



**WILLISTOWN
TOWNSHIP**
*CHESTER COUNTY
Pennsylvania*



Willistown Township

Committee Meeting #2

April 15, 2021

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Recap From April 8th Committee Meeting

- ◆ Once the transaction closes, the Township is considering setting aside approximately \$4 million of the net sale proceeds to directly benefit the current sewer customers with rate stabilization and grinder pump replacement.

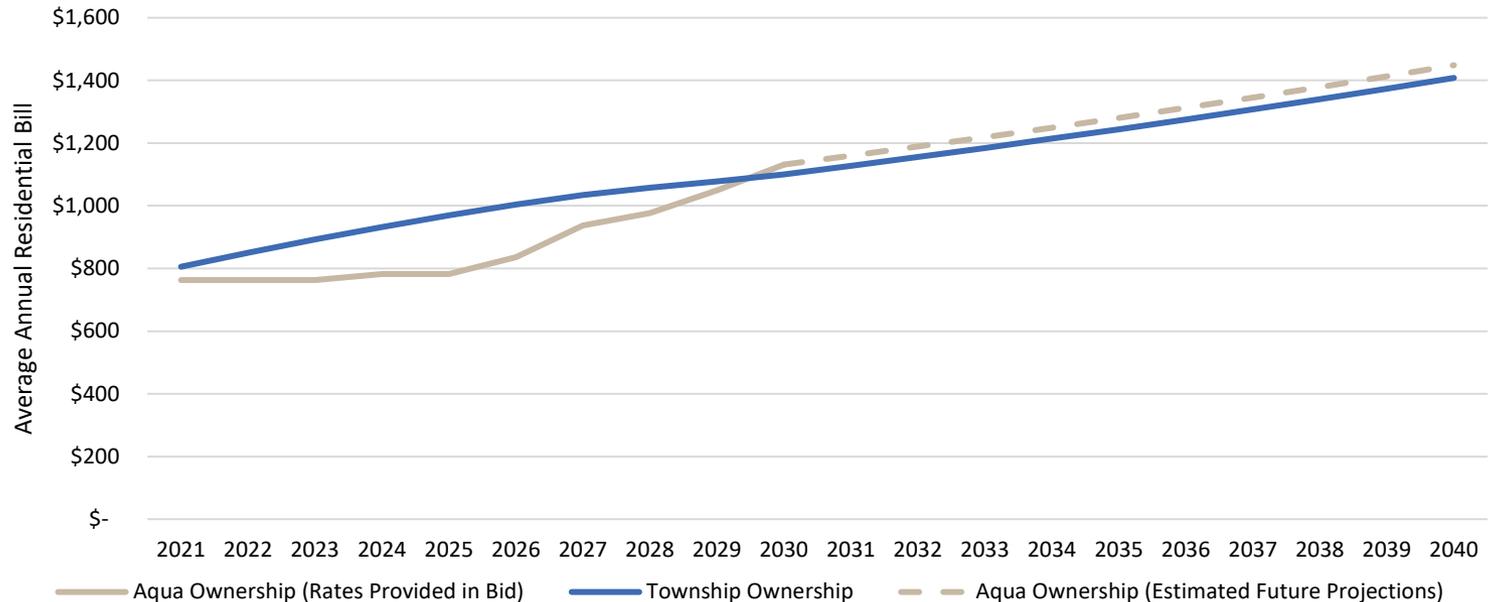
◆ Why \$4 million?

- That is the estimated amount needed to subsidize rates in the near term so that that sewer customer's average bill would be very similar to what rates would be if the Township continued to own the system. This is the Customer Benefit Fund.
- In addition, for those 300+ customers with grinder pumps, the Township will replace 1 pump for every customer. This is the Capital Replacement Fund.
- The current book value of the sewer system is around \$4 million. Prior to recent legislation, municipal sewer systems were typically sold for book value.



Recap of Estimated Future Sewer Rate Projections

- Average bill under Aqua ownership or Township is very similar in 2030
- Approximately \$92/month vs \$94/month or \$1,100/year vs \$1,131/year
- After 2030, both ownership structures track very similar to each other





Follow Up Items from April 8th Committee Meeting

◆ *Question:* -Is the \$17.5million purchase price spread only among Willistown customers?

- *Answer -No*, the acquisition price will likely be spread among all of Aqua' s customers (including Willistown). The precise allocation of costs spread is not known for certain, however, PUC principles on the design of rates support gradualism, avoidance of rate shock, and reasonableness. The rate projections on slide 3 anticipate these principles being applied to Willistown Township customers consistent with longstanding PUC precedent.
- Upon filing of the application to the PUC, the current customers of Willistown will be officially noticed, along with the existing customers of Aqua, as to the potential impact to rates assuming different levels of allocation (amongst the Company's existing customer base) to zero allocation of costs (all borne by Willistown). The intent of this notice is to inform all customers affected as to the possible range of outcomes possible in any transaction.
- The likelihood of a final outcome at either ends of the extreme scenario is low and not supported by facts and precedent. Nonetheless, the PUC has ultimate oversight as to the final determination of rates and cost of service.



Follow Up Items from April 8th Committee Meeting

- **Statement - Aqua's economies of scale benefit only to the shareholders of the Company.**
 - **Response - This is incorrect.** The rates of the Company are based on Cost of Service. To the extent that cost savings are realized in the operation of the system, those costs are passed on to customers directly through lower rates.
- **Other Considerations – Township**
 - As both the water and sewer utility, the Company and the Township will coordinate construction activities that impact streets and roads. The Company is responsible for typically 50% of road restoration to return them to pre-construction condition. When activities are coordinated with the Townships own road repair activities, the cost savings that are realized by the Township are equal to 50%.
 - As a result of the sale and time saved on the operations of a collection sewer system, the Township public works department can be redirected to address other areas of importance such as: stormwater collection/maintenance, parks/recreation, and streets/roads.



Follow Up Items from April 8th Committee Meeting

- ◆ **No rate increase for 6 years, then sliding scale of increase**
 - ◆ **Most Utilities experience 2.5% TO 3% average increases**
- ◆ **Willistown's historical average increases have been 3.6% annually**
- ◆ **Township debt issued previously for portions of the system was pledged with the creditworthiness all taxpayer assessed value**
- ◆ **Other portions of the system was implemented by the developer and then contributed/dedicated to the Township**
 - ◆ **Aqua's credit rating is A from S&P**



Next Steps in the Timeline:

- ◆ Engineering Assessment to be completed in the very term (a PUC requirement)
- ◆ Utility Valuation Expert will be engaged very soon to complete their report (a PUC requirement)
- ◆ PUC application will be submitted upon the completion of those two reports in addition to other extensive information gathering
- ◆ The PUC will then use this information to make their own determinations regarding the sale in addition to how much of the acquisition price will be able to recoup in its rate base



Disclosure

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Thank You



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