the third requirement of Section**
30 **529(a) of the Public Utility Code dealing with adequate and reasonable service.**

1 A. In my direct testimony, I explained that Middlesex Water Company (Middlesex), the sole
2 financial and operational support of Twin Lakes, notified Twin Lakes of their termination
3 of the Service Agreement, effective September 1, 2020. On September 1, 2020, Twin
4 Lakes filed an Amended Service Agreement, extending the duration of the original Service
5 Agreement on a month-to-month basis.¹ Twin Lakes has filed subsequent amendments on
6 October 1, November 1, and December 1, 2020. Its fourth amendment filed December 1,
7 2020 extends the Service Agreement until January 1, 2021. As Middlesex and Twin Lakes
8 have proceeded to extend the Service Agreement only on a month-to-month basis
9 providing no guarantees regarding what it will do in the future, it is not clear if or when
10 Twin Lakes and Middlesex will cease extending the agreement between them. Managing
11 such an essential utility service on a month to month basis is an unsustainable way to
12 operate. Twin Lakes has indicated that Middlesex is under no obligation to continue
13 furnishing support to Twin Lakes and its customers.² OCA’s analysis has focused on Twin
14 Lakes as the utility under review, but has significant concerns with Middlesex Water’s
15 actions in regard to its public service obligation in Pennsylvania. Aqua and the Bureau of
16 Investigation and Enforcement (I&E) have provided testimony that states that Middlesex
17 Water has financial and managerial responsibility for Twin Lakes.³ As noted, though,
18 Middlesex is providing its services in a way that is not sustainable for an essential service.
19 Thus, it is also the OCA’s position that the third element of the Section 529(a) is met,
20 justifying the Commission to order Aqua to take over the Twin Lakes system.

21

22 **Response to Aqua’s Rebuttal Testimony:**

23

24 **Q. Please summarize Mr. Clark’s rebuttal testimony regarding adequate and**
25 **reasonable service.**

26 A. In response to my explanation that Twin Lakes is not fit to provide adequate and reasonable
27 service, Mr. Clark states that Middlesex appears to have the technical, financial and
28 managerial ability to continue to operate the Twin Lakes system. He does not believe that

¹OCA Statement 1 at p.2.
² Twin Lakes Statement No. 2-R at p.8.
³ Aqua Statement No.2-R at p. 6 and I&E Statement No.2 at p.3.

1 Aqua should be ordered by the Commission to acquire Twin Lakes because its parent
2 company, Middlesex, appears to be able to continue providing service.⁴
3

4 **Q. Do you agree with Mr. Clark that Middlesex appears to have the technical, financial
5 and managerial ability to continue to operate Twin Lakes?**

6 A. I did not undertake any analysis of Middlesex Water. As stated above, the OCA's analysis
7 is focused on Twin Lakes in this case, not its parent company, Middlesex. Even if capable,
8 Middlesex has clearly stated its intent to terminate the Service Agreement, initially
9 effective September 1, 2020 in a letter sent to Twin Lakes on June 1, 2020.⁵ In addition,
10 Middlesex threatening to stop serving Twin Lakes raises serious questions about their
11 capability to act as, and assume the obligations, of a regulated public utility in
12 Pennsylvania.
13

14 **Q. Does Mr. Clark agree that Aqua is a capable public utility?**

15 A. Yes. Mr. Clark believes Aqua is a capable public utility, and he also notes that Aqua is
16 willing to act as a receiver during the pendency of the 529 proceeding. He believes Aqua
17 is financially, managerially and technically capable to operate the Twin Lakes system.⁶
18 Aqua's agreement to act as a receiver starting on January 4, 2021 addresses an immediate
19 concern about the month to month extension of the service agreement between Twin Lakes
20 and Middlesex. However, the OCA recommends that the Section 529 proceeding move
21 forward as expeditiously as possible to ensure a long-term solution for the Twin Lakes'
22 customers.
23

24 **Q. Does Mr. Clark address alternatives to acquisition considered by Twin Lakes in his
25 rebuttal testimony?**

26 A. Yes. Mr. Clark reviews Mr. Fullagar's discussion about four alternatives to acquisition
27 along with reasons why Mr. Fullagar concludes that the alternatives were not appropriate
28 in this case⁷. Those alternatives, discussed by Mr. Clark include interconnecting the Twin

⁴ Aqua Statement No.1-R at p.16.

⁵ Twin Lakes Petition For A Commission Order at Appendix I.

⁶ Aqua Statement No.1-R at p.17.

⁷ Aqua Statement No.1-R at p.7-9.

1 Lakes' system with the nearest public-community system in Milford Township, installation
2 of private wells for each customer, Twin Lakes' attempt to secure a Pennsylvania
3 Infrastructure Investment Authority (PENNVEST) grant, and Twin Lakes' issuance of an
4 RFP seeking a third party to operate, maintain and manage the system.⁸
5

6 **Q. What is Mr. Clark's position regarding the drilling of individual wells as an**
7 **alternative to acquisition?**

8 A. Mr. Clark states that Mr. Fullagar admits that customers have recently been able to obtain
9 a waiver of Shohola Township Ordinance No. 59 to install private wells.⁹ He further states
10 that "[a]lthough this alternative may present certain challenges, it is certainly not "legally
11 impossible" as he [Mr. Fullagar] claims."¹⁰
12

13 **Q. Do you agree with Mr. Clark's position that drilling wells on each customer's**
14 **property would be a practical alternative to acquisition in this case?**

15 A. No, I do not. There is no evidence that all of Twin Lakes' customers would be able to
16 obtain waivers to Ordinance No. 59. For example, as stated by witness Sean Kemether in
17 the 8/21/2020 evidentiary hearing, some customers' properties may be considered too
18 small to consider drilling wells near existing septic systems.¹¹ In addition, there is no
19 evidence that customers would have the money to drill their own wells. Therefore, there
20 is no evidence that this is a viable alternative to ensure all customers receive safe, adequate
21 and reliable service. OCA witness Fought also addresses Mr. Clark's position on this issue.
22

23 **Q. Does Mr. Packer agree that Aqua should be ordered by the Commission to acquire**
24 **Twin Lakes?**

25 A. No. Mr. Packer states that Aqua is willing to voluntarily act as the receiver for Twin Lakes
26 water system, and it should only be authorized if Aqua and Twin Lakes voluntarily

⁸ Aqua Statement No.1-R at p.8.

⁹ Aqua Statement No.1-R at p.8.

¹⁰ Aqua Statement No.1-R at p.8.

¹¹ 8/21/2020 Telephonic Evidentiary Hearing, Tr. at 53.

1 complete negotiations and Aqua files an application with the Commission to acquire the
2 Twin Lakes system.¹²

3
4 **Q. Does Mr. Packer agree that Twin Lakes cannot be reasonably expected to furnish
5 and maintain adequate, efficient, safe and reasonable service and facilities in the
6 future?**

7 A. No, he does not. Mr. Packer states that “Middlesex Water Company” (“Middlesex”) is a
8 financially capable owner, and also appears to have the technical and managerial capability
9 to continue to operate the system as it does today.”¹³

10
11 **Q. Do you agree with Mr. Packer’s position that Twin Lakes can be reasonably
12 expected to furnish and maintain adequate service because Middlesex, its parent
13 company, appears to be capable to continue operating the system?**

14 A. The OCA’s position is based on Twin Lakes’ financial, managerial, and technical
15 capabilities, but Twin Lakes is unable to perform without the support of Middlesex Water.
16 Middlesex Water’s actions do not provide the necessary support for sustained operation of
17 the system when the service agreement is on a month to month basis.

18
19 **Q. Please summarize Mr. Packer’s rebuttal testimony regarding the rates charged by
20 the acquiring capable utility to its preacquisition customers.**

21 A. Mr. Packer states if Aqua is ordered to acquire the system, its shareholders and ratepayers
22 should not be required to bear the entirety of the costs to remediate and replace existing
23 infrastructure.¹⁴ In February 2020, PENNVEST approved a grant/loan in the amounts of
24 an approximate \$4.66 million grant and a loan up to \$300,000,¹⁵ which would minimize
25 the costs to remediate and replace the existing water supply and distribution system. In my
26 direct testimony, I explained that if all of the additional revenue requirement is borne by
27 Aqua’s existing residential water customers, it would be equal to approximately 0.09% of
28 Aqua’s 2019 water revenues from residential metered customers. Twin Lakes serves 114

¹² Aqua Statement No.2-R at p. 6.

¹³ Aqua Statement No.2-R at p.6.

¹⁴ Aqua Statement No.2-R at p.8.

¹⁵ 8/21/2020 Telephonic Evidentiary Hearing, Tr. at 79.

1 residential customers, and Aqua serves 405,272. Currently, existing Aqua main zone
2 customers pay a monthly bill of approximately \$65¹⁶, where Twin Lakes' customers pay a
3 monthly bill of approximately \$225.¹⁷ As such, by spreading the costs over a large
4 customer base, it does not appear that the impact on Aqua's existing water customers would
5 be unreasonable.¹⁸

6
7 **Response to Twin Lakes' Rebuttal Testimony:**

8
9 **Q. Please summarize Mr. O'Connor's rebuttal testimony.**

10 A. Mr. O'Connor addresses the issue of whether Twin Lakes or Middlesex should be
11 evaluated in determining whether Twin Lakes can reasonably be expected to furnish
12 adequate service. He states in his rebuttal that Twin Lakes is the entity being evaluated,
13 not Middlesex.¹⁹

14
15 **Q. What is Mr. O'Connor's position in regards to Mr. Keller's statement that Twin
16 Lakes is better suited to serve Twin Lakes' customers than Aqua?**

17 A. Mr. O'Connor states that a Pennsylvania public utility such as Aqua has a large
18 Pennsylvania customer base over which it can spread costs with a miniscule impact on any
19 individual customer's bill, as I calculated in my direct testimony. He further states that
20 Aqua's ability to spread these costs over a large customer base adequately addresses the
21 Commission's policy of ensuring affordability of rates and high quality of service.

22
23 **Q. Do you agree with Mr. O'Connor's statements?**

24 A. Yes. Even if Twin Lakes were financially capable of performing necessary system
25 improvements, customers' annual water bills would increase to over \$4,000 per customer.
26 As stated above, Aqua would be able to spread these costs across its large customer base,
27 while Twin Lakes would not. Twin Lakes' customers who testified at the public input
28 hearings explained that they were barely able to pay their bills even prior to the increases

¹⁶ Aqua Supplement No. 7 to Tariff Water-Pa P.U.C. No. 2 at p. 12.1.

¹⁷ Twin Lakes Supplement No. 10 to Tariff Water-PA P.U.C. No. 4 at p.4.

¹⁸ OCA Statement 1 at p.5.

¹⁹ Twin Lakes Statement No. 2-R at p.3.

1 proposed in the 2019 rate case. Accordingly, as stated by Mr. O'Connor, Aqua is better
2 situated than Twin Lakes to ensure Twin Lakes' customers receive adequate service at
3 affordable rates.

4

5 **Conclusion:**

6

7 **Q. Does this conclude your rebuttal testimony at this time?**

8 A. Yes, it does. I reserve the right to modify or supplement my testimony if necessary.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Twin Lakes Utilities, Inc. For A :
Commission Order Authorizing The Acquisition : Docket No. P-2020-3020914
Of Twin Lakes Utilities, Inc. By A Capable Public :
Utility Pursuant To 66 Pa. C.S. § 529 :

VERIFICATION

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

DATED: December 22, 2020
*301072

Signature: *Morgan N. DeAngelo*
Morgan N. DeAngelo

Consultant Address: Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC. :
FOR A COMMISSION ORDER AUTHORIZING:
THE ACQUISITION OF TWIN LAKES : Docket No. P-2020-3020914
UTILITIES, INC. BY A CAPABLE PUBLIC :
UTILITY PURSUANT TO 66 PA. C.S. § 529 :

DIRECT TESTIMONY
OF
TERRY L. FOUGHT

ON BEHALF OF
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

NOVEMBER 17, 2020

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

3 A. Terry L. Fought, 780 Cardinal Drive, Harrisburg, Pennsylvania, 17111.
4

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

6 A. I am a self-employed consulting engineer retained by the Office of Consumer
7 Advocate (OCA) for the purposes of providing testimony in this proceeding.
8

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

10 A. Appendix A, which is attached to this testimony, describes my educational
11 background and applicable experience.
12

13 **Q. WHAT ISSUES HAVE YOU BEEN ASKED TO INVESTIGATE REGARDING**
14 **THIS TWIN LAKES WATER COMPANY (COMPANY) CASE?**

15 A. The OCA requested that I investigate issues related to the quality of service
16 provided by the Company.
17

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

19 A. My investigation included: (1) reviewing portions of the Company's Petition asking
20 the Commission to start this proceeding (2) reviewing the Company's report filed
21 as required by the Commission's order in the 2019 rate case, and (3) reviewing
22 the Company's responses to the OCA's Interrogatories regarding quality of service
23 issues.

24

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

26 **A.** The Company provides water service to approximately 114 customers located in
27 a portion of Shohola Township in Pike County known as the Sagamore Estates.
28 The Company's water supply source consists of Well #2 with a safe yield of
29 approximately 50 gallons per minute (gpm) or 72,000 gallons per day (gpd). A
30 second well, Well #1, is no longer usable because the well hole collapsed. Water
31 is treated by chlorine disinfection and stored in a 20,000-gallon tank prior to being
32 pumped into the Company's distribution system by two high lift pumps. The
33 Company's distribution system consists of approximately 3.7 miles of pipe (various
34 sizes ranging from 2-inch to 6-inch mains and ¾-inch and 1-inch service lines),
35 isolation valves, blow-off valves, and meters. See Exhibit TLF-1 for a map of the
36 Company's system.

