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. 14
September 27, 2021

TITLE: Chester City Cash to Canada? Who is the DCED[1] working to benefit?
Certainly not your constituents, the CWA Ratepayers.
Who besides the CWA Board is looking out for the CWA Ratepayers?

On Friday, September 24th, the Vice Chair of CWA sent a letter to Mayor Kirkland (copy and exhibits attached) informing the Mayor of the DCED's plan to make Chester City residents and businesses pay two to three times as much for their water so that Aqua/Essential can pay regular and ever increasing dividends to Aqua/Essential's second largest shareholder, the Canadian Public Pension Investment Board ("CPPIB"). The letter is filled with raw facts.

How does this help Chester and its residents? Is this what Act 47 is for -- to protect foreign citizens' pensions?

Selling CWA to Aqua/Essential means:

- At least an extra $1 billion dollars of higher water bills, per generation, charged to CWA ratepayers and then made available to Aqua/Essential shareholders including the CPPIB.

- If the DCED's sponsored hostile takeover attempt is successful, many Chester residents (and other CWA ratepayers) will no longer be able to afford their water bill. Based on EPA guidelines, water service will likely become unaffordable for over 61% of the City's residents.

Some questions to ponder:

Why is DCED asking Pennsylvania Courts to approve a hostile takeover of CWA to benefit Aqua shareholders like CPPIB?

Should CWA ask the Canadian ambassador to the U.S why the government of Canada allows the CPPIB, the second largest owner of Aqua/Essential, to permit an attempted hostile takeover of CWA which would permanently enrich the Canadian Citizens who get pensions from the CPPIB but likely make water unaffordable to CWA ratepayers who are victimized by the resulting higher water rates?

Should CWA ask for help from the newly nominated U.S. Ambassador to Canada who, according to the White House nomination announcement was a former partner in and Chairman of Ballard Spahr Andrews & Ingersoll, LLP?

As a reminder, DCED arranged it so Chester City hired the law firm, Ballard Spahr, to pursue litigation which promotes the hostile takeover of CWA while knowing that this law firm also did legal work for Aqua.

ANY ADVICE ON ANSWERS TO THESE QUESTIONS IS WELCOMED.

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

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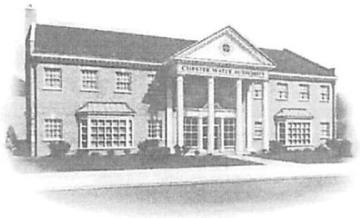
[1] Pennsylvania Department of Community and Economic Development, under the jurisdiction of Governor Wolf.



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

September 24, 2021

VIA EMAIL
Mayor Thaddeus Kirkland
City of Chester
c/o Ken Schuster, Esquire
Schuster Law
334 W Front St,
Media, PA 19063
ken@schusterlaw.com

RE: **The DCED plans to make Chester City residents and businesses into a permanent source of cash for Canadian Retirees.**

Dear Mayor Kirkland:

I am writing as a follow up to my "one mayor to another" August 19 letter to you so you can alert City residents and businesses about the Pennsylvania Department of Community and Economic Development's ("DCED") plan to **permanently increase City water rates** to provide a secure source of funding for a Canadian Pension Plan. I cannot understand why our State government is trying to protect Canadian Citizens by increasing what City residents pay for water? Why indeed? Here are some facts that need to be made public. CWA will make the public aware and you should also.

Our data shows that if the Receiver and Aqua/Essential force a sale of the CWA to benefit Aqua/Essential's second largest shareholder, the Canadian Public Pension Investment Board, many Chester residents will no longer be able to afford their water bill.

Over the last four years, there has been a coordinated effort by the DCED and Aqua Pennsylvania to force a sale of the Chester Water Authority over the resistance of the CWA Board. While that debate has been ongoing, Aqua has consistently misled you and the public about the adverse impact an acquisition will have on residents and businesses in the City of Chester, and who the real beneficiaries of a forced sale of the CWA will be. Several things have become abundantly clear from information recently gleaned from the documents obtained from the City's DCED controlled economic advisors and their lawyers, as well as Aqua's regulatory filings:

- The biggest beneficiaries of a forced sale of the CWA to Aqua/Essential are Aqua/Essential shareholders, the second largest of which is a ***Canadian retiree pension fund***.
- City residents and other CWA ratepayers will be the source of funds for the dividends to shareholders like the Canadian pension fund. Aqua itself made this clear in touting this major investment from a foreign investor, stating that the investment "marks an important step in obtaining permanent financing for Aqua's pending acquisition of Peoples Natural Gas".[1] See March 29, 2019 Aqua America press release announcing $750 million investment by the Canadian pension fund attached as Exhibit "A".
- As Aqua's / Essential's rates increase due to the legally mandated policy of "gradualism", the ***rates will be unaffordable under federal standards for over 60% of the City's residents***.

