To the Honorable Members of the Pennsylvania Senate and House of Representatives who represent ratepayers in the Chester Water Authority service area

RE: Chester Water Authority ("CWA") Update No. 10
August 16, 2021

TITLE: DCED and the Chester City; publicly saying one thing and privately doing another. DCED's four year continuing effort to sell the CWA to Aqua/Essential.

The Pennsylvania Supreme Court recently ordered the Pennsylvania Department of Community and Economic Development ("DCED") to give the Chester Water Authority ("CWA") unredacted versions of documents that CWA requested Right to Know Law requests. The truth is slowly emerging.

This Update is a first of a series of **revealing** unredacted internal email, reports and memos that have one common theme. The words and public actions of the DCED staff, Act 47 coordinators and consultants are contradicted in what they say in their private email communications, memos and reports. These private documents show a four year continuous effort by these players to sell the CWA to Aqua/Essential, while they have been making misleading public statements about their true actions and intentions.

Continue reading their own words and see for yourself.

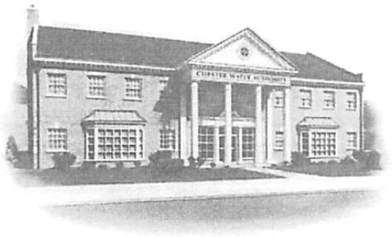
<u>Part 1 - Letter to the Michael Doweary, Receiver of the City of Chester</u>.

Attached is a copy of the July 29, 2021 letter and attachments sent to Receiver Doweary requesting him to clarify why he has been saying that no decision has been made concerning the DCED selling CWA to Aqua/

Essential while he has been conducting secret meetings with Aqua, negotiating a written Agreement to sell the CWA with Aqua and filing inaccurate reports with the Commonwealth Court. Did he allow the City to accept down payment money from Aqua? We asked and so far, he has ignored the question.

NEXT UPDATE REPORT shows DCED threats against the Mayor of Chester and how DCED forced Chester to not accept the CWA settlement offer and with the help of Covid-19 forced the City into Receivership.

Any questions or comments should be directed to Francis J. Catania, Solicitor, Chester Water Authority. It is best to communicate with CWA via email, info@chesterwater.com



Chester Water Authority
P.O. Box 467
Chester, Pennsylvania 19016-0467
Tel: (610) 876-8185

July 29, 2021

VIA EMAIL
Michael T. Doweary
Receiver for the City of Chester
c/o John P. McLaughlin, Esquire
Campbell Durrant, P.C.
One Belmont Avenue, Suite 300
Bala Cynwyd, PA 19004
jmclaughlin@cdblaw.com

RE: Does the City have an Agreement to Sell CWA?

Dear Mr. Doweary:

DCED has been tasked with coordinating the City of Chester's economic recovery since the City went into Act 47 financial distress in 1995. Over the last few years, the Chester Water Authority has sent the DCED requests under Pennsylvania's Right to Know Law. The Authority sent these requests seeking to better understand DCED's work and, in particular, how it may impact the Authority. In a case brought by the Authority against the DCED, the Pennsylvania Supreme Court recently ordered the DCED to produce unredacted copies of these requested documents to the Authority after nearly four years of litigation. The documents are quite revealing. Lets review some of them but first some context.

On April 24, 2020 the Honorable Judge Angelos issued an Order in the matter *In Re: Chester Water Authority Trust*, No. 217-2019 Orphans' Court Division – Equity, which included the statement "this Court concludes that any transfer of all CWA assets be conducted solely by the governing body, to wit, the City of Chester, Delaware County and Chester County **in unison** …" (emphasis added). The April 24, 2020 Order (6 pgs.) is attached hereto and incorporated herein and labeled as Exhibit "A".

Recently produced emails show that from July through November 2020, Essential/Aqua's CEO Chris Franklin and Essential/Aqua's counsel had discussions with the Receiver and City about the sale of CWA. Essential/Aqua even sent the Receiver and the Mayor a draft Asset Purchase Agreement. These discussions occurred **after** a Delaware County Court ordered that the City could not unilaterally sell the CWA to Essential/Aqua. Copies of these emails are attached hereto and labeled as Exhibits "B – F".

