

From: Candice Newsome <[REDACTED]>

Sent: Thursday, January 25, 2024 9:56 AM

To: John Lawrence <Jlawrenc@pahousegop.com>; [REDACTED]

Cc: openrecords@pa.gov

Subject: [EXTERNAL]: RE: Lawrence v. Chester City Docket AP 2023-2332

Greetings,

Attached is the response to Docket AP 2023-2332.

Enjoy the rest of your day!

Candice Newsome

City Clerk/Open Records Officer

City of Chester

1 Fourth Street

Chester PA 19013

[REDACTED] (phone)

[REDACTED] (fax)

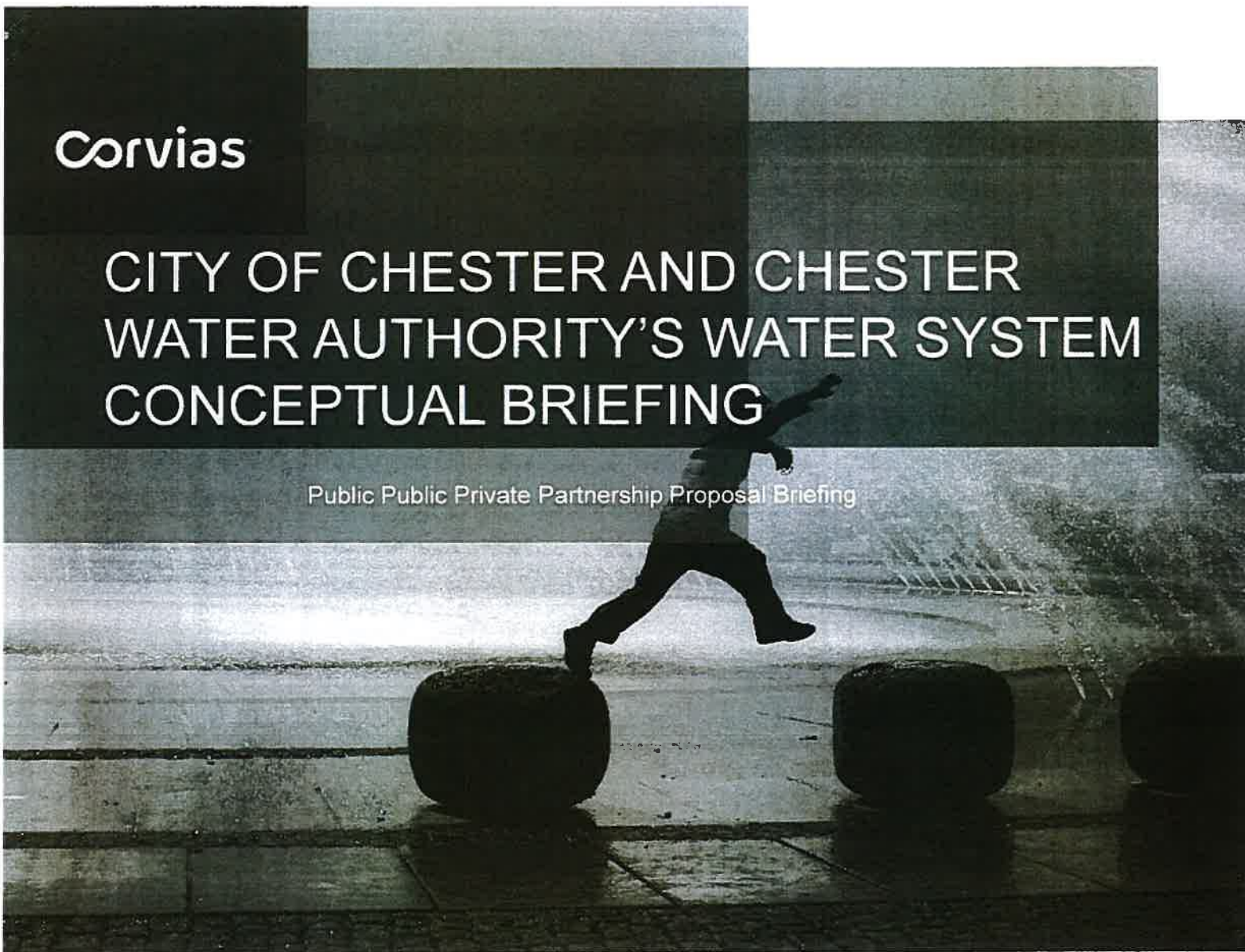
[REDACTED]

Rep. John Lawrence
610-869-1602

Corvias

CITY OF CHESTER AND CHESTER WATER AUTHORITY'S WATER SYSTEM CONCEPTUAL BRIEFING

Public Public Private Partnership Proposal Briefing



610-603-1002
Rep. John L. Smith
2001-2002

Proposal for the Amicable Resolution of the Legal Dispute between the City of Chester and the Chester Water Authority(CWA)

- Corvias has been requested by the City of Chester and CWA to provide a unique proposal for the amicable resolution of the legal dispute between the City of Chester and the CWA to be presented to the City Council and Chester Water Authority for approval(s).
- Additionally, Corvias has been requested to evaluate the benefits and efficiencies (if any) of consolidating its management services, currently being rendered for the Stormwater Authority of Chester, with potential business and construction management services for drinking water within the City boundaries.
- In accordance with those requests Corvias has provided a high level proposal to amicably resolve the legal dispute between the two parties.
- Corvias respects the confidential nature of the Letter of Intent between the City of Chester and the Chester Water Authority (as outlined in Paragraph 4 of the Letter of Intent), and this presentation is for informational purposes only.

OVERVIEW / HISTORY

Shared Goals



Prevent,

the loss of local control of public trust assets.

Protect,

against the loss of local control of rate increases and quality of service associated with assets being owned by an outside entity.

Eliminate,

the detrimental uncertainty regarding the long-term existence of the CWA and economic viability of the City.

Timeline of Events

- **05/17** Unsolicited proposal to purchase the water system assets of CWA (the “CWA Water System”)
- **06/17** CWA Board unanimously rejects proposal to sell the CWA Water System, but approves study to be completed to analyze the impacts and potential benefits of a sale.
- **08/17** CWA receives feasibility study & Board reaffirms their vote that a sale is not in the best interest of its customers.
- **10/17** City of Chester sends letter to CWA expressing the City of Chester reserves its rights under the Chester Water Authority Charter as the founding member.
- **11/17** CWA holds emergency Board meeting, as outside pressure to sell the CWA Water System continues, to reaffirm the Board’s decision to not sell the CWA Water System.
- **03/18** City of Chester City Council votes to enter into a Letter of Intent with the CWA to negotiate the resolution of disagreements regarding the future of the CWA.
- **03/18** CWA Board votes to enter into a Letter of Intent with the City of Chester to negotiate the resolution of disagreements regarding the future of the CWA.
- **05/18** Act 47 report recommends the monetization of the CWA Water System to support the fiscal health of the City of Chester.
- **06/18** Kickoff meeting regarding the Letter of Intent between the City of Chester and CWA.
- **07/18** City and CWA agree on Joint Assistance Agreement to have Corvias provide support to develop project concept.
- **08/18** Proposal briefing for a public public private partnership between the City of Chester and the Chester Water Authority.

Letter of Intent

In March 2018 the City of Chester and the CWA entered into a Letter of Intent to amicably resolve legal dispute related to ownership of the CWA Water System.



Incorporator of the Chester Water Authority



*Chartered Water Authority for the City of
Chester, Chester County, and Delaware County*

Legal Dispute between the City and CWA

- As the original incorporator of the CWA, can the City unilaterally terminate the CWA's existence and/or unilaterally acquire and/or sell any project of CWA?

Purpose of the Letter of Intent

- Amicably resolve the respective positions between the City of Chester and the CWA through a negotiated resolution rather than a long and costly litigation.

Letter of Intent Conditions

- Conduct negotiations towards a Definitive Agreement with a Dec. 31st 2018 deadline, unless both agree to an extension.
 - The City will not take any action on the rights it claims to dissolve CWA or interfere with its actions
 - Neither party will negotiate with or contact any third party regarding transfer of any assets owned or managed by CWA without authorization of the other party.

PUBLIC PUBLIC PARTNERSHIP CONCEPT

Strategy for Long-Term Stability & Rate Affordability

- City of Chester and CWA partner together to ensure long term control of public trust assets, rate control and maximize the public water infrastructure for the long term financial sustainability and growth of the City of Chester.
- Restructure operations of the CWA into two distinct divisions; City and Western Divisions to develop specific programs that benefit the City and the Western Division.
- No changes to the existing CWA board governance, water rights and asset ownership.
- Deferral of the City of Chester's rights, to the extent that they may exist, under Section 5622 of the Municipality Authorities Act.
- Compensation to City of Chester by CWA as legal consideration for the deferral of its rights to use for investment and long term financial revitalization.

Win/Win Proposition



Chester Water Authority (CWA)

- Retains long term certainty of public ownership, rate control, water quality control and responsibility as regional water provider and certified water operator.
- Establishes management services, including construction management, for drinking water capital improvements, revenue enhancements, and economic development for the City Division.



City of Chester

- Receives compensation from CWA as legal consideration for the deferral of its section 5622 rights as the original incorporator of the Chester Water Authority.
- Establishes new revenue sources for the City with reinvestment back into reliable and safe water, economic development, and unfunded liabilities.

