

WILLISTOWN TOWNSHIP BOARD OF SUPERVISORS SPECIAL PUBLIC MEETING
October 29, 2020, AT 7:00 pm via Zoom

The Special Public Meeting of the Willistown Township Board of Supervisors came to order at 7:00 pm. Supervisors William R. Shoemaker, Robert T. Lange, and Barbara L. Handelin were present. Also present were Township Manager Sally Slook, Finance Director Martin McKenzie, Director of Public Works William Hagan, and Assistant to the Township Manager Jennifer Jacobs.

Announcements

Supervisor Shoemaker said the purpose of this special meeting is to discuss the Township's sewer system. The sewer system underwent a study in the summer to evaluate its present condition and to determine if the system should be divested. The Board has scheduled future meetings in 2020 to discuss the process further.

New Business

Ms. Slook introduced General Counsel for the Township Timothy Council, Special Council Thomas Wyatt, and Scott Shearer, Managing Director of Public Financial Management (PFM). PFM is the firm the Township contracted with to evaluate the Township sanitary sewer system.

Scott Shearer of PFM conducted the first presentation. The presentation is attached to the minutes and on the [Township website to review](#).

The second presentation was conducted by Krista Weeks, Manager, Business Development for Aqua Pennsylvania. The presentation is attached to the minutes and on the [Township website to review](#).

Public Question and Answer

Mike Kerr, 33 Stonehenge Lane - Please advise breakdown of \$1 million transaction costs.

Mr. Shearer said the fees go to the consulting firm, general and special counsel, consulting engineers, and the transaction counsel.

William Rubert, 34 Harvey Lane - Instead of using the \$21 million for trails, open land preservation, etc., why not invest the \$21 million and then in 5 years when the sewer rates jump by 50%, use the principal to defray the rate increases for this of us on fixed incomes?

Ms. Slook commented the sale amount is \$17 million. Supervisor Shoemaker explained whether Aqua Pennsylvania or the Township owns the system; substantial capital needs to be put into the aging system. If the Township doesn't sell the sewers, the rates will go up. Aqua has greater resources and economies of scale to put towards the system, which will cost less in the long run if Willistown retains ownership.

William Rubert, 34 Harvey Lane - if my grinder pump needs servicing, I now have to pay PreDoc. Will I have to pay Aqua for servicing if the sale goes through?

Mr. Hagan explained PreDoc is the Township contractor for service and repairs for grinder pumps, and PreDoc provides 24-hour service seven days a week. Mr. Lucca stated Aqua does not take ownership of grinder pumps, and they would remain the property of the property owners. Aqua does have a 24/7 hotline for repairs, but the property owner would be responsible for servicing their grinder pump.

Paul Djamoos, 10 Veterans Way - What are the capital investments that Aqua plans to make?

Mr. Lucca answered Aqua has about \$3.3 million of capital investment slated over the next ten-year period of ownership. Roughly half the planned improvements will improve the piping in the streets, correct infiltration and inflow, and improve the pump stations.

Frances Lopez, 16 Grubb Road- Are the rates proposed monthly rates?

Mr. Packard said the proposed rates are monthly rates using 4,000 gallons.

Ray Dombroski, 8 Firethorn Lane - In the past ten years, how many times has the PUC declined or reduced Aqua PA proposed rate increases?

Mr. Lucca answered Aqua had its first rate increase in 10 years in 2017. Mr. Packard also commented Aqua is a regulated utility and cannot increase their rates unless they go a base rate case with the Pennsylvania Utilities Commission, which they do roughly every three years.

Carol Meerschaert, Edward Dickinson, and C Tabbut asked similar questions - Why will there be a 43% increase in 2025? That will be a hardship for residents.

Mr. Lucca answered Aqua likes to show there is a relationship between the purchase price and the cost of service, and Aqua projected the benefit for the cost of service to Willistown among their larger customer base. There are opportunities for that number to be reduced further, but Aqua can't say for sure with the information they have now, plus a future rate case they'll be filing four years from now, and the number of future Aqua customers. Aqua follows the common utility formula rate-making with the prescribed return on investment that the PUC sets to cover debt, interest, and finance the capital plus a fixed shareholder return. Then they add operating costs and depreciation. All three of these components add up to what is called the cost of service. Mr. Packard said there is always a risk when working with buried assets, so Aqua is usually a bit conservative when estimating capital improvements. When the PUC looks at large increases of 30 to 40% through a rate case proceeding, they will ask Aqua to go back and look at spreading the costs among their customer base.

Edward Dombek, 10 Penns Lane - Are there any conditions or timelines limiting a resale of the system by Aqua?

Mr. Lucca said he doesn't believe there are any conditions in the asset purchase agreement, and that is not Aqua's model in Pennsylvania, where have they been for 130 years. Systems purchases like this one are often favored because customers usually see a significant benefit due to Aqua providing both wastewater and water. When Aqua is making repairs to one underground wastewater pipe system, they will repair or replace the water piping system making both systems more efficient and beneficial.

Edward Dickinson, 16 Callery Way - Would the infrastructure improvements ultimately make the sewer grinder pumps obsolete?

Mr. Lucca commented no, the grinder pumps are necessary because of the elevation of the sewer lateral leaves the property and enters into the main.

Fred Haack, 486 E. King Road - Rate were raised a lot about eight years ago to pay for capital investments, is this money anywhere? Has the money all been spent? Should the money not spent be returned to customers?

Ms. Slook answered there had been funding provided by our capital fund to the sewers over the past eight years. There is money in the sewer budget because the Township needs to have an operating fund and a capital fund. The Board will be holding a series of public meetings over the next 6-12 months to discuss how that money should be spent.

Henry Jordan, 152 Grubb Road - The proceeds of this sale should be used to reduce the size of the rate increase in 2025. Since Aqua will continue to bill homeowners for all equipment upgrades like grinder pumps, taking the money and having a 45% increase in rates in 2025 is tantamount to a huge tax increase! Why are we doing this?

Ms. Slook answered Aqua had explained earlier the 43% increase is not set in stone. The Township is pursuing this to provide better customer service to residents and better economies of scale because Aqua will provide large scale infrastructure improvements at less cost to the residents. The aging sewer system needs to be upgraded one way or the other.

Joseph Ferretti, 103 Manor Road - Why should my rates increase go to pay the pensions of people who are no longer working for Aqua PA?

Mr. Packard answered the rate increase covers the company's investment in the community and includes the purchase price, capital, and operating cost. It's not to fund the pensions.