All of the emails listed below were exchanged after the April 24, 2020 Order and **none** of the emails listed below include all of the parties which the Order directed must act "in unison".

- **Exhibit "B"** - 7/21/20 Franklin to Doweary, copying others as listed

  "Thanks again for taking the time to meet with us last week. I felt it was a great discussion and **we look forward to taking the next steps with the City of Chester regarding the Chester Water Authority**."(Emphasis added)

  "will provide an updated version of the Asset Purchase Agreement to you and the Chester City team within the next two days."

- **Exhibit "C"** - 7/22/20 Doweary to Franklin, copying others as listed

  "a pleasure to meet you and Joel as well. We look forward to continued discussions and resolving the myriad of open matters as soon as possible."

  "Despite the added complication of coordination with the Receiver's office, Kevin will continue to run point. We'll need a little time to digest the information provided **in addition to getting up to speed on the terms in the latest offer."** (Emphasis added)

- **Exhibit "D"** - 7/23/20 Aqua Attorney to City Attorneys, copying Doweary

  "we thought it prudent to provide you with Aqua's suggested draft of the Asset Purchase Agreement"

  "Aqua's next board meeting is on August 5th so if **we could use these next two weeks to hammer out the final details of the deal, any additional**

"asks" by the City/Receiver could be presented to the board for its' consideration and approval at that time, so we could then promptly execute the APA. Lastly, you'll note that I copied Michael directly as I'm usure of the current status of the City's/Receiver's legal representation." (Emphasis added)

- **Exhibit "E"** - 10/26/20 Doweary to Franklin

  "Thank you for reaching out last week. I have been concerned with returning your call so I decided to put my response in writing."

  "With all that is going on, it would **probably be best for us to limit our interactions outside of the prescribed channels**. PFM and I are very **appreciative of the responsiveness and information sharing to date**. … However, if needed, I can introduce our legal counsel as well but **I would hate to involve lawyers on every communication"** (Emphasis added)

  "I hope this is not offensive in any way. In the end, **my intention is to protect both of us**." (Emphasis added)

- **Exhibit "F"** - 11/10/2020 Franklin to Doweary

  "I appreciate the sentiment and agree that all interactions should remain in prescribed channels"

  "Our last offer of $410 million was made in June of this year so I'm sure you understand the Essential board of directors is anxious for some feedback."

  "…it is important that we receive some guidance on your timeline for a decision on the RFP."

The Receiver (and the Pennsylvania Department of Community and Economic Development "DCED") have been consistently and publicly saying that no decision has been made regarding the sale of the Chester Water Authority. These emails tell a very different story. Please address the following questions and kindly make your responses publicly available:

- Is there an agreement for the sale of CWA?

- Did the Receiver brief the City and/or DCED on all meetings and exchange of information between himself and Essential/Aqua?

- Did the Receiver have authorization from the City and/or DCED to pursue discussions about the sale of CWA? The DCED says it has no such knowledge. Have you been conducting negotiations without informing DCED?

- Please provide a definition or more fulsome explanation of the following quotes from the email traffic:

    - "prescribed channels" what did you mean since you have regularly and publicly said that no decision has been made regarding the sale of the Chester Water Authority?

    - "added complication of coordination with the Receiver's office" what does that mean?

    - "probably be best for us to limit our interactions outside of the prescribed channels". Why? What is the reason for the requested secrecy?

    - "PFM and I are very appreciative of the responsiveness and information sharing to date." Why was it burdensome to do so. Did they take a risk in doing so? What are the risks?

    - "From a financial perspective, they will continue to be my intermediary…I would hate to involve lawyers on every communication" Who are the lawyers that you do not want to involve and why do you not want to involve them? Why so furtive? It sounds sinister.

    - "I hope this is not offensive in any way." What in the email are you worried about that Mr. Franklin would find offensive?

    - "In the end, my intention is to protect both of us." Mr Franklin is his response email thanks you for this sentiment but what about

protecting the residents of the City of Chester. Is it not your job to protect them?