LEGAL CONCEPT

Public Public Private Management Services Agreement

CWA;

- Remains the Water Supplier and Certified Operator for the City of Chester.
- Retains rate control, water quality control and ownership of water infrastructure assets.
- Retains responsibilities as the regional certified water operator.
- Establishes a City Division within the CWA with a separate management structure that operates within the revenues from City ratepayers.
- Hires a corporate business and construction manager (the “Manager”) to maximize revenues and enhance profitability of the City Division for the term of the Agreement.
- Funds the City Litigation Annual Payments based on calculation of City Division revenues

In return...

City of Chester;

- Defers its rights under Section 5622 of the Municipality Authorities Act for up to 40 years or the term of the agreement.
- Receives City Litigation Settlement Payments as compensation for the deferral of its rights under Section 5622.

Public Public Private Management Services Agreement

Chester Water Authority;

- Hires Corvias as the Manager of the City Division to manage capital projects maximize revenues and enhance profitability of the City Division.
- Uses upfront payment from Corvias to make the Initial Payment to the City as legal consideration for the City deferring its Section 5622 rights for at least as long as the term of the Agreement

In return...

Corvias;

- Performs the business and construction management activities to maximize and enhance the revenues of the City Division.
- Leverages the Management Services payments in order to make an upfront concessionaire-like payment of approximately \$60M

FINANCIAL CONCEPT

Initial Financial Benefit to the City of Chester

Compensation to the City of Chester from CWA in exchange for the deferral of its rights under section 5622 of the Municipality Authorities Act during the term of the Agreement.

- **Initial financial benefit to the City of Chester of approximately \$60 million**
 - Unrestricted capital that can be used at Chester's discretion
 - Lump Sum Settlement Payment is maximized while transaction costs are minimized by delaying private sector compensation and sourcing flexible capital
- **Additional estimated \$20+ million in grant sourcing for drinking water capital improvements, water affordability programs, and economic development in the City.**
 - Source federal, state, and nonprofit grants for drinking water and community capital investments to the drinking water infrastructure, water affordability and economic development initiatives for the City of Chester.
- **Estimated \$11.1M of Litigation Settlement Annual Payments over the first ten years.**

Long-Term Revenue for the City of Chester

In addition to the Upfront Lump Sum Settlement Payment, **Chester will receive Annual Litigation Settlement Payments** from CWA for the term of the deferral.

- New revenue source for City to be used for operating deficit, unfunded pension obligations and other financial priorities
- Total projected cash flow exceeds \$300 million
- Present value of projected cash flow is nearly \$130 million, discounted at the 30-year treasury rate

Residual Cash Proceeds Available to City		
Years 1-10	\$	11,100,000
Years 11-20	\$	33,200,000
Years 21-30	\$	65,500,000
Years 31-40	\$	205,100,000
TOTAL	\$	314,900,000

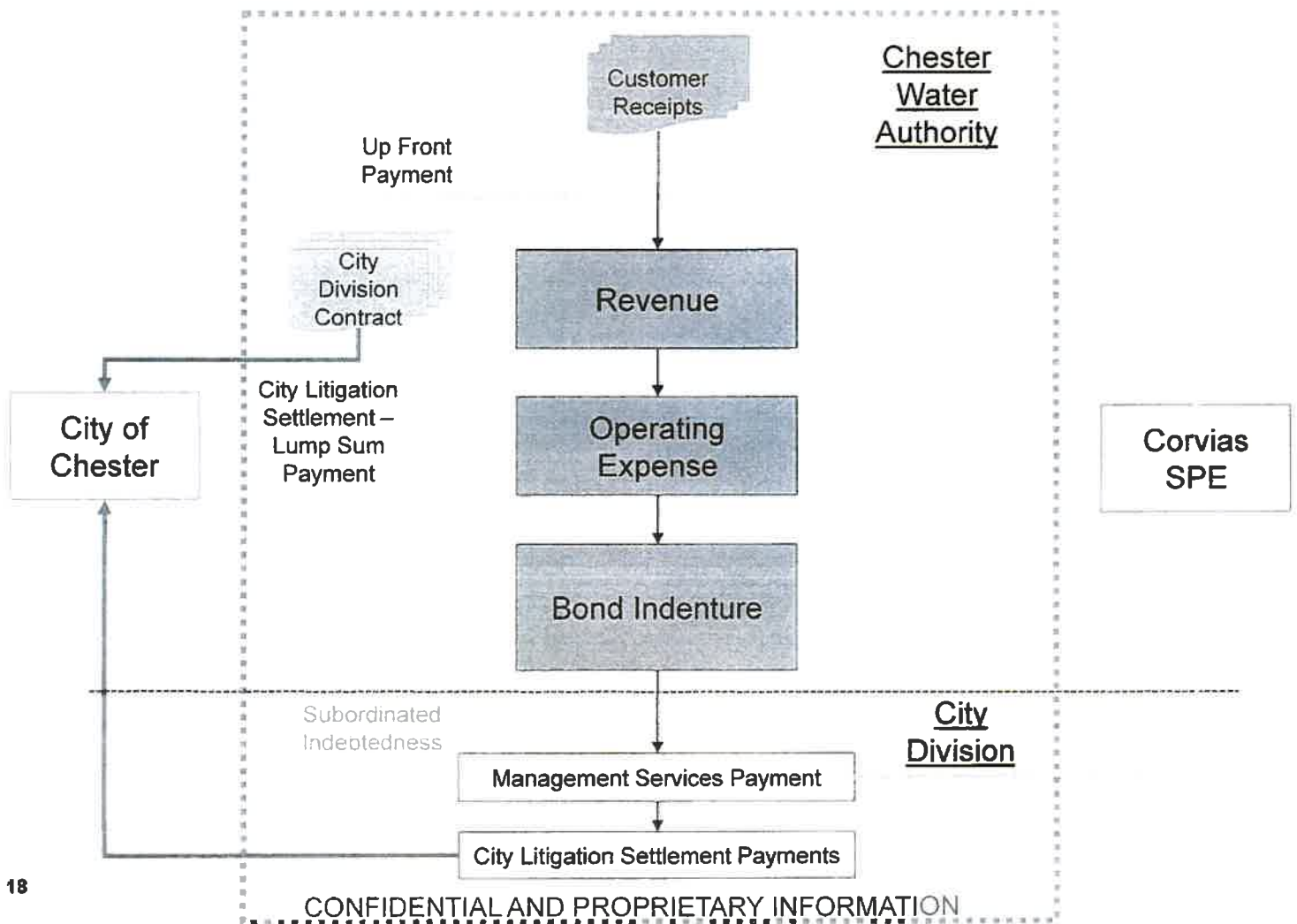
TRANSACTION PROPOSAL

Transaction Structure

Avoids requiring the Chester Water Authority to refund existing debt obligations:

- Complies with the Pennsylvania Municipal Authorities Act.
- Complies with IRS Revenue Procedure 2017-13 Safe Harbor Requirements for Service Contracts.
- Complies with the terms and covenants of the CWA's existing Bond Indenture.
 - All CWA water operations expenses retained in the operating expense account, senior to existing bond debt service obligations.
 - City Division and manager obligations are subordinated to existing CWA bond obligations.
 - All subordinated obligations sized based on revenues collected from CWA customers within City political boundaries
- Term of Agreement:
 - The Manager arrangement with CWA will have a 30 year term.
 - The CWA and the City arrangement will have a 40 year term.

Flow of Funds



Pro Forma and Assumptions

	Distributed to:	2018	2019	2020	2021
Payment by Manager	CWA	60,281,279			
City Litigation Settlement - Lump Sum Payment from CWA	City	(60,281,279)			
	Distributed to:	2018	2019	2020	2021
Estimated Revenue from City Division Ratepayers ¹	CWA	\$ 10,000,250	\$ 10,200,255	\$ 10,404,260	
Contractual Revenue Adjustment			(3,554,558)	(3,625,649)	(3,698,162)
Management Services Fee	Manager		(6,045,682)	(6,121,253)	(6,197,769)
City Litigation Settlement - Annual Payment from CWA	City		(400,010)	(453,353)	(508,329)
Net			-	-	-

(1) Annual consumption growth is estimated at 2% annually through 2021.

Initial

- Manager makes a \$60.2M one-time, up-front payment to the CWA
- CWA pays a Litigation Settlement Lump Sum Payment to the City for \$60.2M

Annual

- Estimated revenue for the City Division for 2019 is \$10.0M
- Estimated CWA Operating Expense for the City Division for 2019 is \$3.5M
- Management Services Fee to the Manager is fixed at \$6.0M
- City Litigation Settlement Annual Payments to the City beginning in 2019 is estimated at \$400K

Legal Summary of Contract Structure

The Authority, the City and Corvias intend to enter into a Definitive Agreement to provide a resolution to the legal dispute with the following key components:

Creation of the City Division and the Western Division – The Authority shall create:

- City Division, which shall consist of all of the customers and facilities of the Authority located within the geographic area and political boundaries comprised of the City
- Western Division, which shall consist of all of the customers and facilities of the Authority located outside of the City Division.
- The creation of the City Division and the Western Division is an internal organizational change that does not modify the role or powers of the Authority's Board of Directors.

Legal Summary of Contract Structure (cont.)