Ultimately, the fiscal health of residents, businesses, and the City itself depends on fostering long-term economic growth in the City. A forced sale of CWA to Aqua would hinder or stop that growth and make it infinitely harder for the City, its residents, and its businesses to prosper economically. Why is the DCED helping Canadian residents and hurting Pennsylvania residents and businesses by planning to allow Aqua to permanently extract cash from CWA customers in the City and Delaware and Chester Counties?

A. Aqua/Essential Exists to Benefit Its Shareholders, like its Second Largest, the Canadian Retiree's Pension Fund

For its part, Aqua is certainly good at maximizing shareholder profits. For example, Aqua's second largest shareholder is a Canadian pension fund, the Canada Pension Plan Investment Board (CPPIB). The fund bought about 21 million shares of Aqua's stock in March 2020. Since then, Aqua's stock price has skyrocketed up nearly 30% per year on an annualized basis. In addition, Aqua pays a handsome quarterly dividend to its shareholders. ***The Canadian pension fund alone has received over $32 million in dividends in less than two years.*** This is money funneled from the pockets of Aqua's ratepayers into the pockets of its investors. If Aqua acquires CWA, this is money that will be extracted from City residents and business and other CWA customers.

Aqua has been very good to its Canadian shareholder. On March 16, 2020, the Canadian Pension Plan Investment Board purchased 21,661,095 shares of the common stock of Aqua's parent company, Essential Utilities. The purchase price was $750 million, or $34.62 per share.

On September 7, 2021, Essential's common stock closed at $48.99 per share.

[1] Aqua's acquisition of this gas company is what led it to change its formal corporate name to Essential Utilities.

That means that since CPPIB's purchase, the stock has gone up in value by 28% per year on an annualized basis.

Essential also pays a handsome quarterly dividend to its shareholders. The dividends CPPIB has received are as follows:

Date	$/share
5/15/2020	0.234
8/14/2020	0.251
11/13/2020	0.251
2/12/2021	0.251
5/14/2021	0.251
8/13/2021	0.268
	1.506

That means that CPPIB has received a total of $32.6 million in dividends in less than two years.

B. A forced sale to Aqua/Essential will cause massive rate increases because the law guarantees Aqua/Essential a substantial return on a system purchase

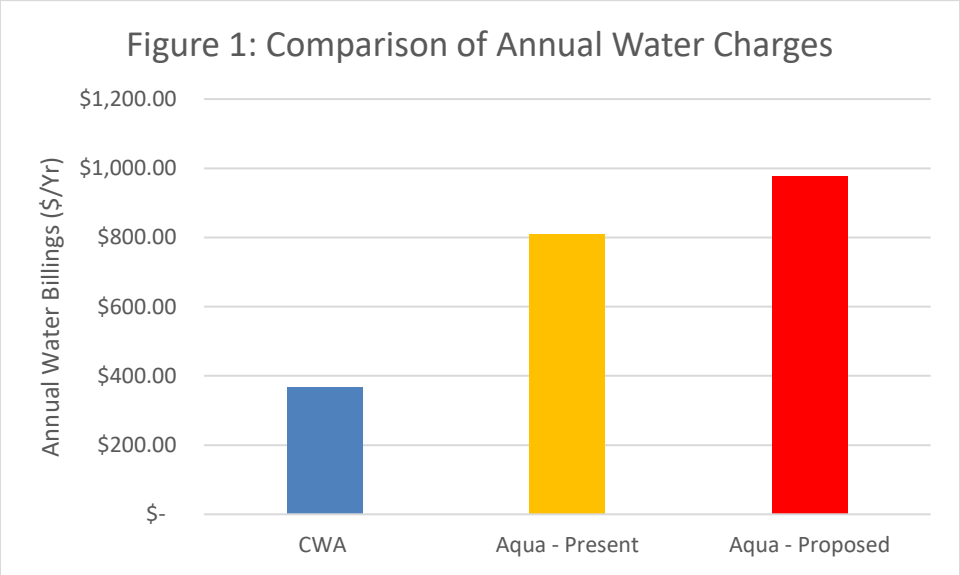
There is no debate that Aqua's current water rates are much higher than CWA's. There is also no debate that after Aqua acquires a new system, Aqua eventually raises the rates for the acquired customers to match Aqua's main rates statewide. **In fact, this is a requirement of Pennsylvania Public Utility Commission regulatory policy**. Thus, following an Aqua acquisition of CWA, it is only a matter of time before City residents and businesses will be charged Aqua's higher rates. Indeed the Act 47 coordinator and its counsel conceded this and advised the DCED of this very fact in January 2019, indicating that "the higher the bid, the higher the ratepayers will be charged" and that an Aqua purchase could lead to "significant increases into the future." See March 26, 2020 email from D. Connelly to DCED's K. Bracey; and A. Santucci email to DCED's K. Bracey, both attached and marked as Exhibit "B". Make no mistake about what Aqua's higher rates will mean for your constituents: ***People who can afford water service today will be unable to pay for the exact same service when Aqua more than doubles their rates (or increases them even higher***. Even based on the guidelines the federal Environmental Protection Agency sets, water service will become unaffordable for over 61% of the City's residents. Hundreds, perhaps thousands, of families will have their water turned off because they are unable to pay Aqua's absurdly high rates. This pain will be so widespread and cut so deep that water service will become unaffordable even for people with good full-time jobs.