John Seneca, 141 Gable Road - If this goes thru, why do no employees lose their jobs? That money could be used to defray sewer rates or property tax.

Ms. Slook answered no public works employee is dedicated 100% to maintain the sewer system. They also maintain the parks, plow the roads, help with stormwater management, and other infrastructure management and maintenance need in the Township.

Marshall Salyers, 2 Stoneybrook Lane - I have a comment that as "Aqua water customers we are already aware..." Many of us have wells and have NO interest in municipal water. What protection do I have as a 60-year owner that Aqua does not use this as an opportunity to strong-arm municipal water installation?

Mr. Lucca commented if Aqua offers water service in the area, it is up to the property owner whether or not they'd like to hook up to the water system.

Henry Jordan, 152 Grubb Road - Who will service the grinder pumps, and what will be the rates charged for coming to service an alarm?

Mr. Lucca said the homeowner would maintain the grinder pumps.

Alicia Marziani, 23 Fairview Road - How are these prices compared to other townships in the area?

Mr. Sherear said this proposal was above the valuation they had calculated and is a fair cost to residents.

Norm Dodge, 28 Sunset Drive - What happens if a household goes over the 4,000 gallons per month? What rate would apply?

Mr. Lucca commented the bills are volumetric based on water consumption, and the rate would go up or down based on the variable use. Mr. Packard also commented it is the same volumetric rate currently in place, which is \$5.52. So, for every 1000 gallons, a customer goes over the 4000 gallons, it would be \$5.52. Supervisor Shoemaker commented some residents have two water meters, one for outside landscaping or filling a pool, and Aqua is looking into this further.

Alicia Marziani - 23 Fairview Road What percentage of Willistown residents will be affected by this?

Mr. Lucca commented around 2300 properties are on sewer and the population of Willistown is 11,000.

John Hutchings, 64 Laurel Circle - What are the plans for expanding the current service to properties now with on-site systems? Timeline?

Mr. Lucca no mandate dictates a timeline for on-site system residents to connect to the sewer unless it was a Township ordinance. Supervisor Shoemaker commented that relates to the Township Act 537 Plan regarding where sewer is planned or existing. The Township did a survey in 2018 in the NW quadrant of the Township, which showed an insufficient need to sewer that Township area.

Robin Flavelle-Davis, 2 Arlington Drive - What specifically is meant by "will provide improved customer service 24/7..."

Ms. Slook answered the Township is a small municipality and is only open 9 am to 5 pm Monday to Friday for sewer questions or issues, but Aqua will provide 24 hours, seven days a week service. Mr. Lucca commented that the Aqua corporate office in Bryn Mawr is staffed 24/7 365 days a year and can send crews out for water main breaks, sanitary sewer overflows, or any other emergency. Aqua also offers a payment arrangement program called Helping Hand for those who qualify.

Mike Kerr, 33 Stonehenge Lane - Will Aqua Pa expand the existing sanitary sewer system based on existing residential sanitary system failures or for corporate financial gain?

Mr. Paker commented that Aqua is a regulated public utility by the PUC, and they will only allow Aqua to invest in prudent costs. They will be allowed to fix main breaks or subpar systems, or any area the PA Department of Environmental Protection identifies as needing sewerage.

Kevin McCullough, 6 Harvey Lane - Will the 2025 rate increase be offset by an Aqua reduction in fees currently paid by homeowners to Willistown Township for maintenance of low pressure infrastructure?

The panel did not understand the question, and Ms. Slook encouraged Mr. McCullough to raise his hand later in the Q&A session to answer the question live.

Henry Yordan, 152 Grubb Road - Is it fair to say, therefore, that Aqua's costs are higher than the Township's management of the system, and that is why the rate is going up 43%?

Mr. Paker commented the Township has decided to sell their sewer system. He gave the example of a homeowner selling their home. A homeowner knows how much money they have put into the home over the years. When looking at the Township's financial statements, the sewers book value is roughly 5 million dollars plus the future capital, which they will not have to do because of the sale. Aqua offered 17.5 million to buy the system in addition to putting \$3.3 million into the system over ten years, so Aqua has a higher level of investment. The \$16.2 million proceeds will be available to put back into the Township's General Fund or other public projects that would otherwise increase tax rates.

Carol Meerschaert, 133 Spruce Lane - Sounds like the more money the Township gets for the purchase, the more the ratepayers have to pay. I get ROI, but again if the purchase price went into the system instead of into the TWP funds, that would seem more fair.

The panel noted Ms. Meerschaert's comment.

William Rubert, 34 Harvey Lane - Very good presentation. One more question. At present, outside water use is not included in the sewer charge. Will that continue, should there be a sale?

Mr. Lucca commented, has noted that some residents own two water meters to measure inside and outside water usage. He'd like to look into how customers are currently billed and how that translates into sewer charges.

Michael Kerr, 33 Stonehenge Lane - Who will be responsible for updating the PA Act 537 Plan?

Ms. Slook answered it would continue to be the Township's responsibility.

Elizabeth Schofield, 182 Grubb Road - We are currently paying \$50 a quarter to have preventative maintenance, i.e., minor power washing of the pump. Who will provide this service, if at all? Is the \$50 fee included in the new rates shown?

Mr. Lucca said Aqua does not own grinder pumps, and it would be the homeowner's responsibility.

Donald Knapik, 30 Moreland Road - So, absent a current inspection, how can you estimate the capital to bring the system to a state of good repair and how that might affect rates? Are there current elements of our system that are not currently code compliant, and why is that?

Mr. Lucca stated sewer engineers evaluate the state of sewers in different ways. These include looking at capital investment records, maintenance records, voltage draws on a pump or motor to gauge performance, inflow to pump stations and wastewater treatment plants, and the year the installed pipes were manufactured. These factors combined are similar to forensic analysis and give the company a reasonable estimate of what it takes to invest in a system over a 5-10 year period to make the system code compliant.

Stephen Schramm, 41 Meadowview Lane - If the Township does not sell to Aqua, would rates continue to increase by 3.6% per year rather than the huge increase in 2025 which Aqua proposes?

Ms. Slook answered that the Township is not sure what the rate increase would be if the Township retained the sewer ownership. The 3.6% increase is that was done in the past. The rate of increase would be based on whatever capital improvements were needed plus the cost of inflation, in addition to having money on hand for emergency repairs. Supervisor Shoemaker added that Aqua would make the capital improvements the same as what the Township would eventually undertake. There would be a rate increase at some point in the future. The Township would have to issue bonds to generate the cash to cover the capital investment.