City Litigation Settlement - In the best interests of the customers of the Authority, including those within the City:

- The City and the Authority will settle their legal dispute about the continued existence and operation of the Authority, by the Authority making a settlement payment to the City consisting of an upfront payment of \$60M and annual payments calculated based on actual City ratepayer revenues.
- In consideration of that, the City will agree that during the 40 year term of the Agreement, it will not exercise any rights that it may have, to the extent that they may exist, under the Authorities Act, to:
 - Terminate the existence of the Authority
 - Acquire any or all of its assets
 - Force the sale, lease or transfer of any or all of the assets of the Authority

Legal Summary of Contract Structure (cont.)

Management Services

- Provide the Lump Sum Payment to be paid by the Authority to the City as City Quid Pro Quo Compensation for the City's waiver of rights.
- Perform financial management and modeling of a Financial Plan for the City Division.
- Support and facilitate economic development within the City by attracting new businesses that will drive increased revenue for the City Division.
- Identify new growth initiatives and programs that will drive consumption patterns and result in increased revenue for the City Division.
- Provide construction management services, risk transfer, with a focus on procurement, to lower the cost of resources and materials for new construction and infrastructure projects for the City Division.

Timeline

This high level timeline outlines the key phases of the project



Next Steps

- 1) Identify each parties POCs for contract reviews and negotiations – 8/20
- 2) Provide comments on Structure and Draft Definitive Agreement in 3 weeks – 9/6
- 3) Review revised Agreement in 4 weeks – 9/13

Ongoing Implementation Preparation

- Financial Due Diligence / Verification continues
- Legal Agreement – refine and add details

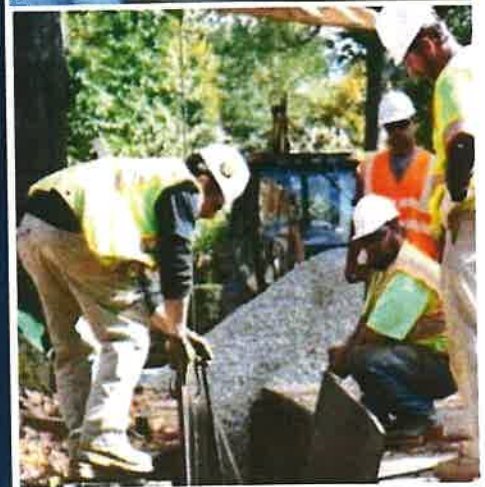
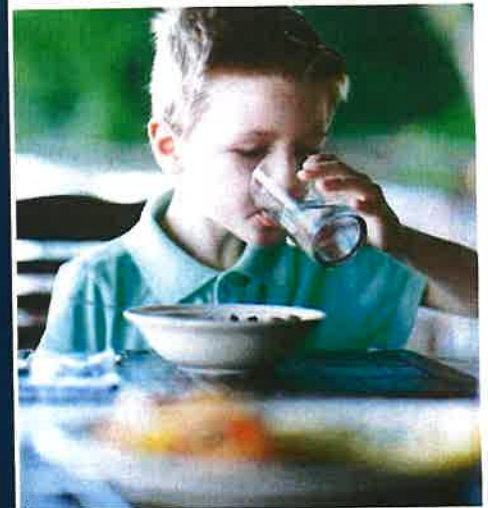
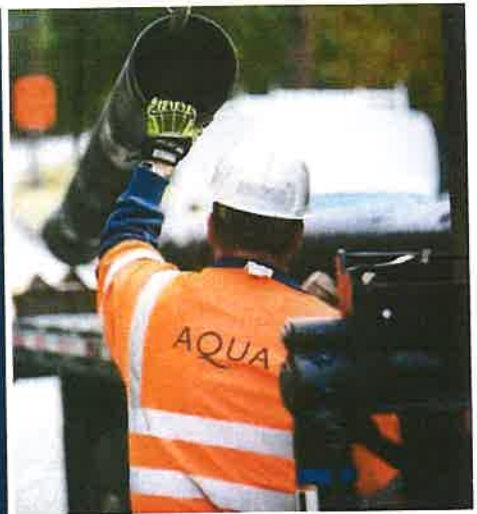
APPENDIX

Potential Consolidation with Stormwater Management Services

Corvias is currently providing management services to the Stormwater Authority of Chester through a 30-year community based public-private partnership. By consolidating the business and construction management services for both stormwater and drinking water under the City Division the following efficiencies could be achieved:

- **Efficiencies in consolidated billing & collections, construction management, procurement, and other operations.**
- **The efficiencies can result in an additional upfront capital of \$5 million for the City of Chester.**
- **No impact to the existing capital scope, operations and maintenance, and management responsibilities for the stormwater partnership.**

Proposal to Acquire the Water Assets of The Chester Water Authority



Confidential

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March 9, 2020

City of Chester
Office of the Mayor
2nd Floor
1 East Fourth Street
Chester, PA 19013

Greetings:

In response to the City of Chester's request for proposal ("RFP") for the Acquisition of all assets of The Chester Water Authority (the "Authority" or "CWA"), on behalf of Aqua Pennsylvania ("Aqua"), I am pleased to submit the enclosed proposal for the CWA water system.

Our enclosed proposal includes a response to the information requests of the RFP including a purchase price for the water system, projected customer bills, initial deposits, capital investment details, and commitments to the City of Chester. Furthermore, we will offer employment to all existing CWA employees upon transaction closing and will make the capital investments deemed necessary to the City of Chester's water system. We will also work with you throughout the PA Public Utility Commission ("PUC") application process to ensure a timely transaction closing, pending all litigation.

Aqua is best positioned to assume ownership of CWA, given we will be providing Chester City and approximately 500,000 total residents in Delaware and Chester Counties with wastewater services upon closing of our pending DELCORA acquisition. Also, Aqua currently serves water to approximately 500,000 people in Delaware County and approximately 200,000 people in Chester County. This proximity is a unique advantage for Aqua compared to other bidders in the RFP, and should lead to operational advantages, including improved water quality and service.

Aqua requests that the RFP process be evaluated in a fair manner for all bidders. Some bidders or their employees may have non-public knowledge about CWA given prior leadership positions with the Authority, which would provide an unfair advantage to that bidder. We ask that this potential conflict of interest be seriously evaluated as part of the selection criteria for the RFP process.

On behalf of Aqua I want to thank you again for your consideration and to express our appreciation for the opportunity to submit this proposal. We look forward to further discussions and cooperation as this process continues. Feel free to contact me with any questions at 610-645-1059.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Marc A. Lucca". The signature is fluid and cursive, with a large initial "M" and a stylized "L".

Marc A. Lucca

President, Aqua Pennsylvania, Inc.

Introduction and Proposal



Introduction

Aqua Pennsylvania, Inc.

Aqua Pennsylvania, Inc. (“Aqua”), is pleased to submit this purchase proposal to acquire and operate the assets of the Chester Water Authority (the “Authority” or “CWA”) water system (the “System”), which is owned by the City of Chester (the “City”). This proposal is in response to the RFP “2020-CWA-01”, issued on February 12, 2020 by the City to any and all interested and qualified parties.

Aqua Pennsylvania is a subsidiary of Essential Utilities, Inc. (“Essential”), which was created in February 2020 when Aqua America, Inc. (“Aqua America”) was renamed. Essential’s assets include one of the nation’s largest publicly-traded water and wastewater utilities, providing drinking water to nearly 3.0 million people while owning and operating over 1,500 public water systems. Essential also provides wastewater service to 250,000 people, and owns and operates over 200 wastewater treatment plants and collection systems in eight states. Upon closing the Peoples Natural Gas acquisition in March 2020, Essential will also provide local gas distribution utility services to over 2.0 million people in Pennsylvania, West Virginia, and Kentucky.

- Aqua has a long history of financial and technical expertise in owning, managing, operating and maintaining water and wastewater utility systems, including efficiently treating and delivering clean, safe, reliable drinking water; and collecting and responsibly returning treated wastewater to the environment in 32 counties throughout Pennsylvania. The Aqua water system serves approximately 500,000 and 200,000 people in Delaware and Chester Counties, respectively. Also, we expect to close our acquisition of DELCORA in late 2020 or early 2021, and will provide wastewater services to an additional 500,000 people, primarily in Delaware County. Due to these facts, we believe that Aqua is in a unique position to operate the system more efficiently than other utilities without a local presence or platform.
- Since 1999, Essential has acquired over 300 water/wastewater utilities, including nearly 40 municipally-held systems, which added approximately 700,000 new customers into our operations. Since 2015, Essential has completed twenty water and/or wastewater municipal utility acquisitions, and has signed agreements (pending closing) for three others, including DELCORA. All of these transactions required regulatory approval similar to what would be required with CWA. As such, Essential and Aqua’s management believes it is fully capable of achieving a seamless integration of the Authority’s water operations and customers within Aqua.

Every acquisition is analyzed thoroughly for its impact on Aqua’s operations. Aqua believes the acquisition of the System would be a logical fit and provide value for the assets which would allow the City to pay off debt and provide funds for economic development and other needs.