- Has the City received any money, or has any money been paid or deposited for the benefit of the City, from Essential/Aqua for the sale or potential sale of CWA? We ask this question because in the document titled "Receiver for the City of Chester Status Update", filed December 2, 2020 in Commonwealth Court of Pennsylvania matter No. 336 MD 2020, you state that the City's draft 2021 budget included Aqua deposit money, but then you took those funds out of your draft of the 2021 budget. Page 2, footnote 2 states "The payment from Aqua was an initial $12 million payment to be non-refundable unless the City sold the CWA to another entity…" Why was the Aqua payment included in the budget in the first place? Why was it then taken out of the budget? (Pages 1 and 2, including footnote 2, of the "Receiver for the City of Chester Status Update" are attached hereto and labeled as Exhibit "G".)

- Has Essential/Aqua placed money in trust for the sale or potential sale of CWA?

The emails show that what you have been repeatedly and publicly saying: "no decision has been made regarding the sale of the Chester Water Authority" is false.

I look forward to your response. Thank You.

Respectfully yours,

/s/ Francis J. Catania

Francis J. Catania, Esq.
Solicitor, Chester Water Authority

Attachments as indicated above

EXHIBIT A

IN THE COURT OF COMMON PLEAS OF DELAWARE COUNTY, PENNSYLVANIA
CIVIL ACTION – LAW

IN RE: CHESTER WATER AUTHORITY TRUST	**No. 217 – 2019** **ORPHANS' COURT** **DIVISION - EQUITY**

ORDER

AND NOW, this 24th day of April, 2020, this Court having before it the following matters;

1.) Intervenors', Nicole Whitaker, Wanda Mann, Michelle Conte, Tyler Therriault, Esquire, Kathryn A. Townsend, James & Diane Bohr, Wolf Equity, L.P. and Victor S. Mantegna Motion for Partial Judgment on the Pleadings, and the responses of the Commonwealth of Pennsylvania, Department of Environmental Protection ("DEP"), and Aqua Pennsylvania, Inc., ('Aqua") thereto;

2.) Petitioner Chester Water Authority's ("CWA") Motion for Judgment on the Pleadings, and the responses of the City of Chester, Aqua, DEP, the County of Chester and the County of Delaware thereto;

3.) Aqua's Motion for Judgment on the Pleadings and the responses of the CWA and the County of Chester thereto, and;

4.) The City of Chester's Motion for Judgment on the Pleadings and the responses of the CWA, Aqua and the County of Chester thereto;

And this Court having examined the memorandum in support and opposition submitted by able counsel for all parties, the following is hereby issued:

RECORD AND PLEADINGS

1.) CWA filed on March 1, 2019 a Petition for Approval of Declaration of Trust Under Pennsylvania Law and the Transfer of Legal Title to Certain Assets of the Trust.

2.) The Petition cited Article I, Section 27 of the Pennsylvania Constitution – the Environmental Rights Amendment ("ERA") and Section 5620 of the Municipality Authorities

Act ("MAA") (53 Pa. C.S.A. §§ 5601 to 5623) and sought to transfer legal title of "any real and/or personal property, as further defined by the express designation of the Solicitor and CWA personnel, that comprise and make up the generation; transmission and storage-related assets of the CWA" to the Chester Water Authority Trust ("CWA Trust") (Proposed Final Decree).

3.) The Petition in paragraph 87 named as Parties in Interest, the City of Chester, Delaware County, Chester County, DEP, the Susquehanna River Basin Commission, the Delaware River Basin Commission, the 43,850 CWA ratepayers, the proposed Trustees of the CWA Trust and Wells Fargo Bank, N.A. in its capacity as Trustee for Outstanding Bonds.

4.) Attached as Exhibit A to the Petition is the January 24, 2019 document establishing the CWA Trust which subjects final implementation to Court approval. Three of the nine CWA Board members are named as the initial Trustees.

5.) Aqua filed an Answer with New Matter on June 19, 2019. The Intervenors filed an Answer with New Matter on August 2, 2019. After this Court denied Preliminary Objections filed by the City of Chester, the City filed an Answer with New Matter on October 8, 2019. Chester County and Delaware County also filed answers to the CWA petition. The CWA has filed three Ancillary Petitions which are not addressed in this Order.