Frederick Haack, 486 E. King Road - Do township employees work on the sewer system?

Mr. Hagan replied there are eight employees in public works, and two employees a day are dedicated to sanitary sewer inspections and PA One Calls. The employees go to each pump station daily to check and fill out log sheets, plus mark Township owned sewer pipes for excavation work occurring in the area. One day a week, employees test generators at the pump stations, plus additional sensor tests to keep the system running uninterrupted in case of a power failure. Mr. Hagan estimated that between one-quarter to one-third of employees' time is spent on the sewer system.

Edward Dickenson, 16 Callery Way - Since it is assumed that water in equals sewage out, will Aqua allow NEW hook-ups of separate meters for exterior water use (lawn, landscaping)? (I have a well). What would Aqua do for me and others with wells...provide meters to measure domestic water?

Mr. Lucca stated Aqua needs to do more analysis on this before answering this question.

Mindy Clearfield, 5 Andrews Road - Another question on Pre-Doc - Will the Township still manage the Pre-Doc contract? How many homes have grinder pumps?

Mr. Hagan answered there are roughly 312 units in operation. The grinder pumps will be the responsibility of the homeowner.

Marshall Salyers, 2 Stoneybrook Lane - One is a problem with the current system (now) is that hour meters have been installed on the pump grinders. This produces phantom high bills based on hour readings for the pump running instead of actual gallons used. I am placing an actual water meter in my system (I have a well). What would Aqua do for me and others with wells...provide meters to measure domestic water?

Mr. Lucca said he would have to research what's happening for those on private wells. Supervisor Shoemaker clarified residents are charged based on how long the pump is running and can give a phantom reading if meters are running continuously.

John Seneca, 141 Gable Road - if we just gave the system to Aqua, and they did not, therefore, have to recoup the 17.5 million, would the projected rate increases be lower?

Mr. Lucca answered that Mr. Packard responded to this question earlier when he said that the rates reflect Aqua's service cost and does include the purchase price.

Marshall Salyers, 2 Stoneybrook Lane -Other Aqua customers that I am familiar with are offered the opportunity to buy insurance coverage for their gravity soil lines (everything from house to road). Does Aqua have something like this offer to pump/grinder pressure sewer customers (covering the tank, pump, etc.)

Mr. Stahl answered the program is called HomeServe and is a separate company, and he does not know if they cover grinder pumps in their plan. Mr. Luca said Aqua would research this question more and see what options are available for residents.

Elizabeth Schofield, 182 Grubb Road - What percent of Aqua's business is from sewer services? Have you purchased other local municipalities' sewer systems?

Mr. Lucca stated Aqua has around 485,000 customers across PA. About 440,000 water and 43,000 wastewater customers. Mr. Packard added the water side of the business has been around 135 years, and wastewater began in 1996 and has been growing ever since. Mr. Lucca added many communities like Willistown have investigated selling their sewers, and around 2/3 go through with the transaction.

Mindy Clearfield, 5 Andrews Road - Will everyone in the four areas be paying the same rates in the future? Will it be a fixed fee or a fixed fee plus a rate per gallon?

Mr. Packard stated everyone would not be paying the same. The structures will continue to be a fixed fee per EDU and a volumetric rate per thousand gallons.

Michael Kerr, 33 Stonehenge Lane - How will the price of existing Townships EDUs be affected by new sanitary system ownership? Will the existing 500 Township EDUs available for sale be fixed at current levels?

Mr. Lucca answered that the fixed price per EDU represents your flat fee. If you were on multiple EDUs, you'd pay for those EDUs plus whatever volumetric you use. Over time the EDU price will go up.

Marshall Salyers, 2 Stoneybrook Lane - Typical, and interestingly, the prices of all of the municipal services (including the current sewer) rise over 3% annually. Also, interestingly many to most of us are not experiencing the same level annual increases in our own pay (including retirement acct freezes). All things being 'equal,' how are these increases justified? Note, inflation is NOT currently an economic factor in the USA. How will Aqua mitigate this?

Mr. Lucca answered that projecting rates are based on service costs today, which is \$2 million a year to operate the system. As a utility, Aqua tries to invest capital and make efficient operations to reduce costs. For example, they work on lowering groundwater infiltration, which drives up costs, and secondly, they are trying to broaden their customer base, which spreads costs around.

Larry Brotzge- 8 Dovecote Lane -If 1/3 of the public works department staff is tending to the sewer system, why no staff reduction when the system is sold?

Ms. Slook answered those employees could be used on other infrastructure projects such as park maintenance and plowing roads. One possible scenario is to outsource some park maintenance no longer and bring it in house to save the Township money in the long run.

Henry Yordan 152 Grubb Road - How can we be considering this transaction when Aqua cannot even answer the question of how the sewage gallons will be measured for homes on a well? I think the Board needs to provide many more details about this transaction with respect to homes with a well and a grinder pump system. Right now, after what I've heard here, I oppose it. But I could change my mind if I get details beyond the one detail I got tonight, which is that my rate goes up a LOT in 2025.

Mr. Yordan's comment was noted.

William Carr, 28 Harvey Lane - What is the arrangement of Aqua & Essential Utilities Inc.?

Mr. Lucca stated Essential Utilities, Inc was created in March of 2020 after the parent company, Aqua America, bought the People's Natural Gas out of Pittsburgh, PA. Essential Utilities became the parent company's new name because it now offers natural gas, wastewater, and water services. The company's two operating arms are natural gas on one side and wastewater and water on the other side.

Barbara Pettinos, 638 Warren Ave - Federal govt. reports inflation is less than 2% per year and has been for quite some time. I understand a utility is allowed a fair return for their investment and is allowed the same by the PUC. Money markets pay less than 0.5% interest on an account per year. But for retirees & folks on a fixed income, the 3.6% annual increase is nearly DOUBLE what govt. says the overall rate of inflation is. Why is Aqua PA's estimated 3.6% annual increase so far above the rate of inflation?

Mr. Packard stated when you look at the rate projection Aqua provided on a compounded annual growth rate basis, comparable to what is noted here at 3.6%, is what the Township said the rate would increase if they retain the sewer system. The Aqua compound growth rate is 4.75% per year, and in the utility world, they are investing in capital at a higher rate of inflation, which is why their rate is higher than inflation. Across the country, water and wastewater systems are highly underinvested and need updating to be sustainable for the next 100 years.

Michael Kerr, 33 Stonehenge Lane - How did Aqua Pa come up with a \$17.5 million purchase price for the Willistown Township sewer?