We believe a transaction with Aqua offers the following:

- A fair value for the System assets;
- Significant cash proceeds to the City after repayment of City and Authority debts and other obligations;
- Immediately available deposit to the City upon signing of the Asset Purchase Agreement ("APA"). This proposed initial deposit is based on the City of Chester Act 47 Exit Plan (from August 2018), and would be sized to cover the City's current pension payment obligation. Post signing of the APA and assuming the ongoing litigation related to the CWA is proceeding in an acceptable manner, Aqua, at its sole discretion, may choose to make additional payments to the City for future pension obligations as needed;
- Current customer bills are expected to remain unchanged until 2031 or 2029 (depending upon the purchase price amount chosen) if the City establishes a Trust to offset customer PUC approved rate changes and depending on when transaction is closed. The next rate increase would be subject to Aqua's rate case cycle with the PA Public Utility Commission ("PUC") and any future rate adjustments can only be explicitly implemented after approval by the PUC;
- A transfer of risks to a best-in-class, regulated utility with 130+ years of operating experience in Pennsylvania, a strong balance sheet, and a history of partnering with communities throughout the Commonwealth;
- Aqua's current proximity to the System's water customers and assets creates a unique opportunity that benefits both utilities' customers. Aqua and the CWA share a border that spans nearly 40-miles that enables multiple future interconnects in addition to those that exist today which can be used on a regular basis or in an emergency;
- Opportunity for further operational efficiencies given DELCORA will be joining the Aqua family upon closing of this acquisition, expected in late 2020 or early 2021. DELCORA currently provides wastewater service to the City residents, thus giving Aqua the unique position of already serving CWA customers prior to transaction close;
- Relief from future capital investment liability;
- Employment opportunities for ALL current employees of the System to work for Aqua in their existing System positions at time of closing;
- Aqua would maintain an Authority Advisory Board. Members of such board will be residents of each entity currently served by the Authority (i.e., City of Chester, Delaware County, and Chester County);
- Proven customer service including emergency response and operations teams that performed exceptionally during Hurricane Irene (2011), Tropical Storm Lee (2011) and Superstorm Sandy (2012);

- Infrastructure investment programs to replace aging water pipelines and rehabilitate aging facilities. Given that Aqua will be spending significant infrastructure investment capital towards projects in the City related to sewer (upon closing of the DELCORA transaction), Aqua is in a unique position to realize efficiencies from capital projects in the areas served by both the Authority and DELCORA (i.e., simultaneous planning for projects, etc.);
- Expertise in dealing with the ever-increasing environmental regulations of the Department of Environmental Protection ("DEP"), the Susquehanna River Basin Commission, the U.S. Environmental Protection Agency's ("EPA"), the Delaware River Basin Commission and other regulatory bodies;
- Benefits of partnering with an industry leading and environmentally progressive water and wastewater utility. For instance, Aqua would test for chemicals such as PFOA/PFAS in all CWA water sources, as it is doing with its own water system, and would invest capital to limit PFOA/PFAS throughout the System to an industry leading level. Also, Essential committed that by 2022, the company will use 100% renewable energy sources for its electricity needs in the state of Pennsylvania and in several other states;
- Aqua's community engagement as a good corporate civic citizen in the communities that Aqua serves. By the time of a closing, Aqua will be serving the City of Chester's wastewater services via its DELCORA acquisition (pending close in early 2021). In addition, Aqua will make commitments to the current employees, contractors, ratepayers, and other stakeholders in the City; and,
- Commitment to maintaining the Authority's / Systems offices and operations within the City, at a minimum. Aqua also made this commitment in the DELCORA transaction. With DELCORA and CWA, Aqua will work with city officials to act as a strong corporate partner in making a real difference in the City of Chester. Aqua's commitment to the city could include but not be limited to employee volunteer work, funding and sponsorships through the Essential Foundation, new jobs, additional tax revenue for the city, economic development including the potential construction of additional utility and office facilities within the city.

Contact Information

Marc A. Lucca

President
762 W. Lancaster Ave.
Bryn Mawr, PA 19010
Office: 610-645-1059
malucca@aquaamerica.com

Aqua Pennsylvania's Leadership Team

Name	Title	Phone	Email
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Aqua's Service Company Leadership Team

Name	Title	Phone	Email
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Essential's Leadership Team

Name	Title	Phone	Email
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Matthew Rhodes	EVP, Strategy and Corp. Dev	610.645.1185	mrrhodes@essential.co
Christopher Luning	EVP, General Counsel and Secretary	610.645.1068	cpluning@essential.co

Name	Title	Phone	Email
James Barbato	Vice President – Chief Engineering Officer	610.645.1143	jcbarbato@essential.co
Christopher Crockett, Ph.D.	Chief Environmental, Safety, and Sustainability Officer	610.645.4207	cscrockett@essential.co

Proposal

Aqua submits this proposal for the consideration of the City for the sale of all assets of the Authority. Aqua offers two gross purchase prices of \$330 million and \$380 million ("Purchase Price"), subject to adjustments/mechanics outlined in an APA to be negotiated. The two purchase prices will have different impacts to customer bills, as outlined in the "Billing and Rates" section of this document.

Aqua's Purchase Price is based on publicly available information about the System along with the information that has been provided by the City in the RFP. Aqua has accepted the accuracy of the information and the representations provided therein. Given the current situation involving litigation among the parties (Aqua, City of Chester, and CWA, collectively known as the "Parties"), the transaction is dependent on the conclusion of all current, pending, and any related potential future litigation. Aqua's response also includes several contingencies, which are highlighted in the Terms, Conditions, and Contingencies Section of this document.

While not a specific contingency to this proposal, Aqua requests that the RFP process be evaluated in a fair manner for all bidders. Some bidders or their employees may have non-public knowledge about CWA given prior leadership positions with the Authority, which would provide an unfair advantage to that bidder. We ask that this potential conflict of interest be seriously evaluated as part of the selection criteria for the RFP process.

There are no financing conditions associated with this proposal or in meeting the obligations of operating the system. Aqua is more than capable financially and operationally to complete this acquisition expeditiously.

The Proposed Purchase Price is valid pending all active and any future related litigation among the Parties, and is subject to finalization of a mutually acceptable APA and further terms and conditions to complete the sale, such as necessary approvals by the PUC and the Essential Board of Directors.

IMMEDIATELY AVAILABLE DEPOSIT AND FUTURE PAYMENTS

Aqua is prepared to provide an immediately available deposit of approximately \$11.8¹ million upon being selected as the winner of the process and signing of the APA. Until closing of the transaction, assuming that litigation between the Parties is proceeding in an acceptable manner, Aqua, at its sole discretion, may make additional payments of \$6.1¹ million on the annual anniversary of the signing of the APA. These amounts represent the Minimum Municipal Obligation payments as outlined in the City of Chester Act 47 Exit Plan (from August 2018). Aqua's deposits and any future payments are contingent upon closing of a sale with Aqua. If the City and/or Authority decide to proceed with a sale or agreement with any party other than Aqua, or decide to terminate the process and proceed with the status quo, Aqua would be reimbursed in entirety for all deposits and payments provided. Assuming a transaction with Aqua is completed, the total amount of the deposit and any future payments will be credited against the agreed upon Purchase Price.

TAX

Aqua will maintain system offices and operations center within the City of Chester, and will consider an expansion of facilities or new facilities given the potential to serve both water and wastewater (upon DELCORA close) to its residents. The City will continue to receive wage taxes, which would be increased if Aqua commits additional personnel resources, and will also have a new revenue sources via property taxes paid on buildings given that Aqua is a taxable entity.

BILLING & RATES

Aqua is prepared to keep Authority rates at the current level until the subsequent Aqua rate case, which at this time we expect be effective in 2025. Upon Aqua's next rate case, like any other Aqua ratepayer, the rates of the system will only change with the approval by the PUC. Regulated water utilities cannot increase rates without the approval of the PUC, which sets and approves rates, monitors compliance with service standards, and assures the prudence of capital investments that translate to reliable water and wastewater service.

However, if the City uses a portion of the proceeds received to establish a trust to offset customer bill increases, bills could remain flat until 2031 or 2029, depending on the Purchase Price selected. The table below illustrates Aqua's projected customer bills in the two scenarios, assuming \$55 million of proceeds are placed in a trust by the City. Based on our assumptions and publicly available information, Scenario 1 (\$330 million Purchase Price) would allow the City to receive approximately \$200 million of net proceeds after the repayment of outstanding debt and other obligations, and after funding \$55 million in the Trust. Using the same assumptions, Scenario 2 (\$380 million Purchase Price) would allow the City to receive

¹ Figure from the *City of Chester Act 47 Exit Plan* (August 2018). This figure includes the Minimum Municipal Obligation payment of \$6.5M for 2018 and \$5.3M for 2019. The 2020 estimated amount is \$6.1M.

approximately \$250 million of net proceeds after the repayment of outstanding debt and other obligations, and after funding \$55 million in the Trust. The Purchase Price is ultimately dependent upon PUC approval under FMV, and will be equal to the lower of the agreed upon sales price or the PUC determined Fair Market Value.

Given CWA's residential bills have not been increased since 2010, this means CWA customers could benefit from flat bills for a period of up to 20 years, depending upon the factors described in this section.

All tables with projected bills for residential ratepayers assume 4,000 gallons of usage per month and a 5/8 inch meter. It is also important to note that all bills are illustrative and based on estimates at this time. Aqua would request any rate adjustments from the PA PUC, and any rate adjustments would have to be explicitly permitted by the PA PUC as part of the regulatory ratemaking process.