37

38 **Q. DID YOU PROVIDE TESTIMONY IN TWIN LAKES' 2019 RATE CASE?**

39 **A.** Yes.

40

41 **Q. UNDERSTANDING THAT YOUR TESTIMONY IN THE RATE CASE HAS BEEN**
42 **ADMITTED INTO THE RECORD IN THIS CASE, CAN YOU SUMMARIZE WHAT**
43 **ISSUES YOU ADDRESSED IN THE RATE CASE TESTIMONY?**

1 A. My direct and surrebuttal testimony addressed, among other things, the
2 Company's compliance with the Settlement in the 2015 Rate Case, unaccounted
3 for water (UFW), development of a new well, rehabilitating Well #2, the Company's
4 exceedance of the lead action level, financing, water line breaks & replacements
5 and water outages.

6

7 **Q. HAVE YOU REVIEWED INFORMATION REGARDING EACH OF THOSE**
8 **ISSUES TO DETERMINE THE CURRENT STATE OF TWIN LAKES'**
9 **OPERATIONS?**

10 A. Yes.

11

12 **Q. HAS THE COMPANY RESOLVED THE UNACCOUNTED FOR WATER**
13 **ISSUES?**

14 A. No.

15

16 **Q. HAS THE COMPANY DEVELOPED A NEW WELL?**

17 A. No. The Company drilled a new well but did not equip it or connect it to the
18 distribution system.

19

20 **Q. HAS THE COMPANY REHABILITATED WELL # 2?**

21 A. No.

22

1 **Q. DO YOU KNOW THE STATUS OF THE COMPANY'S ACTIONS AS REQUIRED**
2 **BY THE DEPARTMENT OF ENVIRONMENTAL PROTECTION FOLLOWING**
3 **THE LEAD ACTION LEVEL EXCEEDANCE THAT OCCURRED IN 2019?**

4 A. Yes. The Company's 2020 testing for lead indicates that the lead action level was
5 not exceeded.
6

7 **Q. DID THE COMPANY PROVIDE AN UPDATE TO THE COMMISSION**
8 **FOLLOWING THE 2019 RATE CASE?**

9 A. I reviewed the Company's July 22, 2020 letter that was required in the 2019 rate
10 case order. In that letter, the Company stated that there had been no progress on
11 the capital improvements due to a lack of "financial funding capability".
12

13 **Q. DID THE COMPANY PROVIDE AN UPDATE TO ITS UFW IN ITS 2019 ANNUAL**
14 **REPORT TO THE COMMISSION?**

15 A. Yes. In that report, the Company calculated its UFW for 2019 to be 85%.
16

17 **Q. DID YOU ASK THE COMPANY TO PROVIDE UPDATED INFORMATION FOR**
18 **THIS PROCEEDING?**

19 A. Yes. The information was provided by Twin Lakes in response to OCA
20 Interrogatories.
21

22 **Q. HAS THE COMPANY PROVIDED ANY ADDITIONAL INFORMATION ON ITS**
23 **UFW?**

1 A. Yes. In response to OCA-I-27, the Company calculated the UFW for the first
2 three quarters of 2020 to be 89.6% based on metered water and water
3 production. $[(19,438-2,015)/19,438]^1$. See Exhibit TLF-2.

4
5 **Q. ASSUMING AN UFW OF 20%, HOW MUCH WATER SHOULD HAVE BEEN**
6 **PUMPED AT WELL #2 DURING THE FIRST THREE QUARTERS OF 2020?**

7 A. 2,418,000 gallons $[2,015,000 \times 1.2]$.

8
9 **Q HOW MUCH WATER WAS PUMPED AT WELL #2 DURING THE FIRST THREE**
10 **QUARTERS OF 2020?**

11 A. 19,438,000 gallons or 8 times $[19,438/2,418]$ more than necessary to comply with
12 an UFW of 20%.

13
14 **Q. DOES THE UPDATED INFORMATION FROM TWIN LAKES INDICATE THAT**
15 **ALL THE ISSUES THAT YOU HAVE IDENTIFIED IN THE 2019 RATE CASE,**
16 **HAVE BEEN ADDRESSED?**

17 A. No.

18
19 **Q. DOES THE UPDATED INFORMATION FROM TWIN LAKES INDICATE THAT**
20 **THE DISTRIBUTION SYSTEM WATER LINE BREAKS AND REPLACEMENTS**
21 **HAVE CONTINUED SINCE THE 2019 RATE CASE?**

22 A. Yes. See Exhibit TLF-3.

¹ In thousand gallons.

1

2 **Q. DOES THE UPDATED INFORMATION FROM TWIN LAKES INDICATE THAT**
3 **WATER OUTAGES HAVE CONTINUED TO OCCUR SINCE THE 2019 RATE**
4 **CASE?**

5 A. Yes. There were 8 outages that occurred after August 2019. See Exhibit TLF-4.

6

7 **Q. DOES THIS COMPLETE YOUR WRITTEN DIRECT TESTIMONY?**

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

10

BACKGROUND AND QUALIFICATIONS

TERRY L. FOUGHT, P.E.

Education

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

Professional Registrations

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

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

Professional Engineer, Virginia, 10850, 1979 (Inactive)

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

Employment

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

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

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

Experience

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

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

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

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

NEW JERSEY BUREAU OF PUBLIC UTILITIES

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

PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)

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

PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)

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

PENNSYLVANIA PUBLIC UTILITY COMMISSION (Continued)

<u>Docket Number</u>	<u>Company Name</u>
R-2019-3010955	City of Lancaster Sewer Fund
R-2019-3010958	Twin Lakes Utilities, Inc.
R-2020-3017951	Pittsburgh Water and Sewer Authority
R-2020-3017970	Pittsburgh Water and Sewer Authority
R-2020-3019369	Pennsylvania-American Water Company

Exhibit TLF - 1

Exhibit TLF - 2

Office of Consumer Advocate
Data Request Set 1

Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914

OCA-27 Provide calculations showing the Company's percentage of unaccounted water for the calendar years 2016, 2017, 2018, 2019 and 2020 when available. If estimates are used, please provide the calculation and basis for each estimate. Explain all assumptions used in the calculations.

Response: The calculation subtracts the metered water from the water produced then divides that figure by the water produced multiplied by 100 to obtain the percent unaccounted water.

<u>Year</u>	<u>Metered Water*</u>	<u>Water Production*</u>	<u>% Unaccounted for Water</u>
2016	2,915	14,865	80.4
2017	3,183	14,964	78.7
2018	2,962	15,813	81.3
2019	2,791	20,877	86.6
2020**	2,015	19,438	89.6

*in 1000 Gallons

**First 3 Quarters

Exhibit TLF - 3

Office of Consumer Advocate
Data Request Set 1

Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914

OCA-2

Please provide the following information on the distribution system. If exact information is not available, provide estimated information and identify it as such.

- a. Size and type of pipe.
- b. Location of fire hydrants and blow-off valves.
- c. Location of isolation valves.
- d. Location of water line breaks which have been repaired since the responses were provided by the Company in the rate case at Docket No. R-2019-3010958 with date of repair.
- e. Location of water line replacements that have been replaced since the responses were provided by the Company in the rate case at Docket No. R-2019-3010958.

Response:

- a. Size and type of pipe is as follows:
 - 6" main - Asbestos cement
 - 4" main – PVC and galvanized
 - 3" main – PVC and galvanized
 - 2" main – PVC, SDR21, galvanized, polyethylene
 - ¾" and 1" services – PVC, galvanized, polyethylene and copper
- b. There are no hydrants in the system, blow- offs are located as follows:
 - Circle Drive
 - Beach Road
 - War Path and Sagamore Road
 - Josephine Lane
 - Dylan Lane
 - Kyra Lane
 - Cheyene Road
 - Brooke Lane
 - Samantha Lane
 - Allyson Lane
 - John Lane
 - Twin Lakes Drive

**Office of Consumer Advocate
Data Request Set 1**

**Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914**

c. The location of isolation valves are as follows:

- Twin Lakes Dr. and Pueblo Dr.
- Twin Lakes Dr. and Cherokee Rd.
- Twin Lakes Dr. and John La.
- Twin Lakes Dr. and Chippewa Rd.
- Twin Lakes Dr. and Allyson La.
- Twin Lakes Dr. and Samantha La.
- Samantha La. near #116
- Twin Lakes Dr. and Shawnee Rd.
- Twin Lakes Dr. between #134 and #144
- Twin Lakes Dr. and Kenny La.
- Twin Lakes Dr. and Brooke La.
- Twin Lakes Dr. and Cheyenne Rd.
- Cheyenne Rd. near #105
- Twin Lakes Dr. between #158 and #170
- Twin Lakes Dr. and N. Hillview Dr.
- Twin Lakes Dr. and Kyra La.
- Twin Lakes Dr. and Dylan La.
- Twin Lakes Dr. and Josephine La.
- Twin Lakes Dr. and Rock Pl.
- Twin Lakes Dr. and Susan La.
- Susan La. near #110
- Twin Lakes Dr. between #180 and #182
- Twin Lakes Dr. and Jacob Weber Rd.
- Beach Rd near #100
- Beach Rd and Beach Pl.
- Beach Rd and Circle Rd.
- Jacob Weber Rd. and Warpath Pl.
- Jacob Weber near #115
- Sagamore Rd. and Warpath Pl.

**Office of Consumer Advocate
Data Request Set 1**

**Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914**

- d. The location of water line breaks which have been repaired since the responses were provided by the Company in the rate case at Docket No. R-2019-3010958; with the date of repair are as follows:
- 2/20 – Kyra Lane
 - 3/20 – Intersection of Tee Pee Drive and Jacob Weber Rd
 - 4/20 – Rock Place
 - 6/20 – Susan Lane at valve
 - 7/20 – Susan Lane
 - 9/20 – Intersection of Twin Lakes Drive and Rock Place
- e. Location of water line replacements that have been replaced since the responses were provided by the Company in the rate case at Docket No. R-2019-3010958 are as follows:
- 7/20 - 115 Susan Lane – 1” service

Office of Consumer Advocate
Data Request Set 1

Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914

OCA-3

Provide a brief discussion for each of the water line breaks referred to in Interrogatory No. 2 above. Include the following information. If exact information is not available, provide estimated information and identify it as such.

- a. Did a Company employee or customer report the break?
- b. How many days did it take to repair the break after the break was reported?
- c. How many customers were without water service because of the break?
- d. What steps did the Company take to limit the number of customers affected by the break?
- e. Did the break empty the effective storage in any storage tank?
- f. What did the Company do to repair the break?
- g. What caused the break?
- h. Was a boil water advisory issued?

Response:

- a. These leaks were reported by customers.
- b. Leaks are typically repaired within two weeks of beginning the investigation.
- c. The number of customers without service is as followed:
 - 2/20 - Kyra Lane – 2 houses
 - 3/20 – Tee Pee Drive and Jacob Weber Road – No customers
 - 4/20 – Rock Place – No customers
 - 6/20 – Susan Lane at valve – No Customers
 - 7/20 – Susan Lane – 7 houses
 - 9/20 – Twin Lakes Drive and Rock Place – Entire system
- d. The Company used isolation valves to minimize the number of affected customers.
- e. No
- f. The Company installed a stainless steel repair clamp or cut out the broken pipe and install a new piece of pipe and two repair couplings.

**Office of Consumer Advocate
Data Request Set 1**

**Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914**

- g. The leaks were due to improper bedding/backfill of pipe at the time of installation which was prior to the purchase of the system by the Company.
- h. Yes, it is Company policy that a boil water recommendation is issued whenever a main is depressurized and/or dewatered.

Exhibit TLF - 4

Office of Consumer Advocate
Data Request Set 1

**Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914**

OCA-29 Discuss any water outages that occurred during the calendar years 2019 and 2020 to date. For each outage, include the number customers affected, length of time of the outage, and actions taken by the Company to restore service.

Response: Please refer to Twin Lakes' response to Interrogatory OCA -24.

OCA-24
FULLAGAR
11/05/20

Office of Consumer Advocate
Data Request Set 1

**Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914**

OCA-24 Provide a copy of all boil water advisories issued during the calendar years 2019
and 2020 to date.

Response: Please see attached.