When Aqua looks at any system, Mr. Lucca stated they evaluate the age and condition of systems and then make an offer between the system's value today and the impact of rates and future investments Aqua will have to make.

Christian Spuckti, 6 Stoneybrook Lane -What is the current approved cost of capital for Aqua PA?

Mr. Lucca said the cost of capital is about 35%, including a shareholder return and interest cost. The depreciation adds 10%, and the remainder, or 55%, is the operating costs to run the system plus taxes and fees.

Barbara Pettinos, 638 Warren Ave - What are the weak points of Willistown's sewer system?

Mr. Lucca said the system needs infiltration and inflow improvements, and work needs to be done on the collection system along with electrical system upgrades at the pump stations.

Heidi Deger, 11 Shepherd Road - Aqua has stated they do not deal in grinder pumps-the Township needs to address the service of these and how they will be managed and not dismiss. Currently, we have contracts with Predoc managed and negotiated by the Township- if Aqua will not be servicing, then the Township needs to have a plan they can communicate and present. How can 316 homeowners consider this proposal when a part of our system is not being addressed?

Ms. Deger's comment was noted.

Frances Lopez, 6 Grubb Road - what will be the fixed amount fee that is combined with water usage rates?

Mr. Packard stated the water meter charge for water customers is a \$18 plus a fixed price per EDU and volumetric use.

Joseph Havrilla, 570 Sugartown Road – Are the fixing a problem that is not broken? I own my system up to the waste treatment; how does this affect me?

Mr. Lucca stated if you are a Willistown Sewer system customer, you will become an Aqua customer if the sale goes through.

Barbara Pettinos, 638 Warren Ave - How many area sewer/utility companies, were contacted by Willistown Township for the possible sale of their sewer system?

Mr. Sherear answered an RFQ was sent out to about 150 potential buyers.

Supervisor Handelin stated the question of how stormwater will be handled after this sale was not answered. Supervisor Shoemaker said that Aqua's items would address stormwater management issues related to infiltration and inflow (I & I), especially along Sugartown Road. One suggestion for proceeds from the sale would be to address some of the serious flooding and stormwater management issues in the Township. The I & I is not necessarily stormwater runoff, but infiltration from when pipes run under streams and tree roots have penetrated pipes allowing groundwater in.

Robin Flavelle-Davis, 2 Arlington Drive - Although Willistown did institute some rate programs improvements a few years back, small consumption customers still subsidize larger consumption users by the fee structure in place. As a homeowner compelled by Willistown to convert from a field (\$150 service every three years) to a grinder pump (\$1000 annually), this initiative is concerning. If I pay Aqua for actual water consumed -- why can't I be charged actual sewer used?

Mr. Lucca said that was similar to either question regarding deduct meters, and that is something Aqua needs to research and report back on. Supervisor Shoemaker added once a resident pays the fixed fee for each system, the rate per gallon is the same whether one gallon a month or 1 million gallons a month is used. The prior rate structure did have the small users subsidizing the large users, and it was changed several years ago.

Barbara Pettinos, 638 Warren Ave -Will a GALLON meter be installed to more accurately account for material sent to the sewer main? This is a question for well homeowners.

Mr. Lucca said the meter questions for well homeowners needs to be researched more.

Marshall Salyers, 2 Stoneybrook Lane – Over the years, we have had phantom high bills because pumps get stuck on, and both PreDoc and Public Works say I have a leak, but I don't. I'm putting a water meter on to measure usage accurately. I have \$600 bills, and I am the only person in the household. What is Aqua going to do?

Mr. Lucca said he couldn't tell what is causing the problem, such as pump issues, infiltration issues, discharge issues, but there are so many variables that could be causing the problem. Ms. Slook asked Mr. Salyers to contact her, and they can discuss the matter further.

Kenneth Flinchbaugh, 5 Woodlane Avenue - As a public company, Aqua's primary duty is to satisfy its stockholders. How can we be sure Aqua will spend appropriate sums on maintaining the sewer system and not delay maintenance to meet financial goals and pay dividends to stockholders?

Mr. Lucca commented their primary duty is customer service. They are regulated by the DEP, US EPA, Delaware River Basin Commission, Susquehanna River Basin Commission, and the Public Utility Commission. They strive to satisfy their customers and meet the demands of the environmental community and the PUC.

Supervisor Handelin commented clean water is the most fundamental precious resources we have. She asked what Aqua's commitment to managing our drinking water and sewage safety is. Mr. Lucca said Aqua's mission is to protect Earth's most precious resource and is what they do all day, every day. As a result, they hold themselves to a very high standard established by the many regulatory agencies that oversee and mandate the performance of everything Aqua does. They also hire professionals in many different areas of expertise, such as Ph.D. chemists and engineers, to make sure they are following the set guidelines. Aqua has a few environmental initiatives such as planting trees in watersheds because an environmental buffer is essential to maintain clean water. Mr. Lucca also commented he tells his employees Aqua's job is 24/7 365 days a year to ensure customers have access to clean water any time they need it, and he doesn't take that responsibility lightly.

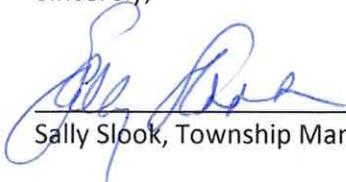
Next Meeting

The next regular meeting Board of Supervisors will be Monday, November 9, 2020, at 7:00 pm via Zoom.

Adjournment

Seeing no further business, the meeting adjourned.

Sincerely,



Sally Slook, Township Manager



**WILLISTOWN
TOWNSHIP**
CHESTER COUNTY
Pennsylvania



Willistown Township

Results of Sewer Monetization Exploration Process

October 29, 2020

Prepared by:

PFM Financial Advisors LLC

PFM Financial Advisors
LLC

213 Market Street
Harrisburg, PA 17101

717.232.2723
pfm.com



Sewer Exploration Team*

◆ Township Administration

- Sally Slook - Township Manager
- Bill Hagan – Public Works Director
- Martin McKenzie – Finance Director,
Treasurer

◆ Township Special Local Counsel

- Tim Sullivan, Esq.