6.) The instant action is one of four related proceedings in this Court between the City of Chester, CWA, Aqua, and the Intervenors. The related cases are;

(1.) *City of Chester v. Chester Water Authority, Intervenors Nicole Whitaker, Wanda Mann, Michelle Conte, Tyler Therriault, Esquire, Kathryn A. Townsend, Victor S. Mantegna, James D. Neary, Diane and James Bohr and Wolf Equity, L.P., Delaware County Common Pleas Court, Civil Division No. 2019-005976.*

(2.) *Chester Water Authority v. Aqua Pennsylvania, Inc., and City of Chester, Delaware County Common Pleas Court, Civil Division No., 2019-5400.*

(3.) *Aqua Pennsylvania, Inc., v. Chester Water Authority and City of Chester, Delaware County Common Pleas Court, Civil Division No.: 2019-002924.*

7.) This Court has conducted numerous hearings and conferences with the parties in the instant and related actions and has issued Orders granting and vacating preliminary injunctions, entering preservation of status quo, preliminary objections, discovery matters and scheduling issues. The CWA and the City of Chester currently have eight appeals from these Orders pending in the Commonwealth Court of Pennsylvania. This Court has issued opinions in support of its Orders dated December 2, 2019 at the instant docket and dated September 19, 2019 and December 2, 2020 at *No.: 2019-005976.*

8.) Pursuant to Pa. O.C. Rule 7.2, any party may move for judgment on the pleadings after the relevant pleadings are closed but within such time as not to unreasonably delay the trial. The Court is mandated to enter such judgment or order as shall be proper on the pleadings. Pa. O.C. Rule 7.2. A Court may grant a motion for judgment on the pleadings where the pleadings establish that no genuine issue of fact exists and the moving party is entitled to judgment as a matter of law. *Mun. Auth. of Borough of Midland v. Ohioville Borough Mun. Auth., 108 A.3d 132 (Pa. Cmwlth. 2015).*

9.) CWA moves for a final decree approving the terms for the creation of the CWA Trust Charter and transferring into the Trust all generation, transmission and storage related real and/or personal property as designated by the Solicitor and Authority personnel.

10.) The Intervenors seek partial judgment declaring that the City of Chester lacks authority under the MAA to dissolve or seize assets of the CWA, that the ERA prohibits the City

of Chester and the Counties of Chester and Delaware from seizing certain assets of the CWA, and that the Public Trust Doctrine of 1915 and the Dedicated or Donated Property Act, 53 Pa.C.S.§§ 3381-3386, prohibit the sale of CWA assets without Court approval.

11.) The City of Chester moves for judgment on the pleadings and requests a final decree that the CWA's Petition be denied and that the Intervenors' claims be dismissed. The City of Chester submits that as the incorporating municipality, it alone pursuant to Section 5622 of the MAA possesses the authority to transfer the assets of the CWA and that the City has announced its intention to acquire the assets (53 Pa.C.S.A.§ 5622). The City of Chester submits that the Commonwealth of Pennsylvania General Assembly in promulgating Act 12 in 2016 established a concise procedure for valuation of acquired water and wastewater systems by public utility companies and expressed "clear support and encouragement of municipal wastewater acquisitions at valuation levels higher than traditional original cost measures." 66 Pa.C.S.§1329, *McCloskey v. Pa. PUC, 195 A.3d 1055, 1062 (Pa. Cmwlth. 2018).*

12.) Additionally, the City of Chester cites the ERA and in argument supported by Aqua, submits that the CWA assets consisting of generation, transmission and storage related property are inapplicable to the natural resources intended to be protected by the constitutional provision.

13.) Aqua also motions for judgment that the CWA petition be denied and that the Intervenors new matter be dismissed. Aqua supports the potential sale of CWA assets by the City of Chester and endorses the legal submissions of the City of Chester.

14.) The County of Chester and the County of Delaware have filed responses in support of the CWA petition.

15.) DEP has responded succinctly "It is admitted that Pennsylvania's surface and groundwater are public natural resources. However, this case involves the transfer of infrastructure and real estate used by the CWA for the limited purpose of the provision of potable drinking water to the public, not the transfer of the waters of the Commonwealth. CWA does not own the water in the Octoraro Creek or the Susquehanna River. *See City of Philadelphia v. Spring Garden Commissioners, 7 Pa. 348 (1847)* which held that a grant of the use of water from a navigable stream does not pass title to the corpus of the water from the stream. (₱ 44 of DEP Answer to Intervenors' Motion for Partial Judgment on the Pleadings.)