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

Total houses in shut down- Entire System

Water to be off:

9:00AM TO 2:00PM

Recommendation Date

Foreman:

Tom Greiner

5/2/2019

Repair water main break

Cancellation Date:

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
Rock Pl

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Entire System

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

Total houses in shut down- 3

Water to be off:

9:00AM TO 2:00PM

Recommendation Date

Foreman:

Tom Greiner

5/7/2019

Repair water main break

Cancellation Date:

Work Area

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
Rock Place

Street(s)

Street(s)

Included in Recommendation Area:

Rock Place
101, 104, 105

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

Total houses in shut down- 8

Water to be off:

9:00AM TO 5:00PM

Recommendation Date

Foreman:

Tom Greiner

7/30/2019

Water main repair

Cancellation Date:

Work Area

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
Kyra Lane

Street(s)

Street(s)

Included in Recommendation Area:

Kyra Lane
100, 101, 102, 103, 106, 111
115, 120

Middlesex Water Company

Boil Water Recommendation
TWIN LAKES

Total houses in shut down- 3

Water to be off:

9:00AM TO 5:00PM

Recommendation Date

Foreman:

Tom Greiner

8/1/2019

Repair water main break

Cancellation Date:

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
Rock Place

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Rock Place
101, 104, 105

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

System

230pm-further notice

Recommendation Date

Pete Donohoe

10/20/2019

Pump Outage

Total houses in shut down-

Water to be off:

Foreman:

Town(s)

Twin Lakes

Sagamore Estates

Street(s)

System

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Middlesex Water Company

Boil Water Recommendation

Total houses in shut down-
Water to be off:
Foreman:

TWIN LAKES
System
830am-1030am
K. Bitler
Meter Change

Recommendation Date
10/19/2019

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
System

Work Area
Street(s) Street(s)

Included in Recommendation Area:

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

System

5am-6am

Recommendation Date

P. Donahoe

10/18/2019

**Total houses in shut down-
Water to be off:
Foreman:**

**Town(s)
Twin Lakes
Sagamore Estates**

**Street(s)
System**

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Middlesex Water Company

Boil Water Recommendation

Total houses in shut down-Entire System

Water to be off:

5:00am to 12:00pm

Recommendation Date

Foreman:

Peter Donohoe

1/24/2020

Cancellation Date:

Town(s)
Twin Lakes
Sagamore Estates

Street(s)

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Sagamore Estates

Entire System

(Power outage at pump house)

Middlesex Water Company

Boil Water Recommendation
TWIN LAKES

Total houses in shut down- 2

Water to be off:

8:30AM TO 3:00PM

Recommendation Date

Foreman:

Tom Greiner

2/5/2020

Repair water main break

Cancellation Date:

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
Kyra Lane

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Kyra Lane
102, 105

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

System

8am-further notice

Recommendation Date

Pete Donohoe

6/7/2020

Pump Outage

**Total houses in shut down-
Water to be off:
Foreman:**

**Town(s)
Twin Lakes
Sagamore Estates**

**Street(s)
System**

Work Area

Street(s)

Street(s)

Included in Recommendation Area:

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

7

9am-4pm

Recommendation Date

7/1/2020

Total houses in shut down-

Water to be off:

Foreman:

Main Repair

Work Area

Town(s)
Twin Lakes
Sagamore Estates

Street(s)
Susan Lane

Street(s)

Street(s)

Included in Recommendation Area:

Susan Lane

117

115

107

116

110

103

100

Middlesex Water Company

Boil Water Recommendation

TWIN LAKES

Entire System

8:00AM TO 4:00PM

Recommendation Date

Total houses in shut down-

Water to be off:

Foreman:

Tom Greiner

9/10/2020

Repair water main break

Cancellation Date:

Work Area

Town(s)

Street(s)

Street(s)

Street(s)

Twin Lakes

Twin Lakes Dr c/s Rock Pl

Sagamore Estates

Included in Recommendation Area:

Entire System

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

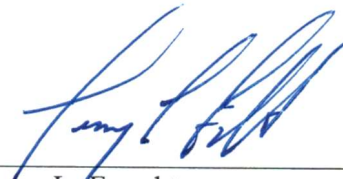
Petition of Twin Lakes Utilities, Inc. For A :
Commission Order Authorizing The Acquisition : Docket No. P-2020-3020914
Of Twin Lakes Utilities, Inc. By A Capable Public :
Utility Pursuant To 66 Pa. C.S. § 529 :

VERIFICATION

I, Terry L. Fought, hereby state that the facts set forth in my Direct Testimony, OCA Statement 2, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: November 17, 2020
*299601

Signature:



Terry L. Fought

Consultant Address: 780 Cardinal Drive
Harrisburg, PA 17111

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF TWIN LAKES UTILITIES, INC. :
FOR A COMMISSION ORDER AUTHORIZING:
THE ACQUISITION OF TWIN LAKES : Docket No. P-2020-3020914
UTILITIES, INC. BY A CAPABLE PUBLIC :
UTILITY PURSUANT TO 66 PA. C.S. § 529 :

SURREBUTTAL TESTIMONY

OF

TERRY L. FOUGHT

ON BEHALF OF

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

DECEMBER 22, 2020

1 **I. INTRODUCTION**

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

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

5
6 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS CASE?**

7 A. Yes.

8
9 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10 A. The purpose of my surrebuttal testimony is to respond to portions of the rebuttal
11 testimony by Stephen Clark, Aqua Statement 1-R.

12
13 **Q. WHAT ISSUES OF MR. CLARKS' REBUTTAL TESTIMONY ARE YOU**
14 **RESPONDING TO?**

15 A. I am responding to Mr. Clarks' rebuttal testimony regarding: (1) all of Twin Lakes
16 existing customers installing private wells and (2) the capacity of the existing Twin
17 Lakes storage tank.

18
19 **Q. WHAT IS MR. CLARKS' POSITION ON ALL THE EXISTING CUSTOMERS**
20 **INSTALLING PRIVATE WELLS?**

21 A. On page 8 of his rebuttal testimony, Mr. Clark addressed Mr. Fullagar's alternative
22 that all the existing customers should install private wells. Mr. Clark testified that
23 some customers recently obtained a waiver of Shohola Township Ordinance No.

1 59 to install private wells. He also stated that this alternative may present some
2 challenges, but it is not “legally impossible” as Mr. Fullagar claims.

3 On page 4 of his rebuttal testimony, Mr. Clark states that Aqua understands that
4 some Twin Lakes customers have received permission from the Township to drill
5 wells while other requests have been denied by the Township. He also noted that
6 well water exceeded lead and copper action levels in recent history.

7
8 **Q. DO YOU AGREE WITH MR. CLARK’S POSITION ON THIS ISSUE?**

9 A. No. The reason that the Township refused some of the requests to drill private
10 wells may be that their properties do not have a suitable area for both drilling a
11 well and installing a second subsurface disposal system if the existing system fails.
12 Also, a public water supply system would be better equipped to treat well water
13 that contains lead and copper.

14
15 **Q. WHAT IS MR. CLARKS’ POSITION ON ALL THE CAPACITY OF THE**
16 **EXISTING TWIN LAKES STORAGE TANK?**

17 A. On pages 4 and 5 of his rebuttal testimony, Mr. Clark stated that the Twin Lakes
18 storage tank does have sufficient capacity to have one day’s average consumption
19 in accordance with DEP’s design manual.

20
21 **Q. DO YOU AGREE WITH MR. CLARK’S POSITION ON THIS ISSUE?**

22 A. Yes, however the problem is the leaky condition of the distribution system water
23 lines - not the capacity of the storage tank. As can be noted from Aqua Exhibit

1 SC 1-R, Exhibit B attached to Mr. Clarks' rebuttal testimony, the total sales to
2 customers during the calendar year 2019 was less than 9,000 per day. Assuming
3 that the distribution system is either repaired or replaced to have only 20%
4 unaccounted for water, the storage tank will contain over 1.8 days storage.

5

6 **Q. DOES THIS COMPLETE YOUR WRITTEN SURREBUTTAL TESTIMONY?**

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

9

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

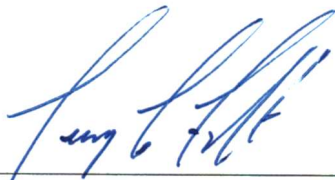
Petition of Twin Lakes Utilities, Inc. For A :
Commission Order Authorizing The Acquisition : Docket No. P-2020-3020914
Of Twin Lakes Utilities, Inc. By A Capable Public :
Utility Pursuant To 66 Pa. C.S. § 529 :

VERIFICATION

I, Terry L. Fought, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement 2S, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: December 22, 2020
*301073

Signature:



Terry L. Fought

Consultant Address: 780 Cardinal Drive
Harrisburg, PA 17111

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Twin Lakes Utilities, Inc. For A Commission Order Authorizing The
Acquisition Of Twin Lakes Utilities, Inc. By A Capable Public Utility Pursuant to 66 Pa.
C.S. § 529**

Docket No. P-2020-3020914

Aqua Pennsylvania, Inc.

Statement No. 1

Direct Testimony of Stephen Clark

**Topics Addressed: Overview of Aqua's Role In This Case
 Aqua's Due Diligence Regarding The Twin Lakes
 System
 Aqua's Position Regarding The TLU Petition**

Dated: November 17, 2020

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Stephen Clark. My business address is 1775 North Main Street Honesdale,
4 PA 18431.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am Director of Operations for Aqua Pennsylvania, Inc.'s ("Aqua" or the "Company")
8 Greater Pennsylvania Service Area.

9

10 **Q. What are your primary duties and responsibilities as Director of Operations for**
11 **Aqua's Greater Pennsylvania Service Area?**

12 A. I am responsible for all operational aspects of 125 water and 17 wastewater facilities owned
13 by Aqua, located throughout 27 counties across the Commonwealth. The Greater
14 Pennsylvania Service Area consists of all of Aqua's operations outside of Aqua's Southeast
15 Service Area.

16

17 **Q. What is your educational and professional background?**

18 A. I graduated from the Pennsylvania State University with a Bachelor of Science degree in
19 Mechanical Engineering Technology. I have worked in the water and wastewater industry
20 for the past seventeen and a half years. I began my career in the utility industry with
21 American Water Company as a plant engineer at the Scranton Sewer Authority. With
22 American Water Company I was responsible for managing the implementation of its
23 significant capital improvement program and I managed the Plant Maintenance staff. Since

1 then, I have worked with Aqua for 15 years. At Aqua, I am responsible for leading a team
2 of 105 employees delivering potable drinking water to customers and returning treated
3 wastewater back to the environment. I am involved in all aspects of operations including
4 budgeting, planning, employee relations, business development, and process control. I am
5 also a Class-B certified water operator in Pennsylvania.

6
7 **Q. Have you previously testified before the Pennsylvania Public Utility Commission**
8 **(“Commission”)?**

9 A. Yes. I have testified on behalf of Aqua before the Commission in cases involving customer
10 complaints and disputes.

11
12 **Q. Please provide a summary of your direct testimony.**

13 A. In my testimony, I will:

- 14 • Provide an overview of why Aqua is involved in this proceeding regarding Twin Lakes
15 Utilities, Inc.’s (“Twin Lakes”) July 16, 2020 Petition under Section 529 of the Public
16 Utility Code, 66 Pa.C.S. § 529, authorizing the acquisition of Twin Lakes by a “capable
17 public utility” (the “TLU Petition”); and
- 18 • Provide an update to Aqua’s efforts to complete due diligence regarding Twin Lakes
19 system, consistent with the Commission’s directive in its September 22, 2020 Opinion and
20 Order.

21 For the reasons more fully explained below, Aqua will provide written notice regarding
22 whether it will voluntarily act as the receiver for the Twin Lakes system to the Commission
23 within ninety (90) days of the Commission’s September 22, Opinion and Order, on or

1 before December 21, 2020.

2
3 **Q. Are you sponsoring exhibits associated with your direct testimony?**

4 A. Yes. Attached to my Direct Testimony as Aqua Exhibit SC-1 is an excerpt from Middlesex
5 Water Company's ("Middlesex") 10Q financial statements for the period ended September
6 30, 2020.

7
8 **II. AQUA'S INVOLVEMENT IN THIS PROCEEDING**

9 **Q. What is your understanding of the relief requested by Twin Lakes in this proceeding?**

10 A. The TLU Petition requests authorization under Section 529 of the Public Utility Code, 66
11 Pa.C.S. § 529, for the acquisition of Twin Lakes by a "capable public utility." Twin Lakes
12 filed the TLU Petition on July 16, 2020, at Docket No. P-2020-3020914.

13
14 **Q. Why is Aqua involved in this proceeding?**

15 A. Aqua first became involved in this proceeding on August 18, 2020, when the Office of
16 Consumer Advocate ("OCA") filed a Petition For Issuance Of An Interim Emergency
17 Order on An Expedited Basis ("OCA Emergency Petition") at this Docket. In the OCA
18 Emergency Petition, the OCA sought an interim emergency order that would have
19 appointed Aqua as receiver for the Twin Lakes water system. Aqua filed an Answer to the
20 OCA Emergency Petition on August 20, 2020, and subsequently intervened in the
21 underlying docket regarding the TLU Petition on September 21, 2020.

22
23 **Q. Did you participate in the OCA Emergency Petition proceeding?**

1 A. Yes. I provided testimony at the evidentiary held regarding the OCA Emergency Petition
2 on August 21, 2020.

3

4 **Q. Why did Aqua object to and oppose the OCA Emergency Petition?**

5 A. Aqua objected to the interim emergency relief sought by the OCA Emergency Petition
6 because it would have forced Aqua to take over the operation of the Twin Lakes water
7 system, as a receiver, without Aqua having the opportunity to complete reasonable and
8 customary due diligence of the Twin Lakes system. Without completing such customary
9 due diligence, Aqua would be subjected to additional “unknown risks” associated with the
10 operation of the smaller water system. This concern is particularly relevant where, as here,
11 Twin Lakes confirmed that the system itself was significantly poorer than represented by
12 the prior owner and revealed by the limited pre-ownership visual inspections performed by
13 Twin Lakes.