◆ Consulting Engineer

- Khal Hassan, Pennoni
- Mike Ellis, Pennoni

◆ Special Transaction Counsel

- Tom Wyatt, Obermayer
- Kim Farmer, Obermayer

◆ Financial Advisor

- Scott Shearer, PFM
- John Frey, PFM
- Ben Kapenstein, PFM
- Garrett Moore, PFM

*Represents the main parties involved from each entity, however others not listed contributed to the process



Township Goals

- ◆ Township desires to exit the sanitary sewer business and instead focus its resources on other core government functions while ensuring safe, reliable, and professional service at affordable rates for its residents.
- ◆ The Township has systems with aging infrastructure which over time will require additional investment.
 - Due to this needed investment, it is projected that rates will rise regardless if the system remains with the Township or is sold.
- ◆ Generate significant up-front proceeds to be used for Township purposes
 - Over the course of the next 9 – 12 months, the Township will be discussing during public meetings.



Summary of Key Events

- ◆ Expert outside engineering, financial and legal counsel were enlisted to provide an objective assessment .
- ◆ Potential buyers/investors were solicited via a Request for Qualification based on industry established criteria for the possible execution of an Asset Purchase Agreement.
- ◆ Two bidders were pre-qualified and participated in a rigorous vetting, full disclosure and collaborative assessment process.
- ◆ A Request for Bid, due Oct 12, 2020, was issued by the Township.



Timeline of Events

◆ The exploration process has progressed well since the beginning of the year

Jan. 10, 2020 – Initial Presentation regarding the sewer sale process

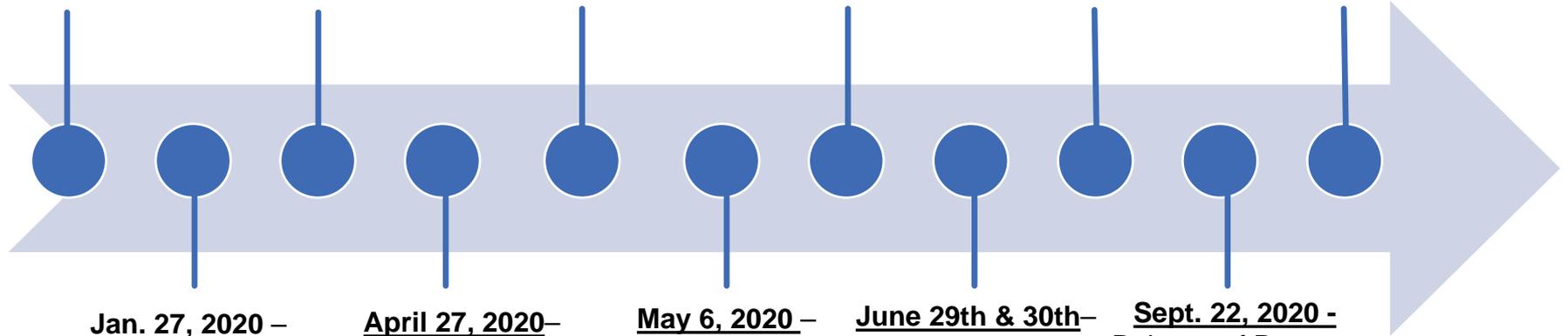
April 15, 2020– PFM presents limited scope valuation

April 27, 2020– Board Authorizes the release of the RFQ

May 27, 2020 – Township receives responses to RFQ

June, 2020 – Township continues its due diligence and begins drafting bidding docs

Oct. 12, 2020 – Receive RFB responses & review with Township



Jan. 27, 2020 – Board Authorizes PFM to perform the valuation of the system

April 27, 2020– Board approves Phases 2 & 3 of the exploration process to proceed

May 6, 2020 – Township releases RFQ

June 29th & 30th– Township conducts management meetings & asset tours

Sept. 22, 2020 - Release of Request for Bids (“RFB”)



Key Business Terms of the Potential Transaction

- ◆ The transaction that is being considered can be summarized as follows:
 - The sanitary sewer system and related equipment would be sold to Buyer.
 - Service would continue as usual only under different ownership.
 - No employees would lose their jobs.
 - Rates will be governed by the PUC after the mandatory 2-year rate freeze.
 - Rates will be discussed in greater detail later in presentation.
 - The Township will maintain control of its Act 537 Planning.



Rates

- ◆ The Buyer will initially adopt the Township current rates.
- ◆ The Pennsylvania PUC will ultimately set rates .
- ◆ There will be a mandatory 2-year rate freeze, per the Agreement, however actual rate freeze could be longer.
- ◆ Township currently bills its customers one of four ways outlined in the table below:

| Willistown Township - Current Sewer Rate Comparison | | | | |
|---|-----------------|------------------------|-----------------|-----------------|
| | Valley Forge | Low Pressure Customers | Penns Preserve | East Goshen |
| Fixed Fee (per quarter) | \$124.66 | \$124.66 | \$187.96 | \$153.87 |
| Pump Maintenance Fee (per quarter) | N/a | \$50.00 | N/a | N/a |
| Rate per gallon | 0.00552 | 0.00552 | N/a | N/a |
| Assumed Annual Gallons | 48,000 | 48,000 | 48,000 | 48,000 |
| Average Quarterly Bill | \$190.90 | \$240.90 | \$187.96 | \$153.87 |
| Annual Average | \$763.60 | \$963.60 | \$751.84 | \$615.48 |
| Number of Customers | 1,716 | 362 | 195 | 20 |
| Source | Township | | | |

NOTE: East Goshen Municipal Authority customers would not be included in any sale.

- ◆ Over the past several years, the Township has had a policy of raising sewer rates almost annually in order to keep pace with inflation and rising costs – approx. 3.6%/yr.



Bid Results – Aqua

Option 1: 2 Year Rate Freeze Option

- Option 1: 2 Year Rate Freeze Option
 - Bid Price** - Purchase price of \$17.5 million (rate table below)
 - Rate table below are indicative monthly sewer rates assuming 4,000 gallons per month of usage

| Indicative rates for next 10 years [1][2] | | | | | | | | | |
|---|---------|-------------|---------|-------------|---------|-------------|---------|-------------|---------|
| 2021 | \$63.63 | 2022 | \$63.63 | 2023 | \$63.63 | 2024 | \$65.22 | 2025 | \$92.69 |
| 2026 | \$95.00 | 2027 | \$97.38 | 2028 | \$94.64 | 2029 | \$97.00 | 2030 | \$99.43 |

Option 2: No Rate Freeze Option

- Option 2: No Rate Freeze Option
 - Aqua did not submit an official response but later told PFM that the amount and rates would be the same as Option 1 so they didn't find it necessary to submit.

[1] indicative rates for illustrative purposes. Aqua cannot guarantee rates as that is done at the discretion of the PUC

[2] The Company's 10-year projection of rates for the costs associated with the acquisition of the Willistown Wastewater system assume base rate increases in 2025 and 2028, assume approximately 30% cost a/location, and a DSIC surcharge beginning no sooner than 2023. These projections are for illustration purposes and reflect reasonable expectations of the Company based on current industry trends, however, are subject to changes and the approval of the PA Public Utility Commission.



