Chester Water Authority
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October 3, 2019

VIA EMAIL ONLY
rebkennedy@pa.gov

Rebecca Kennedy
Region IV Project Specialist
Pennsylvania Infrastructure Investment Authority (PENNVEST)
333 Market Street, 18th Floor
Harrisburg, PA 17101-2210

Dear Ms. Kennedy:

The Chester Water Authority ("CWA") is a water utility and Pennsylvania municipal authority serving customers in southern Chester County, western Delaware County and the City of Chester. CWA has in excess of 44,000 residential, commercial and industrial ratepayer customers.

CWA is seeking funding sources to finance CWA's multiple capital projects. Over the next three years as part of its Capital Project Plans, CWA requires $35 million to make capital improvements to its water supply and metering systems which include construction, improvement, repair, and rehabilitation projects. We would like to meet with you to discuss obtaining some or all of this financing from Pennvest. I have asked CWA's chief financial officer, Agnes Woebkenberg to call you to see if we can meet with your staff to discuss obtaining financing for some or all of our list of capital projects.

We believe that CWA will be a great candidate for PENNVEST funds as our capital projects are closely aligned with PENNVEST's eligibility requirements. We look forward to meeting with your staff but first some background as to why this request is necessary.

Historically, CWA has funded its capital projects by borrowing in the bond markets or from commercial lenders. However, since May 8, 2017, Aqua America, Aqua Pennsylvania and the City of Chester have at various times engaged in

an attempted hostile takeover of CWA's customers and assets. CWA is resisting on behalf of its ratepayers.

The City has recently attempted to block CWA's ability to borrow through both City filed litigation and City Council legislative action. The City filed a lawsuit against CWA to prevent a proposed CWA borrowing just prior to closing after the CWA Board of Directors at its meetings conducted a public three (3) month process where CWA solicited lending proposals, publicly discussed the reasons for and the proposed terms of the borrowing, publicly reviewed and discussed the responses from four (4) lenders and selected the two best responses and finally authorized closing. Only then did the City act to attempt to prevent the borrowing - in violation of standing Court Injunctions.[1]

Our attorneys have described the City's carefully timed interference in CWA's operations as a litigation and legislative ransomware attack on CWA and its ratepayers.

Further the various pleadings that have been filed in Court by CWA argue that these actions by the City are placing CWA's ratepayers at risk. Through its actions the City has demonstrated a complete lack of concern for the health, safety and wellbeing of ratepayers including the 21% of CWA's ratepayers that live in the City of Chester. As the City enters its 24th year in fiscal distress under Act 47, it seeks to gain monetary

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[1] As an example, on the morning of August 14th, the City surreptitiously filed appeals of two August 6th Orders of the Delaware County Court. These August 6th Orders prohibited the City from "alienating any assets owned or allegedly owned by [the CWA]..." and enjoined [the City] and prohibited [the City] from "taking any legal action dissolving, or attempting to dissolve, [the CWA] or in any way attempting to interfere with the day-to-day operations of [the CWA]." The City quickly passed two resolutions relative to CWA at its regularly-noticed City Council morning meeting held a few hours after the early morning appeal. The first resolution attempted to permit the City to "explore" the conveyance of CWA back to the City. The second resolution attempted to limit the project of the CWA under Section 5607 of the MAA.

In response, CWA immediately filed emergency motions to reinstate the effect of the August 6th injunctions. After a hearing and on August 16th the Court entered two (2) Orders which continued the injunctions which enjoined the City from (1) taking action as to CWA's assets under any laws; (2) modifying any resolution passed to the extent it interfered with federal laws or regulations regarding permits, maintenance and/or construction of the water facilities; and (3) otherwise extending all terms of the August 6th orders for another thirty (30) days. The injunctions against the City are still in effect.