14 Moreover, Aqua, as an investor owned utility, has a responsibility to its
15 shareholders and existing customers to take on risks knowingly when it acts as a receiver.
16 Aqua has a responsibility to its shareholders to make prudent and well-vetted business
17 decisions, and Aqua also has a responsibility to its customers to provide quality service at
18 a reasonable rate. The relief sought by OCA would have frustrated these responsibilities
19 and, potentially, resulted in Aqua suffering the same consequences the current owner is
20 seeking to mitigate through the TLU Petition.

21

22 **Q. Mr. Clark, have you previously been involved in prior situations where Aqua was**
23 **appointed as the receiver of a small water system and/or subsequently acquired the**

1 **system?**

2 A. Yes. Aqua is currently the receiver of the James Black Water Company (*i.e.*, Belle Aire
3 Acres) in Jefferson Township, PA. Aqua was also the receiver for the Sun Valley water
4 system located in Kunkletown, PA. The Sun Valley System is currently owned and
5 operated by Aqua.

6

7 **Q. When Aqua is appointed as receiver for a small water system, what role does it play**
8 **in the system's operation?**

9 A. As receiver, Aqua becomes the custodian for the financial, regulatory and operation affairs
10 for the water system until the utility is transferred to a new owner or an alternative action
11 is taken by the Commission. The receiver is responsible is responsible for the safe and
12 reliable delivery of water service for the duration of receivership.

13

14 **Q. Is the need for due diligence also important when Aqua acquires a small water**
15 **system?**

16 A. Yes. Importantly, however, Aqua is no longer standing in the shoes of a future owner, as
17 it does when it acts as receiver. It is acting as the current and future owner of the system.
18 Thus, all of the concerns with known and unknown risks that I described previously with
19 respect to a receivership are relevant. In fact, known and unknown risks take on greater
20 importance when Aqua becomes an owner, because long-term risks of operation become
21 Aqua's responsibility as an owner.

22

23 **Q. Before Aqua is appointed the receiver for and/or acquires small water systems, what**

1 **steps does it take to investigate and learn about the subject system?**

2 A. Aqua conducts due diligence, including site visits with the current owner/operator, source
3 water quality sampling, review of applicable files at the Pennsylvania Department of
4 Environmental Protect (“DEP”), review of the current owner/operator’s financial
5 statements, and environmental site assessments. Aqua also develops a capital and expense
6 budget plan for the system and conducts legal liability research.

7

8 **Q. In addition to the due diligence efforts you describe, does Aqua make further efforts**
9 **to communicate and interact with the customers served by the subject small water**
10 **system prior to acting as receiver or acquiring a small water system?**

11 A. Yes. Aqua will communicate in advance with the customers in writing. In addition, under
12 normal conditions, Aqua will communicate with customers in person in advance. Aqua
13 reaches out to customers in advance in order to assess the customers’ perspective and hear
14 firsthand about the issues of highest concern with the customers.

15

16 **Q. How long does this process typically take?**

17 A. The process would generally be completed in under 90 days under normal operating
18 conditions. Due to the limitations imposed by the COVID-19 pandemic, however, this
19 process is anticipated to take approximately 90 days with respect to the Twin Lakes system.

20

21 **Q. Would Aqua be willing to act as a receiver or acquire a small water system without**
22 **fulling competing the process you described?**

23 A. Not in a situation where the current service provider is capable of providing adequate

1 service to its customers. In a true emergency, where a troubled owner is not a large public
2 utility with substantial resources, then perhaps Aqua would consider swiftly acting as a
3 receiver to protect the interests of vulnerable customers.
4

5 **Q. Based on your understanding of the TLU Petition and the OCA Emergency Petition,**
6 **why has Twin Lakes requested the Commission to authorize the acquisition of Twin**
7 **Lakes by a capable public utility?**

8 A. It is my understanding that the TLU Petition was filed in response to the voluntary decision
9 of Twin Lakes' parent, Middlesex, to terminate its Service Agreement with Twin Lakes.
10 The result of such termination would result in the termination of water service to Twin
11 Lakes' customers. On June 1, 2020, Middlesex initially issued a notice that it would
12 terminate the Services Agreement effective September 1, 2020. However, as a result of
13 the ongoing litigation in this proceeding, the Services Agreement has been extended several
14 times. It is currently effective until "December 1, 2020 or immediately upon a deemed
15 delinquency as described in Section 5 of the Service Agreement as amended by the Second
16 Amendment, whichever occurs earlier." *See Application of Twin Lakes Utilities, Inc.*
17 *Commission Approval, Nunc Pro Tunc, of Third Amendment To The Service Agreement*
18 *Between Middlesex Water Company and Twin Lakes Utilities, Inc. Pursuant To 66 Pa.C.S.*
19 *§ 2102, Docket No. G-2020-3020941 (filed Oct. 30, 2020).*

20 It is apparent to me, based on my review of Middlesex's recent filings with the
21 United States Securities and Exchange Commission ("SEC"), that Middlesex's decision to
22 terminate the Service Agreement is a voluntary one. As of the nine months ended
23 September 30, 2020, Middlesex reported net income of \$30,118,000 in its quarterly

1 financial statements. *See* Aqua Exhibit SC-1. This is not a case where the subject water
2 system is operated or managed poorly. Rather, this is a situation where the current owner
3 is going through a Section 529 proceeding in order to eliminate a financially poor
4 performing segment of their overall strong business.

5
6 **Q. Did the Commission grant the OCA Emergency Petition and appoint Aqua as a**
7 **receiver of the Twin Lakes water system?**

8 A. No, it did not. However, in Ordering Paragraph No. 6 of its September 22, 2020 Opinion
9 and Order, the Commission did require Aqua to:

10 conduct due diligence and a reasonable investigation as to whether it will
11 voluntarily act as receiver of the water service system of Twin Lakes Utilities, Inc.,
12 and such investigation shall be completed within ninety (90) days of entry of this
13 Opinion and Order. During this period, Aqua Pennsylvania, Inc. shall provide the
14 Commission's Bureau of Technical Utility Services with regular status reports
15 regarding its due diligence efforts, and Middlesex Water Company and Twin Lakes
16 Utilities Inc. shall fully cooperate with Aqua Pennsylvania, Inc. Upon conclusion
17 of its investigation, but no later than ninety (90) days of entry of this Opinion and
18 Order, Aqua Pennsylvania, Inc. shall provide written notice to the Commission as
19 to whether it will voluntarily act as receiver of the Twin Lakes Utilities, Inc. system.

20
21 **Q. Did the Commission also issue an order opening a Section 529 investigation, to**
22 **determine whether a capable public utility should be ordered to acquire the Twin**
23 **Lakes System?**

1 A. Yes. On September 17, 2020, the Commission issued an Order disposing of the Bureau of
2 Investigation and Enforcement’s (“I&E”) Petition for Interlocutory Review and Answer to
3 Material Question dated August 19, 2020. Therein, the Commission granted the TLU
4 Petition “to the extent we find that sufficient cause exists to institute a Section 529
5 investigation” in Ordering Paragraph 3. The Commission also ordered that “an
6 investigation shall be instituted into whether the Commission shall order a capable public
7 utility to acquire Twin Lakes Utilities, Inc., consistent with this Opinion and Order” in
8 Ordering Paragraph 4. I note that Aqua did not take any position with respect to the I&E
9 Petition.

10

11 **Q. What is Aqua’s role in this proceeding in light of the Commission’s September 17,**
12 **2020 and September 22, 2020 Orders?**

13 A. Aqua is participating in this proceeding as a proximate utility provider, consistent with the
14 Commission’s opening of a Section 529 proceeding. In addition, Aqua is participating in
15 this proceeding to provide the parties and the Commission an updated regarding its due
16 diligence efforts consistent with the Commission’s September 22, 2020 Order.

17

18 **III. AQUA’S DUE DILIGENCE REGARDING THE TWIN LAKES SYSTEM**

19 **Q. Mr. Clark, what is your general understanding of the Twin Lakes water system?**

20 A. Generally speaking, the Twin Lakes system is comprised of two permitted source wells
21 and one undeveloped test well. However, only one of the permitted wells is operable as
22 the other has a collapsed borehole. The collapsed borehole raises an immediate question
23 regarding the operational reliability of the system. In addition, the system includes one

1 20,000 gallon in-ground atmospheric water storage tank, a water treatment building,
2 approximately 19,500 lateral feet of water mains and approximately 114 customer service
3 connections.

4
5 **Q. Is Aqua currently undertaking due diligence regarding the Twin Lakes water system?**

6 A. Yes. Consistent with the Commission’s directive in its September 22, 2020 Opinion and
7 Order Aqua has completed its review of information from DEP including Consumer
8 Confidence Reports, inspection reports, sampling plans, general correspondence and the
9 Twin Lakes’ public water supply permit. Aqua also toured the Twin Lakes system
10 including the well sites and distribution system. Aqua also reviewed the information
11 provided by Twin Lakes in its Pennsylvania Infrastructure Investment Authority
12 (“PENNVEST”) application.

13
14 **Q. Based on the due diligence completed by Aqua, please describe the condition of the
15 Twin Lakes system.**

16 A. After reviewing the above information, Aqua believes that significant investment is needed
17 to improve the Twin Lakes system, address system integrity, improve water quality and
18 reduce unaccounted for water. Capital expenditures would include replacement of the
19 distribution system, construction of a water storage tank, rehabilitation or replacement of
20 the existing wells, installation of new customer meters, and a rebuild of the well station.

21
22 **Q. Has Aqua completed its due diligence examination?**

23 A. Yes.

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Q. Has Aqua completed the typical customer outreach efforts that you described above?

A. While Aqua has not completed formal customer outreach efforts, I have spoken with the Chairman of the Sagamore Estates Home Owners' Association, Sean Kemether.

Q. Consistent with the Commission's directives in the September 22, 2020 Opinion and Order, has Aqua provided an update to the Commission's Bureau of Technical Utility Services ("TUS") regarding its due diligence efforts?

A. Yes, Aqua provided a letter updating TUS on the status of its due diligence efforts on November 17, 2020.

Q. Based upon the due diligence conducted by Aqua of the Twin Lakes water system to date, does Aqua have a better understanding of the Twin Lakes water system than it did when you testified at the August 21, 2020 evidentiary hearing regarding the OCA Emergency Petition?

A. Yes.

Q. Has Aqua come to a decision on whether it will voluntarily act as receiver for the Twin Lakes system, or agree to purchase the system if a mutually agreeable price can be negotiated?

A. Not at this time. Aqua will be discussing its due diligence efforts with Aqua's Senior Leadership team and will provide written notice to the Commission on or before December 21, 2020 (90 days after the issuance of the September 22, 2020 Opinion and Order).

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IV. AQUA’S POSITION REGARDING THE RELIEF SOUGHT BY THE TLU PETITION

Q. Mr. Clark, what is your understanding of the criteria that a small water system must demonstrate for the Commission to order a capable public utility to acquire it?

A. It is my understanding that there are six criteria the Commission must find and determine, before it may order a capable utility to acquire a small water or sewer system under Section 529(a) of the Public Utility Code, 66 Pa.C.S. § 529(a). Although I am not an attorney, and offer no legal interpretation of Section 529(a), it is my understanding that the following criteria must be determined:

- (1) that the small water or sewer utility is in violation of statutory or regulatory standards, including, The Clean Streams Law, the Pennsylvania Sewage Facilities Act, and Pennsylvania Safe Drinking Water Act, and the regulations adopted thereunder, which affect the safety, adequacy, efficiency or reasonableness of the service provided by the small water or sewer utility;
- (2) that the small water or sewer utility has failed to comply, within a reasonable period of time, with any order of the Department of Environmental Resources or the commission concerning the safety, adequacy, efficiency or reasonableness of service;
- (3) that the small water or sewer utility cannot reasonably be expected to furnish and maintain adequate, efficient, safe and reasonable service and facilities in the future;
- (4) that alternatives to acquisition have been considered in accordance with subsection (b) and have been determined by the commission to be impractical or not economically feasible;
- (5) that the acquiring capable public utility is financially, managerially and technically

1 capable of acquiring and operating the small water or sewer utility in compliance with
2 applicable statutory and regulatory standards; and

3 (6) that the rates charged by the acquiring capable public utility to its pre-acquisition
4 customers will not increase unreasonably because of the acquisition.
5

6 **Q. Do you have an understanding as to whether the Commission must make all of these**
7 **determinations before it can order the acquisition of a small water system by a**
8 **capable public utility under Section 529?**

9 A. On advice of counsel, it is my understanding that the use of the word “and” requires the
10 Commission to make all of the determinations listed in Section 529(a) before it can order
11 the acquisition of the Twin Lakes system by a capable public utility.
12

13 **Q. Does Aqua have a position regarding any of the criteria set forth in Section 529(a)?**

14 A. On advice of counsel, I understand that I&E puts forth recommendations on these criteria,
15 and the Company will respond to any recommendations in rebuttal testimony.
16

17 **Q. Before the Commission can order a capable public utility to acquire a small water**
18 **utility, must any alternatives to acquisition be investigated and considered?**

19 A. Yes. As stated in Section 529(a), the Commission must determine that the alternatives
20 considered in Section 529(b) are impractical or economically infeasible.
21

22 **Q. What are the alternatives to acquisition that must first be investigated and considered**
23 **under Section 529(b)?**

1 A. The small water utility must investigate and consider the following non-exhaustive list of
2 alternatives:

3 (1) The reorganization of the small water or sewer utility under new management.