Bid Results – PA American

◆ Option 1: 2 Year Rate Freeze Option

◆ Bid Price –

| Indicative rates for next 10 years | | | | | | | | | |
|------------------------------------|--|------|--|------|--|------|--|------|--|
| 2021 | | 2022 | | 2023 | | 2024 | | 2025 | |
| 2026 | | 2027 | | 2028 | | 2029 | | 2030 | |

◆ Option 2: No Rate Freeze Option

◆ Bid Price-

| Indicative rates for next 10 years | | | | | | | | | |
|------------------------------------|--|------|--|------|--|------|--|------|--|
| 2021 | | 2022 | | 2023 | | 2024 | | 2025 | |
| 2026 | | 2027 | | 2028 | | 2029 | | 2030 | |



Estimated Sources & Uses of Proceeds

◆ Shown below are the estimated sources and uses of proceeds resulting from the transaction

| SOURCES | |
|----------------------|---------------------|
| Purchase Price | \$17,500,000 |
| Cash on Hand* | \$3,700,000 |
| Total Sources | \$21,200,000 |

*Estimated, may fluctuate until closing occurs.

| USES | |
|-----------------------------------|--------------------|
| Payoff of Debt* | \$4,000,000 |
| Est. Transaction Fees/Contingency | \$1,000,000 |
| Real Estate Escrow** | \$0 |
| Total Uses | \$5,000,000 |

*Estimated.

**Each missing easement will result in \$2,000 deposited into the escrow at closing. Once easements are satisfied, monies released back to Twp.

EST. PROCEEDS AVAILABLE FOR USE

\$16,200,000



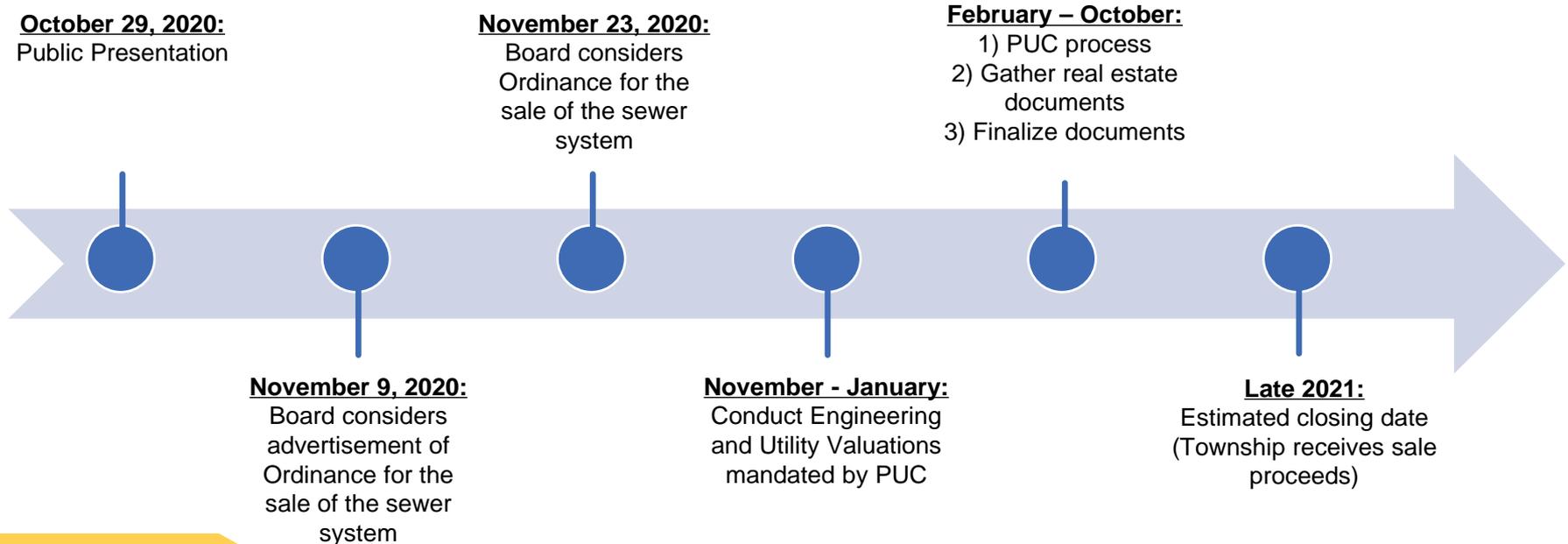
Use of Proceeds – How could the proceeds potentially be used to benefit residents?

- ◆ Land preservation initiatives
- ◆ Various park improvements
- ◆ Trail improvements
- ◆ Public Works operations, including but not limited to:
 - Stormwater projects
 - Bridge and road repairs
- ◆ Provide for General Fund reserves
- ◆ Pension and/or OPEB funding
- ◆ Debt reduction
- ◆ Other ideas?
- ◆ **If the transaction is approved, Willistown Township will hold a series of public meetings over the 9-12 months following approval to develop a plan for the use of proceeds.**



Estimated Closing Timeline

- ◆ Prior to closing, an application would have to be submitted to the PA PUC.
- ◆ Township would be required to obtain an Engineering Assessment report, as well as retain a Utility Valuation Expert (“UVE”).
- ◆ Should the Township decide to pursue a sale, settlement would likely occur in Late 2021 (this assumes the Township makes its decision in the near term).





Closing Remarks

- ◆ Willistown began this exploration to determine the potential benefits that the residents could experience from the sale of the sewer system.
 - With the \$17,500,000 purchase price being offered, funds will be available for the Township to accomplish many of its goals.

- ◆ The key components of the sale are that:
 - The system will be sold to an experienced local operator that will be heavily regulated by the PA PUC and will provide improved customer service 24/7.
 - Future rates will be set by the PUC.
 - Aqua already provides water service to portions of the Township.
 - Up-front funds will be used to benefit the residents of Willistown over the long term.



Disclosure

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by PFM. The information and any analyses in these materials reflect prevailing conditions and PFM's views as of this date, all of which are subject to change. To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. Opinions, results, and data presented are not indicative of future performance. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it. To the extent permitted by applicable law, no employee or officer of PFM's financial advisory business, nor any of PFM's affiliated companies, accept any liability whatsoever for any direct or consequential loss arising from negligence or from any use of this presentation or its contents. The ultimate decision to proceed with any transaction rest solely with the client.