SCENARIO 1: \$330 million Purchase Price, \$55 million of Proceeds Used by City for Trust

Assumed Monthly Residential Bills	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Eastern Division	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$43.01
Western Division	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	

SCENARIO 2: \$380 million Purchase Price, \$55 million of Proceeds Used by City for Trust

Projected Monthly Residential Bills	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Eastern Division	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$30.54	\$45.20	\$45.20	\$45.88
Western Division	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78	\$35.78			

CAP ON POST-CLOSING ECONOMIC EXPOSURE FOR THE CITY

Aqua will purchase the System and thereafter pay for all infrastructure, labor, equipment, and supplies necessary to staff and operate the Systems. Aqua will indemnify the City against all future expenses or liabilities arising from any act or omission of Aqua or its employees.

EMPLOYEES

Aqua intends to make employment offers to all the existing operations and administrative employees working at the plant, within the distribution system and in the offices to operate the System. Aqua intends to operate the System as a separate satellite system with the full support of our state resources. Aqua has a strong history of working very constructively with all of its labor unions, including during negotiations. To this note, Aqua has never experienced a work stoppage due to management/union negotiations. In addition, Aqua would commit to honoring all of the terms of the current Collective Bargaining Agreement up until the expiration of those terms. Afterwards, Aqua would engage with the labor unions to constructively come to subsequent Collective Bargaining Agreements.

CAPITAL IMPROVEMENTS

Aqua will work to improve the System's reliability and operations through a focused capital improvement plan to make sure the System is always in optimal working order and in compliance with all regulations and environmental guidelines. Aqua will develop a multi-year capital plan in conjunction with the existing System management team to address infrastructure repair and replacement, plant upgrades, pump station upgrades and safety improvements.

Aqua has been in business for over 130 years and develops and builds lasting partnerships with communities, developments, and associations. Capital investment into our water and wastewater systems are ongoing and changes as needs arise. Aqua is financially capable of providing or supplying all capital needed to maintain and provide quality service to the residents of the System.

Aqua will make capital investments for compliance purposes and to improve system reliability and safety. Aqua has significant experience investing capital in large and small scale projects. Based on the most current knowledge, Aqua's engineering leadership has identified certain investments to the System, including:

- Continue investment the water main cleaning and lining program and rehabilitation/replacement efforts to further improve American Water Works Association ("AWWA") distribution benchmark results;
- Complete the tainter gate rehabilitation project. Essential has experience working with tainter gate replacements, as it is currently completing a tainter gate replacement project in 2020 in its Illinois service territory;
- Continue addressing the risks posed by the pre-stressed concrete cylinder pipe ("PCCP") transmission main, as the primary water transmission source. This project may include additional interconnections with Aqua PA where appropriate to increase and enhance the resiliency of the

System. Aqua will also evaluate and identify the riskier sections of the PCCP pipe along non-paralleled sections for priority rehabilitation/renovation/replacement;

- Invest capital for various plant optimization items with the goal of achieving simultaneous compliance with a range of water quality challenges from total organic compounds ("TOC"), nitrates, disinfection and disinfection by-products ("DBPs"); and,
- Invest capital towards various Susquehanna Pump Station Upgrades. Given the increased reliance on the Susquehanna water source, additional resiliency projects and investment around this specific Pump Station will enhance operational performance.

The table below summarizes the categories of capital projects as well as the total spend for the capital projects for the years 2022E-2026E.

Project Type (in \$000s)	2022E	2023E	2024E	2025E	2026E
Transmission & Distribution	\$3,000	\$3,000	\$3,000	\$2,000	\$2,000
Treatment & Pumping	\$2,260	\$3,660	\$3,660	\$2,160	\$2,160
Water Storage	\$0	\$100	\$400	\$700	\$955
Customer Service and IT	\$1,024	\$824	\$1,024	\$1,024	\$1,024
Total	\$6,284	\$7,584	\$8,084	\$5,884	\$6,139

CORPORATE CITIZENSHIP

With its long history of strengthening and enriching the communities it serves, Aqua takes its role as a corporate citizen very seriously. Upon the closing of the DELCORA transaction, Aqua will already be members of the City of Chester's community as the sewer service provider. In addition, Aqua's focus is on environmental stewardship, water capital projects, emergency services (including disaster relief), community and economic development, and education. Aqua has undertaken some of the most progressive and industry leading stances when relating to environmental matters such as the treatment of PFOA/PFAS chemicals in the water supply. A smaller portion of Aqua's funding includes arts and culture, health, and human services. Aqua would commit to diversity (including race and gender) when recruiting, hiring, and retaining employees and contractors. Finally, Aqua would also commit to the recruitment and retainment of employees and contractors/firms within the City of Chester and from local small businesses.

In addition, based on suggestions from the City of Chester Act 47 Exit Plan (from August 2018), we would encourage contractors who currently work with us in Delaware County to have an office or other presence in the City, creating tax revenue and jobs. Finally, Aqua would provide funds for a period up to five years, in an amount to be determined, to hire an employee or consultant to focus on community development and reduce blight in the City. Aqua looks forward to working with the City and key stakeholders to develop, enhance, and build its community involvement in the City.

TRANSACTION TIMELINE

If selected as the winning bidder in this RFP process, Aqua would negotiate an APA with the City. Upon agreement of the APA, Aqua would work with the City to close this transaction as quickly as possible, while also minimizing the closing efforts needed by City employees, the administration and the City's consultants. While we anticipate negotiating and signing an APA expeditiously, we understand that the timeline for closing the transaction will be significantly impacted by the conclusion of the litigation between the Parties.

Aqua would plan to utilize Act 12 (66 Pa. C.S. § 1329) for this transaction. Aqua has first-hand experience with Fair Market Value ("FMV") applications and is the first utility to successfully file and receive regulatory approval under FMV legislation. Aqua would work to close this transaction as soon as possible upon approval by the PUC. Typically, this process takes 12 months or more.

Through our experience with many acquisitions, Aqua has developed an excellent transition plan and team. This transition team will ensure a smooth transition upon closing and work with the City and Authority contacts throughout the process. Aqua will hold weekly or monthly calls to keep all parties informed and to ensure that the transition is seamless for both customers and employees.

TERMS, CONDITIONS, AND CONTINGENCIES

The transaction is dependent on the conclusion of all litigation among the Parties. Aqua's response also includes the following contingencies:

- 1) Aqua's initial deposit and any subsequent discretionary payments are contingent upon the City completing the transaction with Aqua. Should the City and/or Authority ultimately consummate a transaction with another entity, cancel the process and resume the status quo, or if the City does not receive the litigation outcome asserting its ownership of the Authority, Aqua would be reimbursed for all deposit and payment amounts made. Assuming a transaction with Aqua is completed, the total amount of the deposit and any payments made before closing will be credited against the agreed upon Purchase Price.
- 2) Aqua makes no commitment to specific rate stay-out mechanisms. Aqua would incorporate the Authority's ratepayers into its PA PUC rate case cycle. Given the timing of the transaction, future CWA customer bills are expected to remain at current levels until 2029 or 2031 (depending on the Purchase Price) if the City establishes a Trust to offset customer bill increases.
- 3) The City cannot engage in any legal settlement discussions with the CWA after an APA with Aqua is signed without the permission and involvement of Aqua.

The other condition associated with this proposal is that prior to submission of the application to the PUC for approval of the acquisition of Seller's System, all the terms and conditions of the proposed transaction

would be captured in the APA as mutually negotiated, agreed to and executed. This Proposal should not be considered or deemed a binding offer by Aqua, nor a contract between Aqua and the City. A binding commitment shall be created only upon execution and delivery of a definitive APA.

The proposed Purchase Price is subject to finalization of a mutually acceptable APA and further terms and conditions to complete the sale, such as necessary approvals by the Pennsylvania PUC and the Essential Board of Directors, and completion of all outstanding litigation.

PROPOSED CONTRACT FOR THE WATER SYSTEM PURCHASE

Aqua's proposed purchase contract, the APA, will be negotiated upon our selection as the winning bidder in the RFP process.

Additional Information

Proposer Profile

Aqua

Aqua is a subsidiary of Essential and provides water and wastewater services throughout the Commonwealth. The company is regulated by the Pennsylvania PUC and the Pennsylvania DEP. Aqua delivers approximately 116 million gallons of drinking water a day to customers via a nearly 6,000-mile distribution system and its 11 surface water treatment plants (the largest of which is 50 MGD Pickering Plant located in Montgomery County, PA). In addition to its water sources that include surface water, groundwater, and more than 100 deep wells, Aqua owns 39 wastewater treatment plants in Pennsylvania and operates an additional 7 others through contract operations, plus two collection systems. Aqua's operations are divided into two operating areas, and subdivided into four regional divisions, with its Roaring Creek/Susquehanna Division serving areas surrounding Schuylkill County. Aqua has approximately 600 current employees (and will also have an additional 140 new employees once the DELCORA acquisition closes) and is one of the most efficient water utility companies in the nation. This organizational complement assures timely and strategic response to the City's and CWA's needs.

Aqua has a history dating back to 1886 when a group of Swarthmore College professors were granted a charter to supply water to the residents of Springfield Township, Delaware County, Pennsylvania. Today, Essential has close to 1,700 employees with an additional 135 to be added from DELCORA, and provides water and wastewater services to approximately three million people in eight states. Upon closing Peoples in March 2020, Essential will have over 3,200 employees throughout 10 states, with approximately 2,000 employees in Pennsylvania.