4 (2) The entering of a contract with another public utility or a management or service
5 company to operate the small water or sewer utility.

6 (3) The appointment of a receiver to assure the provision of adequate, efficient, safe
7 and reasonable service and facilities to the public.

8 (4) The merger of the small water or sewer utility with one or more other public
9 utilities.

10 (5) The acquisition of the small water or sewer utility by a municipality, a municipal
11 authority or a cooperative.

12

13 **Q. Does Aqua have a position regarding any of the alternatives set forth in Section**
14 **529(b)?**

15 A. As stated above, Aqua will provide written notice to the Commission on or before
16 December 21, 2020 on whether Aqua will voluntarily act as receiver for the Twin Lakes
17 system. Aqua has not done an investigation of the other alternatives, but reserves its right
18 to respond to positions of other parties.

19

20 **Q. Is Aqua taking a position with respect to the specific relief sought by the TLU Petition,**
21 ***i.e.*, Commission authorization for a capable public utility to acquire the Twin Lake**
22 **system?**

23 A. Not at this time.

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Q. What factors are to be considered by the Commission in reaching a determination under Section 529(a)?

A. Section 529(c) lists factors to be considered by the Commission in determining whether to order the acquisition of a small water utility by a capable public utility. These factors are:

- (1) The financial, managerial and technical ability of the small water or sewer utility.
- (2) The financial, managerial and technical ability of all proximate public utilities providing the same type of service.
- (3) The expenditures which may be necessary to make improvements to the small water or sewer utility to assure compliance with applicable statutory and regulatory standards concerning the adequacy, efficiency, safety or reasonableness of utility service.
- (4) The expansion of the franchise area of the acquiring capable public utility so as to include the service area of the small water or sewer utility to be acquired.
- (5) The opinion and advice, if any, of the Department of Environmental Resources as to what steps may be necessary to assure compliance with applicable statutory or regulatory standards concerning the adequacy, efficiency, safety or reasonableness of utility service.
- (6) Any other matters which may be relevant.

Q. Please describe your understanding of the financial, managerial and technical ability of Twin Lakes.

A. I understand that Middlesex provides services to Twin Lakes under the Service Agreement including operational, customer service, and financial support. As I noted previously, Middlesex is a financially capable owner. Middlesex could continue to operate Twin Lakes

1 until it found a willing owner of Twin Lakes through negotiations.

2
3 **Q. Is Aqua, as a proximate public utility to the Twin Lakes water system, financially,**
4 **managerial and technically able to provide the same type of service provided by the**
5 **Twin Lakes system?**

6 A. Yes. Aqua is a Class A public utility operating under Commission issued certificates of
7 public convenience. Aqua is in good standing with the Commission, and there are no
8 pending legal proceedings challenging Aqua's certificated rights to provide quality and
9 reliable service to customers. Aqua has acquired numerous water and wastewater systems,
10 both large and small, over the past 10 years. Aqua's existing operations are approximately
11 10 miles away from the Twin Lakes system.

12
13 **Q. Based upon Aqua's due diligence efforts, what is your understanding of the**
14 **expenditures that would be necessary for the Twin Lakes system to be brought into**
15 **compliance with all applicable statutory and regulatory standards regarding the**
16 **adequacy, efficiency, safety or reasonableness of the utility service provided?**

17 A. As discussed above, and based on the information provided by Twin Lakes in its
18 PENNVEST application, the distribution system will need to be replaced, both wells
19 rehabilitated, new meters installed, and the well station will need to be rebuilt. Aqua
20 estimates that these improvements will cost approximately \$4.6 million.

21
22 **Q. What actions would Aqua need to take in order to expand its service territory to**
23 **encompass the Twin Lake system?**

1 A. My understanding is that Aqua would have to file an application with the Commission to
2 acquire the assets and expand its existing service territory to provide service to Twin Lakes.

3

4 V. **CONCLUSION**

5 Q. **Does this conclude your direct testimony?**

6 A. Yes. I reserve the right to supplement my testimony as additional issues arise during the
7 course of the proceeding. Thank you.

Aqua Exhibit SC-1

MIDDLESEX WATER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Revenues	\$ 39,920	\$ 37,769	\$ 106,965	\$ 101,859
Operating Expenses:				
Operations and Maintenance	17,949	17,669	52,761	50,569
Depreciation	4,721	4,246	13,798	12,415
Other Taxes	4,073	3,871	11,318	10,913
Total Operating Expenses	26,743	25,786	77,877	73,897
Operating Income	13,177	11,983	29,088	27,962
Other Income (Expense):				
Allowance for Funds Used During Construction	953	871	2,871	2,030
Other Income (Expense), net	444	(4)	1,164	(142)
Total Other Income, net	1,397	867	4,035	1,888
Interest Charges	1,906	1,996	5,521	4,984
Income before Income Taxes	12,668	10,854	27,602	24,866
Income Taxes	(69)	(265)	(2,516)	(952)
Net Income	12,737	11,119	30,118	25,818
Preferred Stock Dividend Requirements	30	30	90	102
Earnings Applicable to Common Stock	\$ 12,707	\$ 11,089	\$ 30,028	\$ 25,716
Earnings per share of Common Stock:				
Basic	\$ 0.73	\$ 0.67	\$ 1.72	\$ 1.56
Diluted	\$ 0.72	\$ 0.66	\$ 1.71	\$ 1.55
Average Number of Common Shares Outstanding:				
Basic	17,466	16,610	17,455	16,520
Diluted	17,581	16,757	17,570	16,673

See Notes to Condensed Consolidated Financial Statements.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Twin Lakes Utilities, Inc. For A Commission Order Authorizing The
Acquisition Of Twin Lakes Utilities, Inc. By A Capable Public Utility Pursuant to 66 Pa.
C.S. § 529**

Docket No. P-2020-3020914

Aqua Pennsylvania, Inc.

Statement No. 1-R

Rebuttal Testimony of Stephen Clark

**Topics Addressed: Operational Issues
 Section 529(a) Factors
 Aqua's Position Regarding the Relief Sought**

Dated: December 9, 2020

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Stephen Clark. My business address is 1775 North Main Street Honesdale,
4 PA 18431.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am Director of Operations for Aqua Pennsylvania, Inc.'s ("Aqua" or the "Company")
8 Greater Pennsylvania Service Area.

9

10 **Q. Are you the same Stephen Clark that provided direct testimony in this proceeding?**

11 A. Yes. I previously submitted direct testimony in this proceeding, Aqua Statement No. 1, on
12 November 17, 2020.

13

14 **Q. Please describe your rebuttal testimony.**

15 A. The purpose of my rebuttal testimony is to respond to the statements and arguments made
16 by the Twin Lakes Utilities, Inc. ("Twin Lakes"), the Pennsylvania Public Utility
17 Commission's ("Commission") Bureau of Investigation and Enforcement ("I&E"), and the
18 Office of Consumer Advocate ("OCA") in their respective witnesses' direct testimony.
19 Furthermore, I also provide an update regarding Aqua's progress toward satisfying
20 Ordering Paragraph No. 6 the Commission's September 22, 2020 Opinion and Order,
21 which required Aqua to provide written notice to the Commission as to whether it will
22 voluntarily act as receiver of the Twin Lakes system.

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Q. Are you sponsoring exhibits associated with your rebuttal testimony?

A. Yes. Attached to my rebuttal Testimony as:

- Aqua Exhibit SC 1-R Exhibit A is an excerpt of the Pennsylvania Department of Environmental Protection’s (“DEP”) Public Water Supply Design Manual Part 2, Chapter 7.
- Aqua Exhibit SC 1-R Exhibit B is Twin Lakes response to OCA Set 1 No. 8 to Twin Lakes.

II. UPDATE REGARDING ORDERING PARAGRAPH NO. 6 OF THE COMMISSION’S SEPTEMBER 22, 2020 OPINION AND ORDER

Q. Does the Company have an update regarding its obligation to notify the Commission as to whether Aqua will voluntarily act as receiver of the Twin Lakes system, consistent with Ordering Paragraph No. 6 of the September 22, 2020 Opinion and Order, at this time?

A. Yes, the Company has concluded that it is willing to voluntarily act as receiver during the pendency of the 529 Proceeding; however, as more fully explained in the Rebuttal Testimony of William C. Packer (Aqua Statement No. 2-R), the Company does not believe that it should be ordered to acquire the Twin Lakes system through this proceeding. Any acquisition of the Twin Lakes system by Aqua should only be authorized if Aqua and Twin Lakes voluntarily complete negotiations and Aqua files an application with the Commission to acquire the Twin Lakes system.

1 **Q. Does Aqua have an update regarding its position with respect to the specific relief**
2 **sought by the Twin Lakes July 16, 2020 Petition under Section 529 of the Public**
3 **Utility Code, 66 Pa.C.S. § 529, authorizing the acquisition of Twin Lakes by a**
4 **“capable public utility” (the “TLU Petition”), i.e., Commission authorization for a**
5 **capable public utility to acquire the Twin Lake system?**

6 A. No. As stated above, Aqua does not believe the Commission should order Aqua to acquire
7 the Twin Lakes system through this proceeding.

8

9 **III. REBUTTAL OF TWIN LAKES’ DIRECT TESTIMONY**

10 **Q. Did you review the direct testimony submitted by Twin Lakes in this proceeding?**

11 A. Yes. I reviewed both the direct testimony of Twin Lakes witness Robert K. Fullagar (Twin
12 Lakes St. 1) and Twin Lakes witness A. Bruce O’Connor (Twin Lakes St. 2).

13

14 **Q. Does Twin Lakes witness Mr. Fullagar provide a description of the Twin Lakes water**
15 **system serving the Sagamore Estates community, which is at issue in this proceeding,**
16 **and the operational challenges and resiliency risks facing that system?**

17 A. Yes, he does.

18

19 **Q. Do you agree with Mr. Fullagar’s description of the Twin Lakes water system?**

20 A. Yes. His description of the facilities and infrastructure comprising the system on page 1
21 of his direct testimony, Twin Lakes St. 1, aligns with Aqua’s understanding of the system.

22

23 **Q. Please summarize the operational challenges and resiliency risks described by Mr.**

1 **Fullagar.**

2 A. Mr. Fullagar describes the system as being “continually plagued by excessive unaccounted-
3 for water (‘UFW’) loss, ranging from 50% to 87%, due to leaks within the distribution
4 system.” Twin Lakes St. 1 at 2. He then states that the leaks are due to the age and quality
5 of the original pipe used to construct the system and poor workmanship of the repairs prior
6 to Twin Lakes’ acquisition of the system. Twin Lakes St. 1 at 2. He further describes the
7 negative impacts that the leaks have had on Well #1 and currently have on Well #2. Twin
8 Lakes St. 1 at 2. Mr. Fullagar further explains that, more recently, the Shohola Township
9 (“Township”) Board of Supervisors (“Township Board”) has been granting residents in the
10 Twin Lakes system waivers of Shohola Township Ordinance No. 59, which has caused
11 Twin Lakes to incur substantial “unanticipated costs” related to the disconnection of
12 service lines of customers installing a private well. *See* Twin Lakes St. 1 at 2-3.

13
14 **Q. Do agree with Mr. Fullagar’s description of the operational and resiliency risks facing**
15 **the Twin Lakes system?**

16 A. Yes, the Company agrees that the system suffers from high UFW and that leaks in the
17 system negatively impacted Well 1 and are currently impacting Well 2. The Company
18 understands that certain customers in Sagamore Estates have received a variance from the
19 Township to drill wells, while other requests have been denied by the Township. Aqua
20 also notes that there have been lead and copper action level exceedances in recent history.
21 Additionally, the Twin Lakes system currently lacks adequate water storage. Attached to
22 my Rebuttal Testimony as SC 1-R Exhibit A is an excerpt from DEP Design Manual
23 Section 7.A.1.b., which indicates that storage should be equal to one day’s average

1 consumption. The Twin Lakes system currently has a 20,000 gallon storage tank in place
2 to serve its customers.¹ Attached to my Rebuttal Testimony as SC 1-R Exhibit B is Twin
3 Lakes response to OCA Set 1 No. 8 to Twin Lakes showing that the average daily
4 consumption in the Twin Lakes system is 57,631 gallons per day. The storage capacity is
5 less than half the average daily consumption in 2019, thereby making storage inadequate.
6 Finally, through a review of the system, Aqua is not aware of the of back-up generation
7 currently at the system.

8
9 **Q. Do you have any response to Mr. Fullagar’s claim that the costs related to the**
10 **disconnection of service lines of customers installing a private well constitutes an**
11 **“unanticipated cost”?**

12 A. As noted above, Aqua understands that certain customers in the Twin Lakes system have
13 requested and been approved for individual wells, while others have been denied. Yet,
14 even if these costs are unanticipated, as stated by Mr. Fullagar, customers disconnecting
15 from the system and the operator having to cover costs of disconnection further shows the
16 risk of requiring the Company to acquire the System. Improvements made to the system
17 will be spread over fewer customers thereby increasing the overall rate impact to those
18 customers.

19
20 **Q. Does Mr. Fullagar describe the improvements needed to address the operational**
21 **challenges and resiliency risks faced by the Twin Lakes system?**

22 A. Yes. Mr. Fullagar describes three major projects that would cost approximately \$4.8

¹ See Direct Testimony of Robert K. Fullagar, Twin Lakes Statement No. 1 at 1, ln. 20.