CONCLUSION

16.) This Court having reviewed the parties' respective Motions for Judgment on the Pleadings, it is **HEREBY ORDERED** and **DECREED** that the Motions for Judgment on the Pleadings filed by the Intervenors, CWA, the City of Chester and Aqua are **DENIED.**

17.) In *City of Chester v. Chester Water Authority, Intervenors et al., Delaware County Court of Common Pleas, Civil Division No.: 2019-005976,* this Court on this date is entering an Order that grants in part the Intervenors motion for judgment on the pleadings and dismisses the City of Chester complaint at that docket because this Court concludes that any transfer of all CWA assets be conducted solely by the governing body, to wit, the City of Chester, Delaware County and Chester County in unison pursuant to Sections 5610 (a.1) and 5622 (a) of the MAA (53 Pa.C.S.A.§ 5610(a.1), 5622(a)).

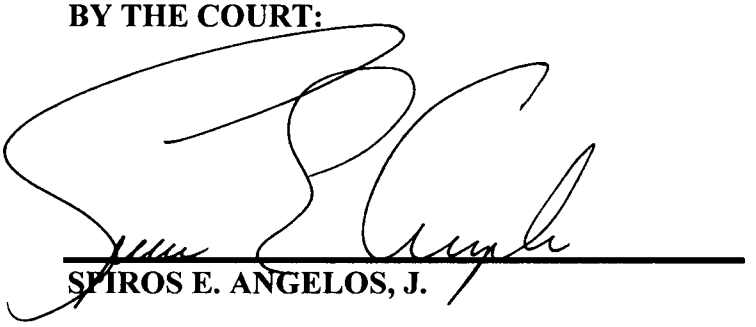
18.) The CWA herein is requesting without the development of a full record to transfer certain assets to the CWA Trust for a 40-year period without reservation or consent and acquiescence of the full governing body established in Section 5610 (a.1) which includes the

City of Chester which opposes the transfer. *See: Burke v. North Huntingdon Township 136 A.2d 310 (Pa. 1957).*

19.) The identification of the proposed real and/or personal property comprising generation, transmission and storage-related assets to be transferred to the Trust and the relation of the assets to the ERA, Article I Section 27 must be factually developed on the record.

20.) This Court recognizes the demands presented on each party by this litigation. This Court declines to enter a summary ruling without record evidence. This Court shall promptly schedule a conference for discovery deadlines related to the issued presented in this Order.

BY THE COURT:



SPIROS E. ANGELOS, J.

EXHIBIT B

[redacted]

From: Franklin, Christopher H <CHFranklin@essential.co>
Sent: Tuesday, July 21, 2020 6:11 PM
To: Doweary, Michael <mdoweary@pa.gov>
Cc: Joel Frank Esq. (jfrank@lambmcerlane.com) <jfrank@lambmcerlane.com>; ken@schusterlaw.com; greenbergk@gtlaw.com; tkirkland@chestercity.com
Subject: [External] Follow up

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Michael,

Thanks again for taking the time to meet with us last week. I felt it was a great discussion and we look forward to taking the next steps with the City of Chester regarding the Chester Water Authority. As a follow up, I want to provide you with answers and supporting data for three questions you asked in the meeting.

1. **Expected Capital Expenditures in the City of Chester:** In the event we are the winner bidder for the Chester Water Authority, we estimate capital spending of at least $10M-$13M over the next 5 years. This would largely consist of pipe replacement given CWA's water treatment plant is located outside the City, and this level of spending will likely increase once we conduct further due diligence. You will recall that due to the unusual circumstances, we do not have access to CWA records or internal capital plans. Through the acquisition of DELCORA, we expect to spend significantly more in the City - approximately $150M over the next 10-15 years. This capital is needed to address the EPA's Long Term Control Plan related to the City's combined storm and sewer system.