In 2019, Essential invested approximately \$550M in capital for its water and wastewater assets, including \$340M in Pennsylvania. In 2020-2022, Essential plans to spend an additional \$2.8B across both its water and gas platforms. Aqua's capital improvements are consistent with those cited by the U.S. EPA Fifth Drinking Water Infrastructure Needs Survey and Assessment, which identified \$384 billion of investments needed over the next 20 years to replace or upgrade the nation's pipes, treatment plants, storage tanks and water distribution systems, which are all vital to public health and the economy.

Privately-owned water systems are among the most heavily regulated utility industries in the country. While both municipal and regulated utilities are subject to public health and environmental regulations at the state and federal level, regulated water utilities are also subject to economic regulation by state public utility commissions. Regulated water utilities cannot increase rates without the approval of the state utility commissions, which set and approves rates, monitor compliance with service standards, and assure the prudence of capital investments that translate to reliable service and quality drinking water.

The sole focus of regulated water utilities, like Aqua, is water and wastewater; and Aqua provides many benefits to systems that it has acquired:

- Reduced costs without a drain on budgets;

- National expertise with local perspective;
- Improved system efficiency;
- Preventative maintenance – better reliability, water quality, customer satisfaction;
- Economies of scale and access to capital; and,
- Quality customer service with 24-hour emergency service.

Aqua Pennsylvania's Team Members and Key Personnel

Marc A. Lucca, P.E.

President, Aqua Pennsylvania

Marc A. Lucca was named President of Aqua effective October 1, 2016. Prior to his promotion, Lucca served as Vice President of Network (Distribution) and Vice President of Production. He has been with Aqua since 2007. Lucca brings more than 25 years of Wastewater operations and management experience to his role and has previously worked in management positions for the Coast Water District in Marina, California, the Santa Clara Water Valley District in San Jose, California and American Water Works' corporate engineering department and its California subsidiary.

Lucca earned a Bachelor of Science degree in Environmental Engineering Technology from Temple University. He holds a Master of Engineering degree from The Pennsylvania State University and completed his MBA at Drexel University in 2015. He is also a registered Professional Engineer in the Commonwealth of Pennsylvania.

Joe Thurwanger, P.E.

Vice President, Planning and Engineering

Joe G. Thurwanger was named Vice President, Planning & Engineering, Aqua in 2018. Prior to his promotion, Thurwanger served as Director of Planning & Engineering, Manager of Capital Planning, Senior Project Engineer, and Hydraulic Engineer. He has been with Aqua since 1990. Thurwanger brings more than 28 years of broad water & wastewater engineering and management experience to his current role, and has previously worked in operations & engineering for South Jersey Gas Company in Folsom, NJ; Yerkes Engineering in West Chester, PA, and Carroll/Miller Engineering in Warminster, PA.

Thurwanger earned a Bachelor of Science degree in Civil Engineering Technology from Temple University in 1980. He is a registered professional engineer in Pennsylvania, New Jersey, and Delaware. Over his career he has spoken and held a number of leadership positions at the national, state & local levels with the American Water Works Association and the Water Research Foundation's Research Advisory Council.

Mike Fili

Vice President, Distribution

Mike Fili was appointed Vice President-Distribution for Aqua in 2017. In this role, Fili manages distribution system operations and oversees a large capital construction budget focused on pipeline replacement in

Pennsylvania. Fili began his career with Aqua in 1988 as a laborer in the company's southern and western construction division before becoming a shop steward and field inspector. He was later promoted to assistant plant superintendent of Aqua's largest surface water treatment plant, before moving back into distribution operations where he was promoted several times before serving as superintendent of the company's Great Valley Division, which serves Chester County and parts of Delaware County.

Fili is a graduate of Drexel University, where he earned a Bachelor of Science in Construction Management. He also completed his MBA at Penn State University in 2008.

Curt Steffy

Vice President, Production

Curt Steffy was appointed Vice President-Production for Aqua in 2015. In this role, Steffy is responsible for the eight surface water plants in southeastern Pennsylvania and more than 80 well facilities, which collectively produce more than 100 million gallons of water daily, and more than 80 booster (pump) stations that help distribute that water throughout the company's 4,500-mile distribution system. His responsibilities include management of the treatment, mechanical-electrical and facilities departments. Steffy and his team also supports the operations of three other surface water treatment plants and more than 100 well facilities within Aqua's Greater Pennsylvania divisions in the northeastern, central and western parts of PA.

Steffy, a graduate of Millersville State College with a B.S. in environmental biology, began his career at Aqua in 1982 as a microbiology technician, quickly becoming a microbiologist in the company's Pennsylvania state-certified lab. He transferred to operations in 1987 as a systems supervisor in the treatment department, and three years later was promoted to assistant superintendent of treatment and superintendent of treatment before continuing through the ranks to become assistant manager of treatment in 1998.

Aqua Service Company Members and Key Personnel

Colleen Arnold, P.E.

President, Aqua

Colleen Arnold is president of the Aqua division of Essential Utilities, Inc. Arnold was named to her current role upon the closing of Essential's acquisition of natural gas distribution company Peoples. She was previously deputy chief operating officer for Aqua, a role she held since September 2015, and prior to that held the roles of director of water quality and environmental compliance, where she organized and oversaw the Compliance Assurance Program, which ensures compliance with environmental regulations and permits for all Aqua operations, as well as manager of treatment and water quality at Aqua Pennsylvania.

Arnold has more than 25 years of experience in environmental engineering and utility operations management, as well as extensive background and education in water quality. She began her career as a consultant engineer with two top tier firms where she provided services to water and wastewater utilities

in New York City, Philadelphia, and throughout the country. Arnold also worked as water quality manager and assistant water director for more than eight years with the City of Wilmington (Delaware).

Arnold, a licensed professional engineer in Delaware, earned her B.S. in civil engineering from the University of Massachusetts, her M.S. in environmental engineering from Manhattan College, and her executive MBA from Villanova University.

Arnold's professional memberships include more than 25 years with the AWWA, where she currently serves on the Partnership for Safe Water steering committee and the Technical & Educational Council. She is also a member of the Water Environment Federation. She has been a board member for the Partnership for Delaware Estuary since 2016 and serves on the Citizen's Advisory Committee for the City of Wilmington Public Works Utility division.

Essential's Team Members and Key Personnel

Chris Franklin

Chairman, Chief Executive Officer and President

Christopher H. Franklin is Chairman, Chief Executive Officer and President of Essential, having held the same position with Aqua America since 2015. Aqua America is a publicly traded water and wastewater utility holding company with operating subsidiaries serving approximately 3 million people in eight states. Aqua America is listed on the New York Stock Exchange under the ticker symbol WTR.

Franklin was previously president and chief operating officer, regulated operations. A 20-plus-year veteran of the company, Franklin has held executive roles in public affairs, customer operations and as regional president of the company's southern and mid-western operations, where he managed eight states. While holding that post, Franklin significantly increased the performance and earnings power of these diverse state operations, while simultaneously serving as senior vice president of the company's corporate and public affairs, where he was also responsible for the company's federal, state and municipal legislative affairs, investor relations, and communications.

Since joining Aqua America in December 1992 as director, corporate and public affairs, Franklin headed several successful projects, including advocacy for the passage of legislation designed to provide customers of state-regulated water and wastewater utilities with improved water quality and better water and wastewater systems while allowing a fair and reasonable return for shareholders. Franklin also attained national print and broadcast media coverage for the company, changed the name and rebranded the company and its subsidiaries, and expanded its investor relations outreach to increase analyst coverage of the company.

Before joining Aqua America, Franklin worked at PECO Energy Company (an Exelon Company) where he was regional, civic and economic development officer, responsible for reviewing, recommending and promoting economic development initiatives in the Philadelphia region.

Franklin earned his B.S. from West Chester University and his M.B.A. from Villanova University.

Matt Rhodes**EVP, Strategy and Corporate Development**

Matt Rhodes was appointed Executive Vice President, Strategy and Corporate Development for Aqua America in June 2018, and holds the same position with Essential. Matt is responsible for assisting the chief executive officer with developing, communicating, executing, and sustaining Aqua's strategic initiatives, with an emphasis on growth. Additionally, he is responsible for the company's overall corporate development including acquisitions of regulated and market-based businesses.

Matt was previously Managing Director at Goldman Sachs in the Natural Resources Investment Banking Group with a focus on power and utility clients. Before joining Goldman Sachs in 2007, Matt worked at Bank of America and Duke Capital partners in energy finance roles.

Matt earned a BBA from the University of Texas at Austin and an MBA, with honors, from the Stern School of Business at New York University.

Chris Luning**EVP, General Counsel and Secretary**

Christopher P. Luning was appointed Executive Vice President, General Counsel and Secretary for Aqua America, Inc. in May 2012, and holds the same position with Essential. He is the company's chief legal counsel and oversees and provides strategic direction for the company's legal, human resources, internal audit, and safety departments. Luning provides direction on all parent company and its subsidiary matters, including corporate governance and board matters.

Previously, he held the position of vice president, corporate development and was responsible for leading the Aqua America's corporate development activities, contributing to the company tripling its customer base in the previous 10-year period.