1 million dollars that he states are necessary to address the operational challenges and
2 resiliency risks faced by the Twin Lakes system. Twin Lakes St. 1 at 4. He states that (1)
3 the Well #1 replacement project would need to be completed, (2) the entire distribution
4 system would need replaced, and (3) the entire Well #2 facility would need rehabilitated.
5 Twin Lakes St. 1 at 4.

6
7 **Q. Mr. Clark, in your direct testimony, you indicated that Aqua had completed its due**
8 **diligence of the Twin Lakes system, and, based on its due diligence, that “significant**
9 **investment is needed to improve” it. Aqua St. 1 at 10. Does Mr. Fullagar’s testimony**
10 **accurately describe the categories and amounts of investment needed to improve the**
11 **system?**

12 A. Yes. However, I would add that as part of the replacement of the distribution system,
13 meters, ERT devices, and meter pits would be installed to better track and reduce UFW.

14
15 **Q. Do you have any response to Mr. Fullagar’s estimate or Aqua’s estimate of the**
16 **investment required to improve the Twin Lakes system?**

17 A. Yes. As noted in my direct testimony, Aqua initially estimated that the improvements to
18 Twin Lakes’ water system would cost approximately \$4.6 million, while Mr. Fullagar
19 stated Twin Lakes estimates that \$4.8 million in improvements are necessary. The
20 difference in estimates may be based on differences in assumptions on the location of the
21 replacement well and its proximity to existing infrastructure.

22
23 **Q. Mr. Fullagar further describes a “scenario whereby the funds that Twin Lakes relies**

1 **upon to operate and repair the systems could be depleted rapidly.” Twin Lakes St. 1**
2 **at 5-6. Do you have any response to Mr. Fullagar’s claims on this issue?**

3 A. Yes. As noted in my direct testimony, it appears that the only reason Twin Lakes would
4 lack the funds necessary to operate and repair its system is due to Middlesex Water
5 Company’s (“Middlesex”) voluntary decision to withdraw its financial support for Twin
6 Lakes. Aqua St. 1 at 7-8. As I previously noted, this is not a case where the water system
7 appears to be operated or managed poorly due to poor management or the financial inability
8 of ownership. Rather, it is a situation where Twin Lakes’ owner is attempting to use a
9 Section 529 proceeding to eliminate a financially poor performing segment of its overall
10 business.

11
12 **Q. Does Mr. Fullagar describe any of the alternatives considered by Twin Lakes system**
13 **and offer an explanation as to why these alternatives were not acted upon?**

14 A. Yes, he offers four alternatives and associated explanations. First, he claims that Twin
15 Lakes considered interconnecting with the nearest public-community system, *i.e.*, the
16 Milford Township system, as an alternative to replacing Well #1. Twin Lakes St. 1 at 7.
17 He states that this alternative was “not deemed viable” due to the distance of the required
18 interconnection and necessity of booster pumping stations along the interconnection route.
19 *Id.* Second, he states Twin Lakes considered the installation of private wells for each
20 customer, which was deemed “legally impossible” due to Shohola Ordinance No. 59. *Id.*
21 at 7-8. Third, Mr. Fullagar describes Twin Lakes’ attempt to secure a Pennsylvania
22 Infrastructure Investment Authority (“PENNVEST”) grant. He argues that, although Twin
23 Lakes was approved for a PENNVEST grant of \$4.6 million, Twin Lakes was unable to

1 accept the grant because it would be treated as a Contributions In Aid of Construction
2 (“CIAC”) subject to income tax under the Tax Cuts and Jobs Act of 2017, and the
3 associated increase in income tax liability would subject Twin Lakes’ customers to
4 additional rate increases. *Id.* at 8. Fourth, Mr. Fullagar describes the issuance of a Request
5 for Proposals (“RFP”) for a third-party to operate, maintain and manage the Twin Lakes
6 system. *Id.* at 9. He notes that one proposal was submitted, but was determined to be
7 inadequate. *Id.*

8
9 **Q. Do you have any response to the first alternative described by Mr. Fullagar, *i.e.*,**
10 **interconnecting the Twin Lakes system with the Milford Township system?**

11 A. I agree with Mr. Fullagar that construction of a 5 to 6-mile long pipeline with booster
12 stations in a State road would be cost prohibitive.

13
14 **Q. Do you have any response to the second alternative described by Mr. Fullagar, *i.e.*,**
15 **installing private wells for its current customers?**

16 A. As an initial matter, I note that Mr. Fullagar admits that customers have recently been able
17 to obtain a waiver of Shohola Township Ordinance No. 59 to install private wells. Twin
18 Lakes St. 1 at 3, 7. Although this alternative may present certain challenges, it is certainly
19 not “legally impossible” as he claims.

20
21 **Q. Do you have any response to the third alternative described by Mr. Fullagar, *i.e.*,**
22 **accepting a PENNVEST grant to obtain funds to remediate the system?**

23 A. Mr. Packer will respond to this alternative in his Rebuttal Testimony.

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Q. Do you have any response to the fourth alternative described by Mr. Fullagar, i.e., the RFP process?

A. As an initial matter, I note that during cross examination in the hearings held on the OCA’s August 28, 2020 Petition For Issuance Of An Interim Emergency Order on An Expedited Basis, Mr. Fullagar admitted that the services and functions which Twin Lakes deemed to be missing from Farnham and Associates’ proposal during the RFP are services and functions currently performed by Middlesex under the Service Agreement. Tr. 107:3-10. Moreover, the only reason the RFP was initiated was because Middlesex would no longer be providing those services. Tr. 107:11-14. Although Mr. Fullagar appears to concede this point on pages 9-10 of his direct testimony, it should be noted, once again, that this is simply not a situation where the subject water utility’s owner lacks the capability to manage or operate the utility. Rather, the proceeding appears premised upon a financially viable operator’s decision to voluntarily eliminate a financially poor performing segment of its business.

Q. Does Twin Lakes witness Mr. O’Connor (Twin Lakes St. 2) raise any issues that you wish to respond to at this time?

A. Yes. As an initial matter, I note that Mr. O’Connor’s testimony highlights the risks of Aqua operating the Twin Lakes system as either a receiver or as an acquiring entity, prior to the completion of normal due diligence. Indeed, he admits that “the condition of the water system was significantly poorer than had been represented by the former owner, or had been visible from the inspection and assessment that was part of the operational due

1 diligence work performed prior to the purchase.” Twin Lakes St. 2 at 2.

2 Mr. O’Connor also makes two additional assertions that I wish to address. First, he
3 states that in 2011, Twin Lakes engaged Aqua regarding a possible acquisition of the Twin
4 Lake system, but claims Aqua eventually failed to respond to Twin Lakes’ inquiries. Twin
5 Lakes St. 2 at 4. Second, he attempts to explain Middlesex’s decision to voluntarily stop
6 providing financial support to Twin Lakes. Twin Lakes St. 2 at 7.

7
8 **Q. Regarding the first assertion, was Aqua approached by Twin Lakes regarding a**
9 **potential acquisition of its system in 2011?**

10 A. Yes.

11
12 **Q. Please summarize Aqua’s discussions with Twin Lakes regarding a potential**
13 **acquisition.**

14 A. While I was not personally involved in the review of the Twin Lakes system in 2011, it is
15 my understanding that Aqua chose not to pursue an acquisition due to the poor condition
16 of the system, the investment required to remediate the system and because the Twin Lakes
17 system was not very near existing Aqua systems, such that it was not deemed be a viable
18 acquisition opportunity at that time.

19
20 **Q. Please respond to Mr. O’Connor’s claim that “[d]espite repeated attempts to re-**
21 **engage Aqua...there was no response from the Aqua due diligence team.” Twin**
22 **Lakes St. 2 at 4.**

23 A. As stated above, Aqua engaged in discussions with Twin Lakes regarding a potential

1 acquisition, and after review of the system, Aqua concluded it was not in the best interests
2 of its existing customers to acquire the system. Nothing required Aqua to continue
3 discussions on acquiring the system.

4
5 **Q. You also mentioned that Mr. O'Connor attempts to explain why Middlesex**
6 **voluntarily decided to withdraw financial support from Twin Lakes. Please**
7 **summarize his explanation.**

8 A. Mr. O'Connor claims that after Twin Lakes' 2019 base rate proceeding, it became clear
9 that "there was no indication that the Commission would allow rates to be set at a level that
10 would enable recovery of prudently incurred costs and expenses." Twin Lakes St. 2 at 7.
11 He goes on to claim that this "level of risk for investing in a regulated public utility is
12 unreasonable, unrealistic and unconscionable." Twin Lakes St. 2 at 7.

13
14 **Q. Do you agree with Mr. O'Connor's claims?**

15 A. Although I agree with the premise that a public utility is entitled to an opportunity to earn
16 a reasonable return on its prudently incurred investments and of its prudently incurred
17 expenses, I disagree with Mr. O'Connor's claim that Middlesex, as the owner of Twin
18 Lakes, has been denied that opportunity by the Commission. Middlesex does not claim that
19 it is insolvent or otherwise lacks the ability to continue funding Twin Lakes' operations.
20 Rather, as I note in my direct testimony and as I&E witness Mr. Keller explains in further
21 detail in his direct testimony (I&E St. 2), Middlesex overall appears to be a financially
22 strong and capable public utility.

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IV. REBUTTAL TO I&E DIRECT TESTIMONY

Q. Did you review the direct testimony submitted by I&E in this proceeding?

A. Yes. I reviewed the direct testimony of I&E witness Esysan Sakaya (I&E St. 1) and the direct testimony of I&E witness Christopher Keller (I&E St 2).

Q. Mr. Clark, you indicated in your direct testimony that the Company would respond I&E’s recommendations regarding the criteria set forth in Section 529(a) of the Public Utility Code. Did I&E make specific recommendations regarding each of these criteria?

A. Yes. I&E witness Mr. Sakaya addressed Sections 529(a)(1) through (3) in his testimony (I&E St. 1). Mr. Keller further addressed Sections 529(a)(3) through (6) in his direct testimony (I&E St. 2).

Q. Please summarize Mr. Sakaya’s conclusions regarding Sections 529(a)(1) and (2).

A. Mr. Sakaya concludes that Twin Lakes is currently in violation of statutory and/or regulatory standards that affect safety, adequacy, efficiency and/or reasonableness of service provided under Section 529(a)(1). I&E St. 1 at 12. Mr. Sakaya further concludes that Twin Lakes has failed to correct within a reasonable period of time the numerous violations it received from the Pennsylvania Department of Environmental Protection (“DEP”), and has failed to make the necessary upgrades it agreed to in past rate cases. I&E St. 1 at 14. He bases these conclusions off his investigation of Twin Lakes, which is summarized on page 6 of his direct testimony. His findings are more fully explained on

1 pages 6 through 14 of his direct testimony.

2
3 **Q. Does Aqua agree with Mr. Sakaya's conclusions regarding Sections 529(a)(1) and (2)?**

4 A. Yes. However, I would note that Twin Lakes' failures appear to be a result of its, and its
5 parent's, decisions to not spend the money needed to comply.

6
7 **Q. What does Mr. Sakaya conclude regarding Section 529(a)(3)?**

8 A. Mr. Sakaya's testimony focuses on Twin Lakes' technical capability to provide adequate,
9 efficient, safe and reasonable service. He asserts that any investigation regarding the
10 technical ability of Twin Lakes must also include a review of the technical abilities of Twin
11 Lakes parent, Middlesex. I&E St. 1 at 14-15. Mr. Sakaya ultimately concludes that Twin
12 Lakes can be reasonably expected to furnish and maintain adequate, efficient safe and
13 reasonable service and facilities in the future and, therefore, that Section 529(a)(3) has not
14 been satisfied. I&E St. 1 at 17-18.

15
16 **Q. What does I&E witness Mr. Keller (I&E St. 2) further conclude regarding the**
17 **financial and managerial capabilities of Middlesex?**

18 A. I&E witness Mr. Keller further concludes Middlesex is a "capable public utility" under
19 Section 529(m) of the Public Utility Code and that Twin Lakes has the financial and
20 managerial ability needed to provide safe and reliable service through Middlesex. I&E St.
21 2 at 6-7, 11-12.

22
23 **Q. Do you agree with the conclusions of I&E witnesses Mr. Sakaya and Mr. Keller's**

1 **regarding Twin Lakes' capability to provide reasonable service in the future?**

2 A. Yes. As noted above and during the prior hearing in this proceeding, Middlesex effectively
3 acts as the operator of the Twin Lakes system, and provides the customer service, meter
4 reading, chemical purchasing, and billing and collections functions for Twin Lakes.
5 Furthermore, no party asserts that the current owner of the Twin Lakes water system lacks
6 operational or managerial ability. This case does not appear to involve a poorly operated
7 or managed small water system that requires new ownership. Instead, it simply appears
8 that Middlesex is attempting to use the Section 529 process to eliminate a poorly
9 performing segment of its overall business.

10
11 **Q. What does Mr. Keller conclude regarding Section 529(a)(4)?**

12 A. Under Section 529(a)(4), Twin Lakes must consider the five alternatives to an acquisition
13 set forth in Section 529(b) of the Public Utility Code. After examining the evidence
14 presented by Twin Lakes with respect to each of these alternatives, Mr. Keller concludes
15 that Twin Lakes demonstrated that the alternatives to acquisition were not practical or
16 feasible. I&E St. 2 at 19-23.