2. **Diversity at Essential/Aqua:** As an organization we are committed to supporting racial and gender diversity within our organization at all levels, making meaningful progress since 2016. Additionally, over that same time period, we have made great progress in enhancing diversity within our vendor network. Although we acknowledge that our work to promote racial and gender diversity is far from finished, we are proud of the progress we have made and are well ahead of our peers in this effort.

3. **Overlap between Aqua (and DELCORA's) Operations and the CWA:** We already serve water to most of Delaware county and will also serve wastewater to much of the county once we acquire DELCORA. Because of this, there is significant geographic proximity and overlap with CWA's operations, and Aqua has four current interconnections. We are already a big part of the communities in and around the City of Chester, making Aqua the logical buyer of the asset. We are committed to SE Pennsylvania given we were founded here 130 years ago, and if we were to own CWA, we would be able to make a real difference in the City going forward.

Please reach out with any questions you have and I look forward to continuing our dialogue. In the meantime, we will provide an updated version of the Asset Purchase Agreement to you and the Chester City team within the next two days.

Best Regards,

Chris
Christopher Franklin
Chairman & CEO
Essential, Inc.
O: 610.645.1081
C: 610.324.1079

EXHIBIT C

[redacted]

From: Doweary, Michael
Sent: Wednesday, July 22, 2020 9:54 AM
To: Franklin, Christopher H <CHFranklin@essential.co>
Cc: Joel Frank Esq. (jfrank@lambmcerlane.com) <jfrank@lambmcerlane.com>; ken@schusterlaw.com; greenbergk@gtlaw.com; tkirkland@chestercity.com
Subject: RE: [External] Follow up

Good morning Chris,

It was a pleasure to meet you and Joel as well. We look forward to continued discussions and resolving the myriad of open matters as soon as possible.

Thank you for taking the time to meet and for providing the additional information. Despite the added complication of coordination with the Receiver's office, Kevin will continue to run point. We'll need a little time to digest the information provided in addition to getting up to speed on the terms in the latest offer. In the meantime, we appreciate your continued patience and look forward to connecting soon.

Best regards,

Mike

Michael T. Doweary | Receiver
Office of The Receiver for The City of Chester
Commonwealth Keystone Building
400 North Street | Harrisburg, PA 17120-0225
Phone: 717-979-7768 | mdoweary@pa.gov
www.visitPA.com

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Cc: Joel Frank Esq. (jfrank@lambmcerlane.com) <jfrank@lambmcerlane.com>; ken@schusterlaw.com; greenbergk@gtlaw.com; tkirkland@chestercity.com
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Chris
Christopher Franklin
Chairman & CEO
Essential, Inc.
O: 610.645.1081
C: 610.324.1079

EXHIBIT D

[redacted]

[redacted]

From: Joel Frank <jfrank@lambmcerlane.com>
Sent: Thursday, July 23, 2020 9:48 AM
To: 'greenbergk@gtlaw.com' <greenbergk@gtlaw.com>; 'ken@schusterlaw.com' <ken@schusterlaw.com>
Cc: Doweary, Michael <mdoweary@pa.gov>
Subject: [External] APA

ATTENTION: *This email message is from an external sender. Do not open links or attachments from unknown sources. To report suspicious email, forward the message as an attachment to CWOPA_SPAM@pa.gov.*

Good morning. In an effort to keep this process moving along, we thought it prudent to provide you with Aqua's suggested draft of the Asset Purchase Agreement. It should be helpful in crystallizing the exact and comprehensive terms of what Aqua is proposing. We ask that you treat it and the terms thereof as confidential. Further, while we're not being presumptuous, hopefully if/when Aqua is formally soon selected as the winning bidder, having this document now will allow for a quicker negotiation and execution thereof which in turn will result in the City sooner receiving and being able to utilize the committed deposit monies. Aqua's next board meeting is on August 5th so if we could use these next two weeks to hammer out the final details of the deal, any additional "asks" by the City/Receiver could be presented to the board for its' consideration and approval at that time, so we could then promptly execute the APA. Lastly, you'll note that I copied Michael directly as I'm unsure of the current status of the City's/Receiver's legal representation. We look forward to your timely response and appreciate your consideration of this submission.