Luning joined Aqua America in 2003 as assistant general counsel and in 2005 was promoted to vice president and deputy general counsel. Throughout his tenure, Luning has worked closely with the corporate development team in negotiating and closing numerous acquisitions and other growth ventures.

Prior to joining Aqua America, Luning worked at Hovnanian Enterprises, Inc., an NYSE-traded home builder, where he served as legal counsel responsible for obtaining entitlements to construct and maintain communities in Southern New Jersey and Pennsylvania.

Luning earned his B.S. business/political science from Albright College and his J.D. in 1993 from Villanova University, and is licensed to practice law in Pennsylvania and New Jersey.

Jim Barbato, P.E.

Chief Engineering Officer

Mr. Barbato has 19 years of engineering and business experience in the water and wastewater utility industry as well as a registered professional engineer in Virginia, Delaware and New Jersey. As the Chief Engineering Officer for Essential, he is responsible for our Corporate Service Engineering Department including capital plan development and execution for our subsidiaries operating in 8 states. James is also responsible for the oversight of a \$500 million per year capital improvement program. The corporate service engineering department also includes shared services including our database of record, GIS, hydraulic modeling and energy management. He has extensive experience with developing capital budgets and the rehabilitation of acquired systems. Prior to joining Aqua, Mr. Barbato was a Project Manager for Valero Refining Company completing a broad range of utility projects ranging from \$5 million to \$400 million in actual expenditures. Mr. Barbato earned his Bachelor of Science degree in Civil Engineering from Drexel University and an MBA from the University of Delaware.

Chris Crockett, P.E.

Chief Environmental, Safety, and Sustainability Officer

Chris Crockett has been the chief environmental officer of Aqua America (now Essential) since June 2016 and was previously deputy commissioner for planning and environmental services at the Philadelphia Water Department, where he worked since 1995. He has more than 20 years of experience in the water, storm water and wastewater industry and has participated in and led several innovative projects, including many that improve the environment and have a positive impact on water quality and operations performance.

Crockett, a licensed professional engineer in Pennsylvania, is a Drexel University alumnus who earned his Bachelor of Science in civil engineering, and his Master of Science and doctorate in environmental engineering from the university, where he also served as an adjunct professor.

Crockett has been involved in a variety of industry organization committees and has reviewed and published journal articles. He is a regular resource for news media looking to understand drinking water and environmental issues. Crockett is currently appointed to the Pennsylvania lead task force and is a board member of the Perkiomen Watershed Conservancy and the Water Resources Association of the Delaware River Basin.

Comparable Projects

Essential has a vast amount of experience in owning/operating systems of diverse size and design. Essential presently serves approximately 3.0M people with water and/or wastewater services, while continuing to add new communities. Below is a list, starting in 2015, of water and/or sewer municipal utilities that Aqua has acquired or has a signed agreement with:

Note: Table does not include investor-owned utility acquisitions

Year	State	Status	Deal	System Type	Total Customers	Purchase Price
2015	IL	Closed	North Maine	Water & Wastewater	7,409	\$22,000,000
2015	PA	Closed	Mt. Jewett Borough Water System	Water	443	\$1,126,350
2015	IL	Closed	Summerdale/Village of Norridge	Water	57	\$5,000
2016	PA	Closed	East Cameron Township	Water	55	\$112,300
2016	PA	Closed	Emlenton Sewer	Wastewater	445	\$350,000
2017	PA	Closed	Tullytown	Wastewater	740	\$6,600,000
2017	PA	Closed	Avon Grove	Wastewater	1	\$100,000
2018	IL	Closed	Manteno	Wastewater	3,890	\$25,000,000
2018	PA	Closed	Limerick	Wastewater	5,497	\$75,100,000
2018	IL	Closed	Peolone	Water & Wastewater	2,987	\$12,300,000
2018	PA	Closed	East Bradford	Wastewater	1,249	\$5,000,000
2018	PA	Closed	Tredyffrin	Wastewater	6	\$28,300,000
2019	PA	Closed	Phoenixville	Water	530	\$3,600,000
2019	PA	Closed	Cheltenham	Wastewater	10,200	\$50,250,000
2019	IL	Closed	FRWRD Skyline	Water & Wastewater	752	\$3,550,000
2019	IL	Closed	Grant Park	Wastewater	540	\$2,300,000
2020	OH	Closed	Campbell	Water	3,200	\$7,500,000
2020	PA	Pending	New Garden	Wastewater	2,106	\$29,500,000
2020	PA	Pending	East Norriton	Wastewater	4,952	\$21,000,000
2020	PA	Pending	DELCORA	Wastewater	16,000	\$276,500,000
TOTAL					61,059	\$569,093,650

References

Nancy Marano, Manager
Emlenton Borough, Venango County, PA
724.867.8611

Robert McMahon, Mayor
Media Borough, Delaware County, PA
610.566.5210

James Dillon, Borough Manager
Bristol Borough, Bucks County, PA
215.788.382

Ernie McNeely, Manager
Lower Merion Township, Montgomery County, PA
Former Manager, West Chester Borough, Chester County, PA
610.645.6103

Joseph DiGirolamo, Mayor
Bensalem Township, Bucks County, PA
215.633.3603

Technical Capability

Aqua has a talent rich pool of operation and engineering resources to support operations, planning, design and construction management for the City Systems. Aqua has more than 50 engineering professionals throughout its office locations, including Pennsylvania. This staff includes all key disciplines for Water and Wastewater projects, and “practice leaders” who help disperse technical information and technology advances throughout the company. The following table summarizes our areas of technical proficiencies:

WATER	WASTEWATER	ENVIRONMENTAL
Distribution Systems	Collection Systems	Compliance Management
Storage Facilities	Interceptors	Water Quality Management
Transmission Mains	Pump Stations	Environmental Site
Treatment Plants	Treatment Facilities	Right-to-Know Reporting
Pump Stations	Facility Plans	Waste Management
Groundwater	Infiltration/ Inflow Studies	Industrial Pre-Treatment
SCADA/ Instrumentation	SCADA/ Instrumentation	Air Quality Management
Hydraulic Modeling	Hydraulic Modeling	Wetlands Delineations
Residuals Management	Residuals Management	GIS/ GPS
Funding Applications/ Management	Funding Applications/ Management	Emergency Response Plans
Impoundments/ Dams	Pressure Sewers	Environmental Management
Metering	Drip Irrigation	
	Activated Sludge Modeling	
DESIGN	ENERGY	CONSTRUCTION
Civil/ Structural	Energy Analysis Reports	Value Engineering
Mechanical	Fuel Contracts and Rates	Design/ Build
Electrical	Alternative Energy	Construction Management
Architectural	Utility Rate Analysis	Site Supervision/ Oversight
Process	Grant Applications	Cost Estimating
“Green” Design	Life Cycle Costing	Construction Scheduling

Aqua’s professional staff is active in industry associations at both the local and national levels, such as the AWWA, the Pennsylvania Rural Water Association (“PRWA”), and the Water and Environment Federation (“WEF”). Aqua utilizes industry standard technologies, such as CADD, GIS, and Water GEMS and Sewer GEMS hydraulic models, to support engineering planning and design efforts. Essential’s engineering team, supported by a wide range of national and regional engineering consultants, has performed and coordinated design and construction efforts for Essential’s capital improvement program (~\$2.8B in 2020E-2022E).

Customer Service and 24-Hour Operations Control Center

Essential has two US-based national call centers which handle general customer service calls for its entire water and wastewater customer base. Aqua also has an operations control center which is staffed 24/7/365. Control center personnel are seasoned operations personnel with experience from other parts of the organization such as plant operations, construction and maintenance. These employees are on the front lines during any after-hours call, whether it is from a customer, police or regulatory agency. They are familiar with our service territories and can quickly assess problem situations and mobilize Aqua's on-call staff to respond accordingly.

Essential operates a website (AquaAmerica.com) to supplement its exceptional call center customer service. On the website customers can:

- Pay their bills;
- Sign up for service alerts to be delivered directly to their email or phone;
- Query alerts and outages;
- Download water quality reports; and,
- Access rate information.

Customers can also use Facebook and Twitter as alternatives to the company's website for useful information. Customers have become the beneficiaries of frequent, useful and timely tips available on Essential's Facebook page and have begun to embrace Twitter as an alternative to contacting the call center for quick information about everything from service appointments to questions about specific infrastructure projects. Essential (legacy Aqua America's) website is infused with many features, including "WaterSmart," an interactive program to help customers conserve water in their homes and learn about the water treatment process. The interactive program is rooted in an illustration of a home, with clickable elements in each room that provide practical tips for water conservation. Essential (legacy Aqua America's) website visitors can learn how water travels from a source to the tap, with downloadable diagrams that explain the processes to treat surface water, groundwater and wastewater.

Safety and Security

Since 9/11, Essential has invested about \$20 million on security improvements to its facilities. Essential is legally required to maintain operational security both through the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, the Chemical Facility Anti-Terrorism Standards and through accountability, specifically:

- Conduct vulnerability assessments (utilities of > 3,300 customers);
- Maintain updated emergency response plans;
- Report incidents (increase in regulation);
- Preventing and responding to potential attacks/no negligence (a general warning could be considered notice of a potentially hazardous condition); and,
- Company and Board has an obligation to take reasonable steps to protect assets.

Essential considers its dams, reservoirs, tanks and plants to be critical components of its Wastewater systems. Essential's goals are to deter, detect, delay and respond.