17
18 **Q. In your direct testimony, Aqua reserved its rights to respond to any of the other
19 parties' positions regarding these alternatives. Do you have any response to the
20 position taken by I&E witness Mr. Keller?**

21 A. While Aqua believes that Middlesex and Twin Lakes can continue to operate the Twin
22 Lakes system, Aqua has agreed to voluntarily act as receiver of the system during the
23 pendency of the Section 529 proceeding and until Middlesex finds a willing buyer for the

1 system that is approved by the Commission.

2

3 **Q. What does Mr. Keller conclude regarding Section 529(a)(5)?**

4 A. Mr. Keller explains that OCA identified Aqua as a capable acquiring public utility and
5 concludes that Aqua is a capable public utility. I&E St. 2 at 24, 27. He also identifies
6 Pennsylvania American Water Company, United Water a/k/a SUEZ Water Pennsylvania
7 Inc. and the Milford Water Authority as having received notice of the instant Section 529
8 investigation. I&E St. at 2.

9

10 **Q. Do you have any response to Mr. Keller's testimony regarding this criterion?**

11 A. No. Consistent with my direct testimony, I agree that Aqua is financially, managerially
12 and technically capable to provide water service over the Twin Lakes system.

13

14 **Q. What does Mr. Keller conclude regarding the sixth factor under Section 529(a)(6)?**

15 A. Mr. Keller concludes that the acquisition of the Twin Lake system by Aqua would not
16 result in an unreasonable increase in rates for Aqua's current customers. I&E St. 2 at 28.
17 He explains that Aqua has approximately 443,000 customers and the current Twin Lakes'
18 customers would represent less than 0.1% of Aqua's water customers if Aqua acquired the
19 Twin Lakes system. I&E St. 2 at 27-28.

20

21 **Q. Do you have a response to Mr. Keller's testimony regarding this criterion?**

22 A. Mr. Packer will respond to this criterion in his Rebuttal Testimony (Aqua Statement No.
23 2-R).

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V. REBUTTAL TO OCA DIRECT TESTIMONY

Q. Did you review the direct testimony submitted by OCA in this proceeding?

A. Yes. I reviewed the direct testimony of OCA witness Morgan N. DeAngelo (OCA St. 1) and the direct testimony of OCA witness Terry L. Fought (OCA St. 2).

Q. Please summarize OCA witness Ms. DeAngelo’s direct testimony.

A. Ms. DeAngelo testifies regarding the Section 529(a) criteria. She concludes that Twin Lakes cannot be expected to provide reasonable service in the future because it is unable to establish a credit arrangement at any reasonable costs with any financial institution as a stand-alone entity and argues that a system take-over is necessary to mitigate the risk of losing water supply. OCA St. 1 at 2-3. She further testifies that the alternatives to acquisition set forth in Section 529(b) have been considered, and only the appointment of a receiver is a practical or feasible alternative. OCA St. 1 at 3-4. Finally, she testifies that Aqua is a capable public utility and concludes that there would be no immediate effect on the rates of Aqua’s current customers if it were ordered to acquire the Twin Lakes system. OCA St. 1 at 4-5.

Q. Do you have a response to Ms. DeAngelo’s argument that Twin Lakes cannot be expected to provide reasonable service without support from Middlesex?

A. Yes. As I have previously explained, and as I&E’s witnesses both explained, Middlesex appears to have the technical, financial and managerial ability to continue to operate the Twin Lakes system. Although Aqua understands Ms. DeAngelo’s concern for maintaining

1 water service to Twin Lakes' customers, Middlesex's voluntary decision to attempt to
2 eliminate a finically poor performing segment of its overall business does not support the
3 relief sought. Indeed, absent this decision by Middlesex, Twin Lakes would be able to
4 furnish and maintain service in the future.

5
6 **Q. Please respond to Ms. DeAngelo's discussion of alternatives to acquisition.**

7 A. Consistent with my response to I&E witness Mr. Keller's direct testimony regarding
8 alternatives to acquisition, while Aqua believes that Middlesex and Twin Lakes can
9 continue to operate the Twin Lakes system, Aqua has agreed to voluntarily act as receiver
10 of the system during the pendency of the Section 529 proceeding and until Middlesex finds
11 a willing buyer that is approved by the Commission.

12
13 **Q. Do you agree with Ms. DeAngelo's statement that Aqua is a capable public utility?**

14 A. Yes.

15
16 **Q. With respect to OCA witness Mr. Fought, do you have any response to his description
17 of the Twin Lakes water system or any of the operational issues facing the system?**

18 A. No. Mr. Fought's testimony appears to be consistent with Aqua's understanding of the
19 system and the issues it faces, based upon Aqua's due diligence.

20
21 **Q. Does Aqua agree with OCA's recommendation that the Commission should order
22 Aqua, as a capable public utility, to acquire Twin Lakes (OCA St. 1 at 5)?**

23 A. No. While Aqua is willing to act as receiver during the pendency of the 529 Proceeding

1 and until the Commission authorizes a sale to a willing buyer, Aqua, at this time, does not
2 believe it should be required to acquire Twin Lakes. As set forth in the Rebuttal Testimony
3 of Mr. Packer (Aqua St. 2-R), any acquisition of the Twin Lakes system by Aqua should
4 only be authorized if Aqua and Twin Lakes voluntarily complete negotiations and Aqua
5 files an application with the Commission to acquire the Twin Lakes system.

6
7 **VI. CONCLUSION**

8 **Q. Does this conclude your rebuttal testimony at this time?**

9 A. Yes. I reserve the right to supplement my testimony as additional issues arise during the
10 course of the proceeding.

Aqua SC-1R
Exhibit A

VII. FINISHED WATER STORAGE

A. Design and Construction

The materials and designs used for finished water storage structures shall provide stability and durability as well as protect the quality of the stored water. Steel and concrete structures shall comply with the current editions of the AWWA standards concerning tanks, standpipes, reservoirs and elevated tanks wherever they are applicable. Other materials of construction are acceptable when properly designed to meet the requirements of this section.

1. Sizing

Storage facilities should have sufficient capacity, as determined from engineering studies, to meet domestic demands, and where fire protection is provided, fire flow demands.

- a. Fire flow recommendations established by the Insurance Services Office should be satisfied where fire protection is provided.
- b. The minimum storage capacity (or equivalent capacity) for systems not providing fire protection shall be equal to 1 day's average consumption. This requirement may be reduced when the source and treatment facilities have sufficient capacity with standby power to supplement peak demands of the system.
- c. Excessive storage capacity should be avoided to prevent potential water quality deterioration problems.

2. Location of Ground-Level Reservoirs

- a. Consideration should be given to maintaining water quality when locating water storage facilities.
- b. The bottom of ground-level reservoirs and standpipes should be placed at the normal ground surface and shall be above the 100-year flood or the highest flood of record.
- c. If the bottom elevation of a storage reservoir must be below normal ground surface, it shall be placed above the groundwater table. At least 50 percent of the water depth should be above grade. Sewers, drains, standing water and similar sources of possible contamination must be kept at least 50 feet from the reservoir. Gravity sewers constructed of water main quality pipes, pressure tested in place without leakage, may be used at distances greater than 20 feet and less than 50 feet.
- d. The top of a partially buried storage structure shall not be less than 2 feet above normal ground surface. Clear wells constructed under filters may

Aqua SC-1R
Exhibit B

Office of Consumer Advocate
Data Request Set 1

**Petition of Twin Lakes Utilities, Inc. for a Commission Order Authorizing the Acquisition
of Twin Lakes Utilities, Inc. by a Capable Public Utility Pursuant To 66 Pa. C.S. §529
Docket No. P-2020-3020914**

OCA-8 Provide copies of Section 500 to the PUC annual reports submitted to the PUC for containing information regarding the calendar year 2019.

Response: Please see the attached document.

Twin Lakes Utilities, Inc.

For the Year Ended December 31, 2019

(Company Name)

500. WATER DELIVERED INTO SYSTEM DURING YEAR

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

Line No.	Description (a)	(Gallons) (b)	(gal. Per day) (c)
1	Water Delivered for Distribution & Sale:		
2	Water Obtained from Company Sources	21,035,256	57,631
3	Water Obtained from Other Independent Utilities		
4	Total Water Delivered	21,035,256	57,631
5	Metered Sales:		
6	Residential	3,256,000	8,921
7	Commercial		
8	Industrial		
9	Public		
10	Other Water Utilities		
11	Private Fire Protection		
12	Public Fire Protection		
13	Other Metered Service Identify _____		
14	Total Metered Sales	3,256,000	8,921
15	Unmetered Sales:		
16	Residential		
17	Commercial		
18	Industrial		
19	Private Fire Protection		
20	Public Fire Protection		
21	Other Unmetered Service Identify _____		
21	Total Unmetered Sales		
22	Total Gallons Delivered	3,256,000	8,921
23	Non-Revenue Usage Allowances:		
24	Authorized Unmetered Usage:		
25	Main Flushing		
26	Blow-off Use		
27	Others: Identify _____		
28	Unauthorized Use		
29	Unavoidable Leakage _____ gpd/mile of main		
30	Adjustments:		
31	Located & Repaired Breaks in Mains & Services		
32	Others Identify _____		
33	Total Allowances & Adjustments		
34	Unaccounted-for-Water	17,779,256	48,710
35	Percentage of Unaccounted-for-Water	85%	

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Twin Lakes Utilities, Inc. For A Commission Order Authorizing The
Acquisition Of Twin Lakes Utilities, Inc. By A Capable Public Utility Pursuant to 66 Pa.
C.S. § 529**

Docket No. P-2020-3020914

Aqua Pennsylvania, Inc.

Statement No. 2-R

Rebuttal Testimony of William C. Packer

Topics Addressed: Aqua's Position Regarding the Relief Sought

Dated: December 9, 2020

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is William C. Packer. My business address is 762 West Lancaster Avenue Bryn
4 Mawr, PA 19010.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am Vice President – Rates and Regulatory Accounting of Essential Utilities, Inc.
8 (“Essential”).

9

10 **Q. On whose behalf are you testifying?**

11 A. I am testifying on behalf of Aqua Pennsylvania, Inc.’s (“Aqua” or the “Company”) a
12 wholly-owned subsidiary of Essential.

13

14 **Q. What are your primary duties and responsibilities as Vice President – Rates and
15 Regulatory Accounting of Essential?**

16 A. My overarching responsibility is to lead and assist the subsidiaries of Essential with the
17 planning and execution of regulatory strategies before the public utility commission in each
18 of subsidiaries’ jurisdiction. I am responsible to ensure that the financial planning process
19 enables the subsidiaries to achieve their allowed rate of return from both a short and long-
20 term perspective to ensure a financially viable utility. This includes deploying all capital
21 resources required to provide the most cost effective and efficient means to operating
22 Essential and its subsidiaries. In addition to my responsibilities as Vice President – Rates
23 and Regulatory Accounting of Essential, I also serve as the Regional Controller for Aqua
24 and Aqua New Jersey, Inc.

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Q. What is your educational and professional background?

A. I graduated from Richard Stockton College of New Jersey in 1998 with a Bachelor of Science degree in Business Studies with a concentration in Accounting. I began my 20-year career in the utility industry in September 1999, when I joined New Jersey American Water Company (“American”) as a General Staff Accountant and from 2001 to 2005 I held various positions in finance and accounting at American. At American, I had the opportunity to support the rate-making process by working closely with operating subsidiaries in 23 states, preparing schedules and answering interrogatories.

I began my career at Aqua in March 2005 when I joined Aqua New Jersey, Inc., as Assistant Controller. Since then I have held a variety of positions in finance and accounting. In April 2017, I was promoted to my current position of Vice President – Controller of Aqua. Since starting at Aqua, I have been the chief accounting and revenue requirement witness in rates cases filed in Pennsylvania since 2008 and in New Jersey since 2005. I have also provided expert witness testimony for the Company’s Aqua North Carolina, Inc. subsidiary.

In addition to my corporate experience, I was elected as Mayor of the Borough of Woodbury Heights in November of 2018 and was sworn in on January 5, 2019. The Borough of Woodbury Heights is one of 565 municipalities in New Jersey and has a population of approximately 3,000 residents. I have been an elected official since 2010 and the Borough owns and operates both its water and wastewater utilities, thus giving me a unique perspective as to the considerations municipalities face when it comes to providing utility service to its residents.

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Q. Have you previously testified before the Pennsylvania Public Utility Commission (“Commission”)?

A. Yes. I have testified in every regulatory filing for Aqua and Aqua Pennsylvania Wastewater, Inc. since 2008, including the following: base rate cases in 2008, 2009, 2011, and 2018; Distribution System Improvement Charge (2008); and numerous acquisition applications under Section 1329 of the Public Utility Code.

Q. Did you previously provide testimony in this proceeding?

A. No.

Q. Please describe your rebuttal testimony.

A. The purpose of my rebuttal testimony is to respond to certain of the statements and arguments made by the Twin Lakes Utilities, Inc. (“Twin Lakes”), the Commission’s Bureau of Investigation and Enforcement (“I&E”), and Office of Consumer Advocate (“OCA”). More specifically, I respond to the proposal made by Twin Lakes in its Petition and recommendation made by OCA witness Ms. DeAngelo that the Commission order Aqua, as a capable public utility, to acquire Twin Lakes in this proceeding.