advantage by blocking CWA's regular Capital Project Plan and is attempting to force CWA to consent to CWA's liquidation and sale of its customers and assets. CWA's Board has refused to surrender to these efforts. If the City's planned sale of CWA occurs it would be financed by the purchaser, in large part by future rate increases imposed on current CWA customers. Currently Aqua, the City's preferred CWA purchaser, has rates that are twice CWA's rates. By avoiding these hostile takeover attempts CWA has since May 8, 2017 saved its ratepayers in excess of 91 Million Dollars since the ratepayers do not pay the much higher Aqua rates. See the ratepayers' savings calculator at http://chesterwater.com/

CWA has been a reliable source of safe and clean drinking water to over 200,000 residents, businesses and industries in Southeastern Pennsylvania since before the Second World War. CWA's Octoraro Treatment Plant is one of only two water treatment plants in Pennsylvania to achieve the Partnership for Safe Water Phase IV Award. Earlier this year CWA received the Partnership for Safe Water 15 Year Directors Award. CWA's Moody's Investor Service Rating is Aa2 in comparison to Aqua America's rating of Baa2.

We ask that you consider providing financing for CWA's drinking water infrastructure projects to help CWA protect the lives and well being of the 30,000 Chester City residents and the other 170,000 residents in Western Delaware County and Southern Chester County who drink and consume CWA's water.

We look forward to hearing from you. When can we meet? Please feel free to contact CWA's Chief Financial Officer, Agnes Woebkenberg at 610-876-8185 x1242 or email at aawoebkenberg@chesterwater.com

Thank you.

Very truly yours,

Robert A. Judge Sr.

Robert A. Judge, Sr.
Executive Manager

cc: Agnes Woebkenberg, Chief Financial Officer
Cynthia F. Leitzell, Chairperson
Paul Andriole, Vice-Chairman
Full Distribution List available upon request

The **Chester City Stormwater Authority** has received **$1 million in grants** and **$23,138,140 in loans** from PennVest since January of 2017.
Pennvest is the Pennsylvania Infrastructure Investment Authority.

Project	Amount	Type	Approval

Chester Stormwater Authority – Green Streets Project **$1,000,000** **Grant** **1/25/17**
The project includes design and engineering of various forms of green infrastructure to improve the quality of storm water while also reducing runoff volumes. The project serves 12,068 low income households.

Chester Stormwater Construction Nov. 2017 **$4,888,205** **Loan** **1/31/18**
The project includes four bio-retention cells, 7,250 square feet of permeable pavement, establishment of a storm drain catch basin retrofit project program and 70 storm sewer inlets. The project serves 11500 low income households. Stormwater rates will be implemented to repay the loan.

Chester City Stormwater Authority – Feb 2018 Projects **$4,822,315** **Loan** **4/18/18**
This project is the second phase of the catch basin retrofit program that was funded by the January 31, 2018. Approximately 250 existing catch basins will be retrofit or replaced. Areas in and around the new inlets will be used to reduce storm water volume and filter or trap sediments, bacteria, trash, and other pollutants. The project serves 10,000 low income households. Storm water rates have been implemented to repay the loan.

Chester City Stormwater Authority – Aug 2018 Projects **$3,447,464** **Loan** **10/17/18**
The project will retrofit approximately 125 catch basins, consisting of approximately 55 tree box inlets, 18 grated inlets, 20 curb inlets, 32 vortex inlet control devices, 1,440 square feet of porous concrete panels. The project also includes removing impervious roadway and installing stormwater controls for a recreational trail at Crozer Park. The system serves 10,000 low income households. Rates are being implemented to run the system and repay the PENNVEST funding.

Chester City SW Auth – Comprehensive Infrastructure **$9,980,156** **Loan** **7/17/19**
The project consists of approximately 9,500 feet of pipe, 65 catch basins, 200 manholes, and associated stormwater roadway restoration. Water quality devices; such as porous panels, inlet inserts and filter, will be installed to remove trash and sediment from the system and to remove pollutants from the water. The system serves 10,000 low income households. Rates are not expected to increase.

***Information obtained from Pennvest website www.pennvest.pa.gov**