Joel L. Frank
Chairman / Managing Partner

LAMB | McERLANE PC
ATTORNEYS AT LAW

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EXHIBIT E

[redacted]

From: Doweary, Michael
Sent: Monday, October 26, 2020 6:27 PM
To: Franklin, Christopher H <CHFranklin@essential.co>
Subject: Thank you

Good afternoon Chris,

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I hope this is not offensive in any way. In the end, my intention is to protect both of us.

Kind regards,

Michael

Michael T. Doweary | Receiver
Receiver for The City of Chester
Commonwealth Keystone Building
400 North Street | Harrisburg, PA 17120-0225
Phone: 717-979-7768 | mdoweary@pa.gov
www.visitPA.com

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EXHIBIT F

[redacted]

From: Franklin, Christopher H <CHFranklin@essential.co>
Sent: Tuesday, November 10, 2020 4:14 PM
To: Doweary, Michael <mdoweary@pa.gov>
Subject: RE: [External] Follow up

Michael,

Thank you for your note a couple of weeks ago. I appreciate the sentiment and agree that all interactions should remain in prescribed channels.

The purpose of my note directly to you today is to acknowledge the legal argument put forth before Commonwealth Court today, which in our opinion, was compelling regarding the City's right to unilaterally repossess CWA's assets. I am hopeful that we will receive the court's decision by the end of the calendar year.

The second reason for my note is to request an update on the RFP process that the city initiated and in which Aqua participated. It is unusual that we would allow an offer of $410 million including a $12 million upfront payment to remain outstanding for an undefined period. Our last offer of $410 million was made in June of this year so I'm sure you understand that the Essential board of directors is anxious for some feedback.

We appreciate the amount of diligence, legal and financial review that has been undertaken by the Office of the Receiver. Knowing the extent of work that had to be completed, we have waited patiently for a response from the city and Receiver. However, now that that Commonwealth Court argument has been completed, it is important that we receive some guidance on your timeline for a decision on the RFP.

Any direction you are willing to provide would be most appreciated.

Best Regards,
Chris

Essential.
Christopher Franklin
Chairman & CEO
O: 610.645.1081
C: 610.324.1079

From: Doweary, Michael <mdoweary@pa.gov>
Sent: Wednesday, July 22, 2020 9:54 AM

To: Franklin, Christopher H <CHFranklin@essential.co>
Cc: Joel Frank Esq. (jfrank@lambmcerlane.com) <jfrank@lambmcerlane.com>; ken@schusterlaw.com; greenbergk@gtlaw.com; tkirkland@chestercity.com
Subject: RE: [External] Follow up

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Good morning Chris,

It was a pleasure to meet you and Joel as well. We look forward to continued discussions and resolving the myriad of open matters as soon as possible.

Thank you for taking the time to meet and for providing the additional information. Despite the added complication of coordination with the Receiver's office, Kevin will continue to run point. We'll need a little time to digest the information provided in addition to getting up to speed on the terms in the latest offer. In the meantime, we appreciate your continued patience and look forward to connecting soon.

Best regards,

Mike

Michael T. Doweary | Receiver
Office of The Receiver for The City of Chester
Commonwealth Keystone Building
400 North Street | Harrisburg, PA 17120-0225
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From: Franklin, Christopher H <CHFranklin@essential.co>
Sent: Tuesday, July 21, 2020 6:11 PM
To: Doweary, Michael <mdoweary@pa.gov>
Cc: Joel Frank Esq. (jfrank@lambmcerlane.com) <jfrank@lambmcerlane.com>; ken@schusterlaw.com; greenbergk@gtlaw.com; tkirkland@chestercity.com
Subject: [External] Follow up

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Michael,

Thanks again for taking the time to meet with us last week. I felt it was a great discussion and we look forward to taking the next steps with the City of Chester regarding the Chester Water Authority. As a follow up, I want to provide you with answers and supporting data for three questions you asked in the meeting.

1. **Expected Capital Expenditures in the City of Chester**: In the event we are the winner bidder for the Chester Water Authority, we estimate capital spending of at least $10M-$13M over the next 5 years. This would largely consist of pipe replacement given CWA's water treatment plant is located outside the City, and this level of spending will likely increase once we conduct further due diligence. You will recall that due to the unusual circumstances, we do not have access to CWA records or internal capital plans. Through the acquisition of DELCORA, we expect to spend significantly more in the City - approximately $150M over the next 10-15 years. This capital is needed to address the EPA's Long Term Control Plan related to the City's combined storm and sewer system.