Q. Are you sponsoring exhibits associated with your rebuttal testimony?

A. No.

Q. Mr. Packer, what is your understanding of the relief requested by Twin Lakes in this

1 **proceeding?**

2 A. On July 16, 2020, Twin Lakes filed a Petition under Section 529 of the Public Utility Code,
3 66 Pa.C.S. § 529, and specifically requests authorization under Section 529 of the Public
4 Utility Code, 66 Pa.C.S. § 529, for the acquisition of Twin Lakes by a “capable public
5 utility.”

6

7 **Q. Has Aqua previously participated in Section 529 proceedings before the Commission?**

8 A. Yes. Aqua has participated in several Section 529 proceedings before the Commission,
9 including, most recently, North Heidelberg Sewer Company (Docket Nos. M-2018-
10 2655983 and I-2018-3001161), James Black Water Service Company (Docket No. M-
11 2019-3012563), and Sun Valley Water Company (Docket No. A-2017-2626577).¹

12

13 **Q. Please describe Aqua’s previous experience in Section 529 proceedings.**

14 A. Aqua has participated in Section 529 proceedings where the existing owner of the system
15 is unable to provide safe and adequate service to customers either through multiple
16 violations of the Commission or Department of Environmental Protection (“DEP”)
17 regulations, or through the lack the owner’s ability to manage the system financially or
18 operationally. In all of these cases, the systems have been troubled, in that service to
19 customers was jeopardized by the owner’s inability to run the system or lack of an owner
20 to do so.

21

22 **Q. Is this proceeding similar to prior Section 529 proceedings where Aqua has been a**

¹ Although Sun Valley was not a formal Section 529 proceeding due to lack of living owners of the system, Aqua was appointed receiver of the Sun Valley system.

1 **participant?**

2 A. No. Here we do not have a system where the owner has passed away, or there have been
3 multiple and ongoing violations the Commission or DEP regulations, or the inability of the
4 owner to manage the system. The current owners are seeking to use this Section 529
5 process to have another entity acquire a system that it has the capabilities to manage. I
6 emphasize that Aqua has and will continue to work to solve issues regarding trouble water
7 and wastewater systems in the Commonwealth. However, a very different set of facts and
8 circumstances are present here.

9

10 **Q. Have any of the parties made any recommendations as to whether Aqua, as a capable**
11 **public utility, should be ordered by the Commission to acquire the Twin Lakes water**
12 **system?**

13 A. Yes. OCA witness Ms. DeAngelo specifically makes this recommendation. OCA St. 1 at
14 5. In addition, although I&E does not specifically make this recommendation, I&E witness
15 Mr. Keller explains that OCA identified Aqua as a capable acquiring public utility and
16 concludes that Aqua is a capable public utility. I&E St. 2 at 24, 27. I&E witness Mr. Keller
17 also concludes that the acquisition of the Twin Lakes system by Aqua would not result in
18 an unreasonable increase in rates for Aqua’s current customers. I&E St. 2 at 28.

19

20 **Q. Do you agree with the other parties’ recommendation that the Commission should**
21 **order Aqua to acquire the Twin Lakes water system as a part of this Section 529**
22 **proceeding?**

23 A. No, I do not. Although Aqua is willing to voluntarily act as the receiver for the Twin Lakes

1 water system, as explained in the rebuttal testimony of Aqua witness Mr. Clark (Aqua St.
2 1-R), it is Aqua’s position that the Commission should not order Aqua to acquire the Twin
3 Lakes water system as a part of this proceeding. Rather, consistent with the direct
4 testimony of Mr. Clark, any acquisition of the Twin Lakes system by Aqua should only be
5 authorized if Aqua and Twin Lakes voluntarily complete negotiations and Aqua files an
6 application with the Commission to acquire these assets and expand its existing service
7 territory to provide service to Twin Lakes.

8
9 **Q. Why is it Aqua’s position that the Commission should not order it to acquire the Twin**
10 **Lakes water system as a part of this Section 529 proceeding?**

11 A. As discussed in the direct and rebuttal testimony of Aqua witness Mr. Clark, this
12 proceeding does not appear to involve a financially insolvent or managerial deficient
13 owner. Middlesex Water Company (“Middlesex”) is a financially capable owner, and also
14 appears to have the technical and managerial capability to continue to operate the system
15 as it does today. Rather, it appears that Middlesex is seeking to eliminate a financial poor
16 performing segment of its overall business by improperly using the provisions of Section
17 529.

18 Where the current owner of a small water system has the financial and managerial
19 capability to continue to support system, but appears to be using a Section 529 proceeding
20 to eliminate the system from its overall business due to poor financial performance, Aqua
21 is concerned that the current owner could be attempting to use the Section 529 process to
22 force a potential acquiring public utility to pay more than it otherwise would agree to pay
23 based upon arms-length negotiations between the parties. Section 529 provides that if the

1 Commission orders a capable public utility to acquire a small water system, the parties are
2 then to undertake negotiations on price. If the parties are unable to agree to a price, or the
3 Commission rejects the price negotiated, then the acquiring party must use the provisions
4 of the Eminent Domain Code. As a result, an acquiring party and a seller may be forced
5 to accept a price that they would not willingly accept in arms-length negotiations. This
6 approach may be necessary when a financially or managerially incapable owner refuses to
7 sell a utility.

8 However, that is not the case here. Middlesex, a financially fit and capable owner,
9 appears eager to sell the Twin Lakes system. But in using Section 529, Middlesex may
10 force Aqua to pay more than it is willing to pay. Section 529 of the Public Utility Code
11 should not be used in that way; it is not a vehicle for a financially and managerially capable
12 owner to extract additional value out of a financially poor performing system.

13
14 **Q. If the Commission adopts the proposal of Twin Lakes and recommendation of OCA,**
15 **and orders Aqua to acquire the Twin Lakes water system, do you have a**
16 **recommendation regarding additional conditions that should be imposed by the**
17 **Commission?**

18 A. Yes. If the Commission were to order Aqua to acquire the Twin Lakes water system as a
19 part of this proceeding, it should condition the acquisition upon Middlesex setting aside
20 approximately \$1,675,000 in an escrow account to be used to offset the costs of replacing
21 and remediating the existing infrastructure not covered by the Pennsylvania Infrastructure
22 Investment Authority (“PENNVEST”) grant funds available and to cover the tax liability
23 associated with the grant. The breakdown of the escrow funds is approximately \$304,573

1 of loan and an estimated \$1,358,000 of tax liability. It is undisputed that the facilities and
2 infrastructure comprising the Twin Lakes system are significantly deteriorated, and will
3 require substantial remediation and, in many cases, complete replacement in order to
4 provide the customers served with reasonable and adequate water service. Under the
5 particular set of facts and circumstances applicable here, to the extent that Aqua is ordered
6 to acquire this system, its shareholders and ratepayers should not be required to bear the
7 entirety of the costs to remediate and replace the existing infrastructure. Rather, current
8 ownership should be held responsible for a portion of those costs in recognition of the fact
9 that Middlesex remains financially and managerially capable at the time it has sought to
10 divest itself of this system.

11
12 **Q. Please describe and respond to Mr. Fullagar’s third alternative considered by the**
13 **Twin Lakes system regarding the PENNVEST grant and loan.**

14 A. Mr. Fullagar described that Twin Lakes was approved for a PENNVEST grant of
15 \$4,660,027 and a loan of \$304,573 and did not accept the grant because it would be treated
16 as Contributions in Aid of Construction (“CIAC”) subject to income tax liability of \$1.358
17 million under the Tax Cuts and Jobs Act of 2017, which would subject customers to
18 additional rate increases and the Commission has not provided adequate recovery in the
19 past. However, it is my understanding that Twin Lakes has not yet accepted the
20 PENNVEST grant and loan and has not included these amounts in any base rate case before
21 the Commission. In this regard, Mr. Fullagar is merely speculating about what the
22 Commission may or may not order regarding funds that Twin Lakes has not accepted and
23 has not yet attempted to recover in base rates. Mr. Fullagar’s speculation should be

1 rejected.

2

3 **Q. Please respond to OCA witness DeAngelo's and I&E witness Keller's conclusion that**
4 **an acquisition of the Twin Lakes system by Aqua would not result in an unreasonable**
5 **increase in Aqua's existing customers' rates.**

6 A. While Aqua submits it should not be ordered to acquire the Twin Lakes system through
7 this proceeding, given the size of the Twin Lakes system, I agree with the conclusion that
8 an acquisition of the Twin Lakes system would not have a meaningful impact on the rates
9 of Aqua's existing customer base.

10

11 **Q. Does this conclude your rebuttal testimony at this time?**

12 A. Yes. I reserve the right to supplement my testimony as additional issues arise during the
13 course of the proceeding.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Twin Lakes Utilities, Inc. For A Commission Order Authorizing The
Acquisition Of Twin Lakes Utilities, Inc. By A Capable Public Utility Pursuant to 66 Pa.
C.S. § 529**

Docket No. P-2020-3020914

Aqua Pennsylvania, Inc.

Statement No. 2-SR

Surrebuttal Testimony of William C. Packer

Topics Addressed: Aqua's Position Regarding the Relief Sought

Dated: December 22, 2020

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is William C. Packer. My business address is 762 West Lancaster Avenue Bryn
4 Mawr, PA 19010.

5

6 **Q. Did you previously provide testimony in this proceeding?**

7 A. Yes. On December 9, 2020, I submitted my written rebuttal testimony on behalf of Aqua
8 Pennsylvania, Inc. (“Aqua” or the “Company”), Aqua Statement No. 2-R

9

10 **Q. Please describe the purpose of your surrebuttal testimony.**

11 A. The purpose of my surrebuttal testimony is to respond to a statement made by Twin Lakes
12 Utilities, Inc. (“Twin Lakes”) witness Bruce O’Connor in his rebuttal testimony, Twin
13 Lakes St. 2-R. More specifically, I respond to Mr. O’Connor’s assertion that the
14 Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and
15 Enforcement (“I&E”) is the only party that opposes Twin Lake’s requested relief.

16

17 **Q. Mr. Packer, does Mr. O’Connor assert on behalf of Twin Lakes that “I&E stands
18 alone as the only party opposing Twin Lakes’ request for the granting of Section 529
19 relief”?**

20 A. Yes, he does on page 11 of his rebuttal testimony.

21

22 **Q. Is that statement accurate?**

23 A. Not entirely. Aqua made clear in its rebuttal testimony that the Commission should not

1 order Aqua to acquire the Twin Lakes water system as a part of this proceeding.

2
3 **Q. Did Aqua explain why it believes the Commission should not order Aqua to acquire**
4 **the Twin Lakes water system as a part of this Section 529 proceeding?**

5 A. Yes. As a part of my rebuttal testimony (Aqua Statement No. 2-R), I explained that Aqua
6 was concerned that the current owner of the Twin Lakes water system, *i.e.*, Middlesex
7 Water Company (“Middlesex”), could be attempting to use the Section 529 process to force
8 a potential acquiring public utility to pay more than it otherwise would agree to pay based
9 upon arms-length negotiations between the parties. But for Aqua being designated one of
10 the capable utilities by the Commission in this proceeding, the Company had no interest in
11 acquiring this system previously and questions its value currently in a free market. The
12 record shows that no other utility is interested in this system out of their own business
13 interests. Instead, it appears that they are attempting to use the Section 529 process to
14 avoid writing off Twin Lakes water system. I do not believe it is sound policy to permit
15 Middlesex to take advantage of Section 529 of the Public Utility Code in this manner.

16
17 **Q. Please expand on your concern regarding this position.**

18 A. As explained above, Aqua has stated that it believes that the Commission should not order
19 Aqua to acquire the Twin Lakes system. If Aqua is ordered to acquire the Twin Lakes
20 system, the parties will attempt to negotiate a fair price for the system that the Commission
21 will review for reasonableness. If the parties are unable to come to an agreed upon
22 purchase price the Commission will be required, under Section 529, to order that Aqua

1 acquire the Twin Lakes system through use of the Eminent Domain Code¹, thereby
2 relinquishing jurisdiction and the ability to approve a fair and reasonable price for the
3 system.

4
5 **Q. Do you have any additional basis for these concerns based on your review of Twin
6 Lakes' rebuttal testimony?**

7 A. Yes. On pages 11-12 of Mr. O'Connor's rebuttal testimony, it seems that Twin Lakes is
8 attempting to assert that none of the parties oppose its request to be acquired by a capable
9 public utility and that all of the parties believe Aqua is that capable public utility.

10
11 **Q. If the Commission were to order Aqua to acquire the Twin Lakes system as a part of
12 this proceeding, has Aqua proposed additional conditions that should be imposed on
13 such acquisition?**

14 A. Yes. As explained on pages 7-8 of my rebuttal testimony, if the Commission were to order
15 Aqua to acquire the Twin Lakes water system as a part of this proceeding, it should
16 condition the acquisition upon Middlesex setting aside funds in an escrow account to be
17 used to offset the costs of replacing and remediating the significantly deteriorated existing
18 infrastructure. Given that current ownership of the Twin Lakes system remains financially
19 and managerially capable of operating the system, to the extent that Aqua is ordered to
20 acquire this system, its shareholders and ratepayers should not be required to bear the
21 entirety of the costs to remediate and replace the existing infrastructure.

22

¹ See 66 Pa. C.S. § 529(e).

1 **Q. Does this conclude your surrebuttal testimony at this time?**

2 **A.** Yes. I reserve the right to supplement my testimony as additional issues arise during the

3 course of the proceeding.