Thank You



pfm

Willistown Township Public Meeting



October 29, 2020

Confidential



Aqua Pennsylvania



OUR CORE VALUES:

Integrity, Respect and the Pursuit of Excellence

OUR MISSION:

Protecting and providing Earth's most essential resource.



OUR VISION:

At Aqua America, we know that water is a precious resource – one that plays a critical role in sustaining life. We take seriously our responsibility to protect and provide this essential resource. We are committed to sustainable business practices; excellent customer service; attracting and developing top talent; the strategic growth of our company; delivering shareholder value; investing in technology and infrastructure; and giving back to the communities in which we operate. We do all these with integrity and transparency.





Aqua Team

Marc Lucca
President, Aqua
Pennsylvania Inc.

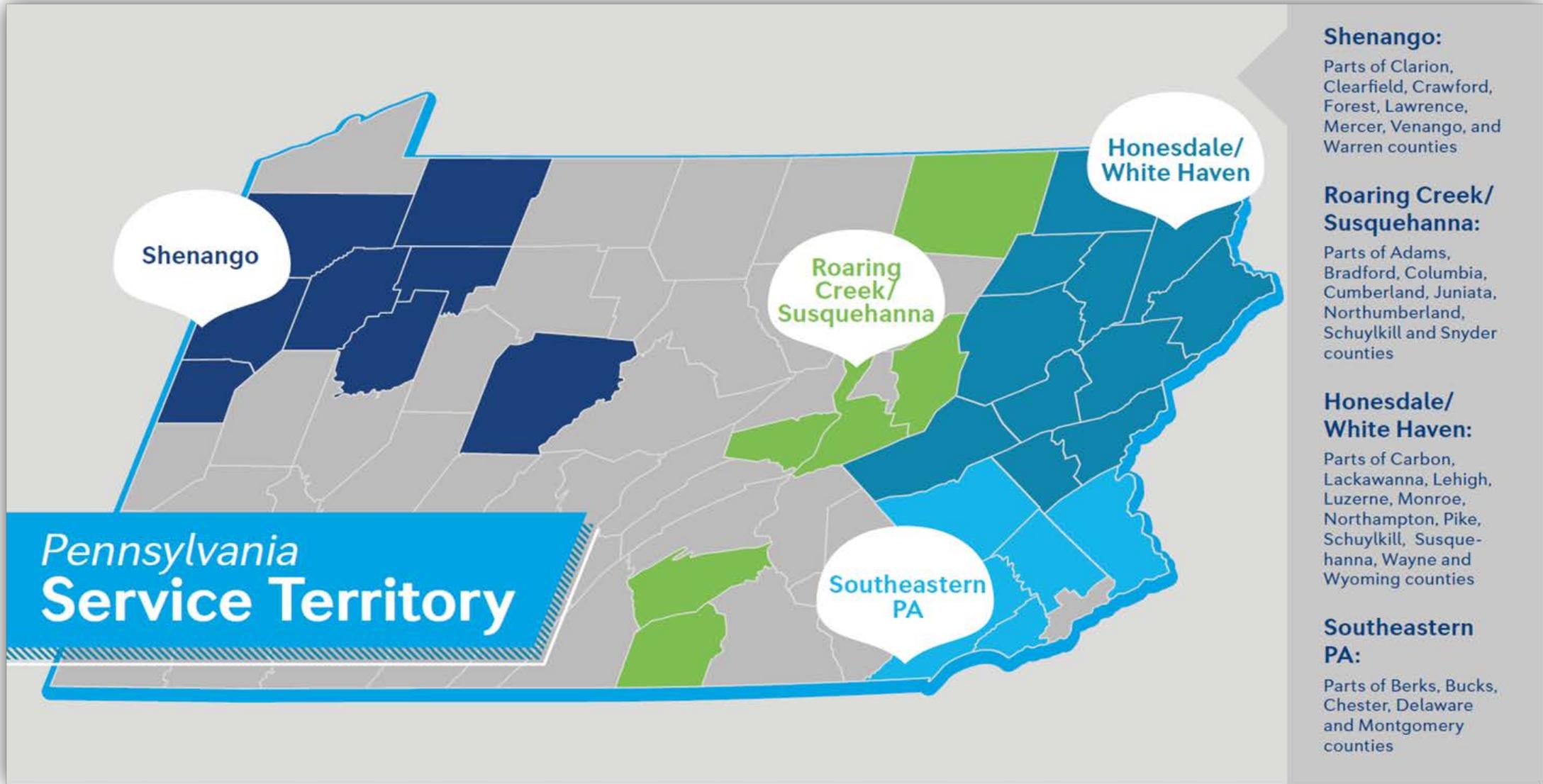
Krista Weeks
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Vice President, Rate and
Regulatory Accounting,
Essential Utilities

Alex Stahl
Regulatory Counsel,
Regulatory/Public Affairs,
Aqua Pennsylvania Inc.

Mark Bubel P.E.
Project Engineer III ,
Planning and Engineering,
Aqua Pennsylvania Inc.

Aqua Pennsylvania Service Territory



Aqua Pennsylvania At A Glance

Water



443K WATER CONNECTIONS



116 MILLION GALLONS DAILY



~300 WELLS



11 SURFACE WATER TREATMENT PLANTS



5,924 MILES OF PIPE



576 EMPLOYEES



33 COUNTIES



1.4 MILLION PEOPLE SERVED



296 MONTHLY DEP PRESCRIBED COMPLIANCE SAMPLING SITES IN SEPA

Wastewater



43K WASTEWATER CONNECTIONS



10MGD PERMITTED CAPACITY



134 LIFT STATIONS



40 WASTEWATER TREATMENT PLANTS

* These systems have a signed asset purchase agreement or Board resolution authorizing sale to Aqua.

Customer Service and Care



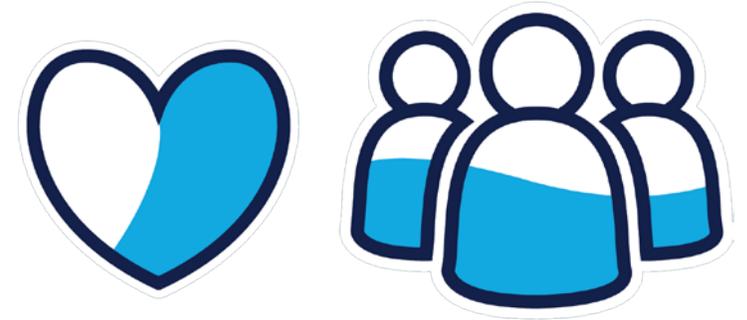
Customer Service

- Maintain PA Emergency Operations Plan
- Outstanding Customer service during Severe Weather Events
- U.S. based 24/7/365 Aqua-owned customer service call centers
- Extensive data management system to protect customer information



Convenient Bill Pay

- Convenient bill pay options on our website
- Aqua Water and Wastewater on ONE bill
- WaterSmart also provides outage alerts and tips to help with water conservation, leak identification, pipe protection, etc.