- **Deter:** Use fences, walls, high security gates, and high visibility surveillance equipment. The company has approximately 1,000 cameras currently in use.
- **Detect:** Aqua America is heavily focused on detection because it is crucial to quickly determine the timing and nature of intrusion to successfully react.
- **Delay:** Enhanced by all properties being fenced-in with electrical locks; buildings have hardened windows and doors, including administrator-controlled doors. Validates authorized key holders, and critical access-ways have high security gates and locks.
- **Respond:** Essential has a reporting structure and process which includes alarm systems and notifying the appropriate authorities.

Essential also maintains cyber security measures with respect to protecting its water and wastewater infrastructure, system information and data (including customer data). The measures extend to the monitoring and operation of treatment, storage, and pumping facilities. Essential also cooperates with Federal, State, and Local law enforcement officials to combat cyber criminals from hacking any of its Systems. Essential's operations teams are trained on manual recovery should any system be hacked or compromised. The Essential security team is always monitoring of threats and maintains a proactive and diligent stance.

Environmental Responsibilities

Compliance management is at the forefront of Essential priorities and is closely coordinated with its engineering activities. Essential has a full-time compliance officer dedicated solely to environmental compliance as well as safety and sustainability. Essential's focus is on quickly identifying current and potential compliance needs and working with operational personnel to ensure ongoing compliance with permits and environmental regulations. Compliance status is reviewed regularly with senior management and, if capital improvements are needed, compliance personnel work closely with Essential's engineering staff to plan, budget, design and construct the needed improvements. Essential has also strives to the industry leader in environmental stewardship. It has undertaken two initiatives:

- 1) Beginning in 2020, the PFOA/PFAS level in Essential's water utilities will now be treated for 13 ppt. This is a much lower maximum contaminant limit threshold than the U.S. EPA's recommended 70 ppt; and,
- 2) Essential has pledged that electricity usage in four of its states, including Pennsylvania, will be 100% sourced from renewable energy by 2022.

Essential's Water Quality Laboratory, located in Bryn Mawr, Pennsylvania, has provided analytical support to its Water and Wastewater treatment facilities for more than 50 years. The laboratory is certified by regulatory agencies, in six states including Pennsylvania, to conduct drinking Water and Wastewater analyses for compliance monitoring. The lab also provides southeastern Pennsylvania wastewater treatment sample analysis that is used for process control. This helps ensure compliance is maintained by

providing timely, accurate feedback to influent changes and discharge quality. Categories of certification vary by state, but generally include Inorganic chemistry, organic chemistry, and microbiology. In addition, during the mid-1990s, the U.S. EPA approved the lab for the analysis of many chemical parameters that were monitored under the Information Collection Rule. The laboratory is also approved by U.S. EPA for the unregulated contaminant monitoring rule. Over the last 15 years, the lab has been increasingly involved with compliance monitoring, because of regulations derived from the Safe Drinking Water Act. The size and testing capabilities of the lab will be expanded in the near future.

More than 30,000 samples are analyzed in the Bryn Mawr laboratory each year. These samples account for more than 270,000 tests, which are tracked on a computerized Laboratory Information Management System ("LIMS"). LabWorks is the current LIMS used to store data and generate reports.

Essential's Research Laboratory, also located in Bryn Mawr, concentrates on specialized analyses of importance to the Wastewater industry. This unit of the Water Quality Group represents a valuable resource for Essential as well as other utilities. Expertise has been recognized by other utilities around the country and internationally. Samples have been received from utilities in Canada, Spain, France, as well as many sections of the United States. Areas of expertise for water samples include: disinfection by-products; taste & odor analysis and control; corrosion by-products and control; and for wastewater samples include: fecal coliform; cBOD; Total Nitrogen; ammonia, nitrate, nitrite; TSS; volatile suspended solids; phosphate; and others. The research chemists have vast experience with the analysis of drinking water and wastewater. For example, the Research Laboratory has been analyzing for halo acetic acids since the late 1980s, long before they became regulated as disinfection by-products. This is one of the few laboratories with expertise in closed loop stripping analysis, which is an extremely sensitive technique for semi-volatile and volatile organic compounds. An addition to the research laboratory has the capability to conduct solid phase microextraction. This will allow a much more automated analysis of taste & odor compounds. Concentrations of interest for taste & odor analysis are typically in the parts per trillion range (ng/L).

Compliance Record and Capabilities

Aqua has an excellent reputation and strong record of compliance with all environmental regulations--local, state and federal--and has a process in place to monitor compliance, pre-emptively identify problems and quickly implement corrective actions required. Our compliance staff works closely with the PA DEP to ensure our communities can rely on the quality of Wastewater service provided and adherence to regulations. If selected, Aqua would continue this excellent reputation while serving the City.

Essential maintains an entire department whose primary responsibility is to focus on compliance of all its water facilities, as well as to keep abreast of new regulations. Essential also actively provides comments to proposed regulations issued for public feedback. Essential has the financial wherewithal to invest in needed improvements and technology so that facilities it operates are complying. Essential prides itself in keeping good relations with local, state, and federal regulators.

The PA DEP is aware of Aqua's compliance record and that Aqua reports permit violations at its facilities as they have occurred in accordance with permit requirements and law. Aqua has worked with the PA DEP to resolve all permit violations and all issued notice of violations ("NOVs"). At this time there are no

outstanding NOV's issued that have not been addressed by Aqua and the PA DEP.

Transition Plan

Transitioning operational responsibility of the City's water system requires a high level of management expertise, care and experience. Essential understands this better than most, having transitioned operations of over 300 systems nationwide that Essential has acquired over the past 20 years. Essential brings to the clients it serves a highly experienced base of resources, capabilities and knowledge that will ensure that the City's water system is transitioned safely and that ongoing operations are efficient and environmentally compliant. Our objectives in the transition plan are to minimize the impact on continuity of operations, to maintain communication with staff and the City, to identify key issues, and to overcome barriers to transition. Essential's transition team is responsible for developing and executing a transition plan that is capable of providing overall management and logistical support of transition activities, designed to systematically assume all management and operational responsibilities for the systems while maintaining operational continuity.

Key to our ability to transition these facilities and provide safe and reliable water service will be the experienced and capable management team we will commit to this effort. Essential will commit to this project an experienced transition team that will provide all the core management, technical and administrative disciplines that will be required to ensure success and seamless transition for all of the System's customers, employees, and stakeholders

Capital Improvements

Aqua is committed to renewing and improving its water infrastructure through thoughtful and continuous capital investment. This commitment not only ensures reliable service of our water operations for our current and future customers, but also demonstrates a more fiscally-efficient approach to ensuring the sustainability of our business—water, wastewater and maintaining the highest level of environmental stewardship. As a steward of Earth's most recycled resource, Aqua takes equal care in preparing fresh water for drinking as it does treating wastewater for its return to Earth. For over 130 years, Aqua America has successfully employed engineering, technology and sophisticated business principles to grow into one of the nation's most efficient utilities.

In 2019, Essential invested more than \$500 million for the seventh straight year to improve infrastructure across all its regulated operations as part of its capital investment program. From 2020 to 2024, the company plans to invest an additional nearly \$2.0 billion in water and wastewater pipe replacement to improve its network; upgrade plants to enhance water and wastewater treatment; and continually improve service reliability for our customers.

Financial Capability

Essential offers to purchase all the assets identified by the City for cash payable at closing. Essential, through its Aqua subsidiary, will complete this transaction without any need for other partners or investors. Essential will fund the Purchase Price from internal funds and will not seek any transaction-related financial contingency. The subsidiary making the purchase will be Aqua, a direct, wholly owned subsidiary of Essential.

Standard & Poor's ("S&P") Essential issuer level credit rating is "A" and its issuance rating is "A-" for unsecured debt. Aqua also has an S&P issuer credit rating of "A", and its issuance rating is "A+" for its secured debt of first mortgage bonds. Essential also has a Moody's rating of Baa2, which is the same for issuer and issuance. Both Essential and Aqua have a proven ability to access the capital markets and have short-term credit facilities which are used for working capital and general corporate purposes.

Having historically devoted more than \$500+ million annually to capital restoration, Essential possesses a clear commitment to maintaining the infrastructure that it owns and operates and to keeping its commitment to the communities that its utilities serve. Included in this submittal are Essential's 2019 Annual Report and Aqua's 2018 Audited Financials. Aqua is uniquely positioned to bring reliable and low-cost capitalization and a vast amount of experience operating, maintaining and integrating water systems. Revenues, debt and obligations are included in the attached financial information for both Essential and Aqua.

As the owner of one of the largest U.S.-based, publicly-traded water and wastewater utilities, serving nearly three million people in eight states, including Pennsylvania, Ohio, North Carolina, Texas, Illinois, New Jersey, Indiana and Virginia, Essential's sound financial strength gives it the unique ability to invest required capital as needed. The attached financial reports should answer any questions pertaining to our financial condition and ability. Essential complies, and has the ability to comply, with all current and future applicable state and local tax obligations.

Essential has financial capability with respect to collections for customer accounts. Aqua plans to integrate the local customer service functions into the existing Essential nationwide system to enable all customers to receive benefits available to our other customers. Essential currently uses Banner customer service software and knows it will work well for the CWA customers.



Thank you, City of Chester

For considering Aqua