2. **Diversity at Essential/Aqua**: As an organization we are committed to supporting racial and gender diversity within our organization at all levels, making meaningful progress since 2016. Additionally, over that same time period, we have made great progress in enhancing diversity within our vendor network. Although we acknowledge that our work to promote racial and gender diversity is far from finished, we are proud of the progress we have made and are well ahead of our peers in this effort.

3. **Overlap between Aqua (and DELCORA's) Operations and the CWA:** We already serve water to most of Delaware county and will also serve wastewater to much of the county once we acquire DELCORA. Because of this, there is significant geographic proximity and overlap with CWA's operations, and Aqua has four current interconnections. We are already a big part of the communities in and around the City of Chester, making Aqua the logical buyer of the asset. We are committed to SE Pennsylvania given we were founded here 130 years ago, and if we were to own CWA, we would be able to make a real difference in the City going forward.

Please reach out with any questions you have and I look forward to continuing our dialogue. In the meantime, we will provide an updated version of the Asset Purchase Agreement to you and the Chester City team within the next two days.

Best Regards,

Chris
Christopher Franklin
Chairman & CEO
Essential, Inc.
O: 610.645.1081
C: 610.324.1079

Received 12/2/2020 11:46:50 AM Commonwealth Court of Pennsylvania

EXHIBIT G

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Dennis M. Davin, in his capacity as Secretary of the Department of Community and Economic Development Petitioner, v. City of Chester Respondent.	No. 336 MD 2020

Receiver for the City of Chester Status Update

Pursuant to the Court's October 19, 2020 Memorandum and Order (the "October Order"), the Receiver for the City of Chester (the "Receiver") files this Status Update. In the October Order, the Court directed the Receiver to include "information regarding the 2021 budget and account for payments of pension and other financial obligations and detail the provision of vital and necessary services as required by Section 703(b) of Act 47."

On November 3, 2020, consistent with the October Order, the Receiver filed a separate status update and included a copy of a presentation entitled "Receiver's Assessment of City of Chester's Financial and Operational Condition." This Status Update supplements the November 3, 2020 status update.

The 2021 Budget

The Receiver has attached his 2021 budget for the City to this filing as Appendix A. The Receiver and his team have worked diligently to ascertain the City's true financial condition and to provide a realistic budget that not only meets Act 47's requirements, but also moves Chester towards fiscal and operational recovery. The Receiver acknowledges that this budget requires

significant shared sacrifice from stakeholders, particularly City residents and City employees, and that much more work needs to be done. Furthermore, the Receiver recognizes the continued uncertainty stemming from the COVID-19 situation and the potential impact that it may have on the City's finances and operations. Nonetheless, the Receiver believes that enacting this budget is critical to implementing the goals of the Recovery Plan.

The Receiver's 2021 budget does not currently include additional supplemental financial assistance from the Commonwealth nor proceeds from any asset monetization. The Receiver is in discussions with the Commonwealth about ongoing financial support to the City and the Commonwealth recognizes that assistance is needed.[1] Additionally, the water system monetization matter remains in litigation. At this point, the Receiver cannot build any such financial assistance into a budget.

The Receiver has discussed this budget with elected City officials and has changed some provisions in his original draft as a result of feedback received. City officials provided the Receiver with an alternative budget concept that relied upon an initial payment from Aqua (the "Aqua Payment") for the sale of the Chester Water Authority's assets (the "CWA"),[2] reinstated almost all the employees who were furloughed this year, and did not include many of the operational restructuring changes in the Receiver's budget. The Receiver's team reviewed this budget concept and found that it was not balanced in 2021; it would result in a significant deficit in 2022 once the one-time Aqua proceeds were exhausted; and that certain provisions ran contrary to implementing the goals of the Recovery Plan. The Receiver relayed these findings to

[1] The City is also awaiting a response from Delaware County on its CARES Act application.
[2] The payment from Aqua was an initial $12 million payment to be non-refundable unless the City sold the CWA to another entity and which is not conditioned on the City being successful in the CWA litigation.