Helping Hand Program

- Helping Hand Program can assist ratepayers who may have encountered some financial difficulties

J.D. Power 2020 Water Utility Residential Survey

By customer satisfaction, according to J.D. Power's survey, Aqua is the top-rated private utility in the Northeast region

J.D. Power Survey Index Criteria



26%

Delivery



15%

Billing and Payment



15%

Conservation



21%

Price



15%

Communications



8%

Customer Service



J.D. Power Survey Scope

32,675

Total Responses Nationally

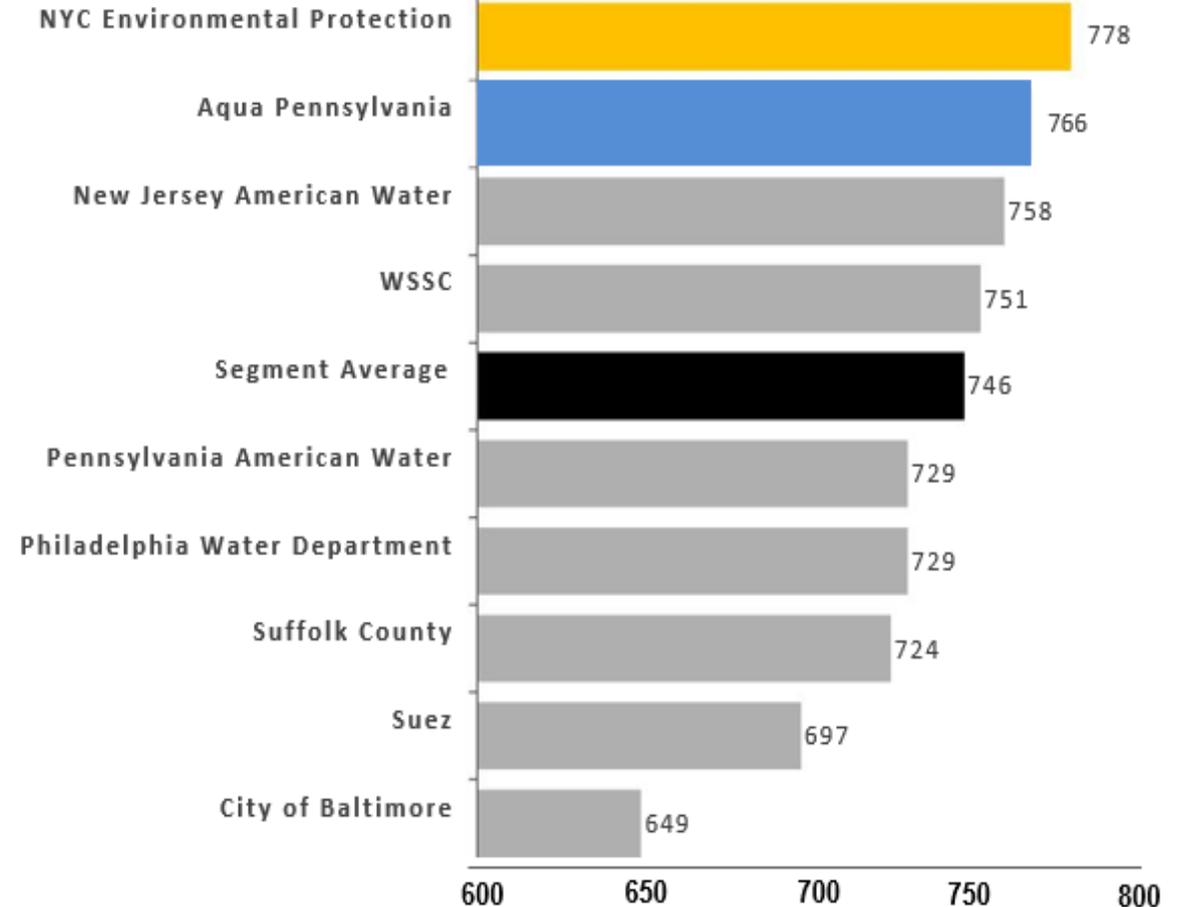
5TH

YEAR OF THE STUDY

90 BRANDS

WITH 400,000+ RESIDENTIAL CUSTOMERS

J.D. Power Results for Northeast



Essential Stewardship and Corporate Responsibility

For over 130 years, it has been our mission to be the best possible provider of essential resources by serving the needs and expectations of our customers, shareholders, employees, and the communities we serve both today and for future generations. We are committed to being responsible stewards of our environment, maintaining a safe, diverse, competitive, and respectful culture, and overseeing governance of Essential with utmost transparency.

Aqua's corporate giving and volunteer program, the Ripple Effect, provides employees the opportunity to volunteer during the workday for events like tree plantings, stream clean-ups, food banks and activities sponsored by Habitat for Humanity, the American Red Cross and many others



Our core values guide and inspire our work as we interact with each other and our customers.



Driving hunger from our communities



Rates Information

- If a transaction occurs, Aqua will adopt the Municipalities current wastewater rates
- Heavily regulated - Aqua does not set customer rates; PUC philosophy - **Gradualism**
- Only the PA Public Utility Commission (PUC) can approve and determine customer rates
 - Expenditures must be deemed **prudent**
- Rates can only change as a result of a legal rate proceeding which includes:
 - Public hearings
 - Review by Office of Consumer Advocate and other advocates
 - Analysis of expenditures to ensure prudence

Aqua PA has projected a capital investment of \$3.3M over 10-yr in Willistown Township Sewer

| Willistown Rate Projection | | | | | | | | | | |
|----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Yr. | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| Rate | \$ 63.63 | \$ 63.63 | \$ 63.63 | \$ 65.22 | \$ 92.69 | \$ 95.00 | \$ 97.38 | \$ 94.64 | \$ 97.00 | \$ 99.43 |
| Rate Incr. | - | - | - | 2.5% | 43.2% | 2.5% | 2.5% | -2.8% | 2.5% | 2.5% |





We're Ready for Your Questions

WaterByAqua.com