For example, a typical household in the City uses 4,000 gallons of water each month. For this amount, CWA charges $30.54 per month, or $366.48 per year.

- Under Aqua's existing water rates, the bill would be $67.48 per month, or $809.76 per year. ***That is a 121% increase over CWA's rates.***

- On August 20, 2021, Aqua made a filing with its regulator (PUC) proposing even higher water rates. If Aqua's request is granted, the average residential water bill would jump even further to $81.32 month, or $975.84 per year. ***That is a 166% increase over CWA's rates.***

A comparison of the annual billing for water service for a typical City resident is shown in Figure 1.



City residents already receive excellent water service from CWA. Why must they lose that and pay more for their water?

Aqua/Essentials rates will massively increase the percentage of Chester residents for whom water is no longer affordable under federal standards.

The EPA has set a threshold to determine if water service is "affordable" for a customer. Specifically, the EPA considers an annual water bill of less than 2.5% of Median Household Income to be affordable.[2] The following table of US Census data shows a breakdown of households in the City by income range.

[2] https://www.awwa.org/Portals/0/AWWA/ETS/Resources/AffordabilityAssessmentTool.pdf

Table 1: Income Brackets and Households in the City of Chester			
Range Low	Range High	Midpoint	Households
$0	$9,999	$5,000	1,959
$10,000	$14,999	$12,500	1,064
$15,000	$24,999	$20,000	1,878
$25,000	$34,999	$30,000	1,628
$35,000	$49,999	$42,500	1,703
$50,000	$74,999	$62,500	1,751
$75,000	$99,999	$87,500	770
$100,000	$149,999	$125,000	499
$150,000	$199,999	$175,000	160
$200,000		$200,000	90
	Total Households		11,502

Under CWA's current low rates, the average residential water bill is $366.48 per year. Under these low rates, water service is unaffordable only to a person making less than $14,659.20 per year. That means that anyone in the City with even a minimum wage job is able to afford water.

Under Aqua's current high rates, the average residential water bill would be $809.76 per year. Under these high rates, water service would be unaffordable to any person making less than $32,390.40 per year. That is 53% of the households in the City.

Under Aqua's proposed new even higher rates, the average residential water bill would be $975.84 per year. Under these rates, water service would be unaffordable to any person making less than $39,033.60 per year. That is 61% of the households in the City. This would include a number of the City's own full-time union employees. For example, 14 of 20 employees in the City's Public Works Department would not earn enough to afford Aqua's water rates.[3] City police cadets would not earn enough to afford Aqua's water rates.[4] City secretaries would not earn enough to afford Aqua's water rates.[5]

Imagine the consequences if more than 60% of the City's population cannot afford basic water service under Aqua. These families are already living on tight budgets. They can afford CWA's low water bills, but they do not have an extra $500 per year or more to

[3] City's 2021 budget at page 35 of 40 (*available at* https://static1.squarespace.com/static/5f721f5325ced83982f1d194/t/5ff8d14b79a6bc1bd6f47e4a/1610142027305/2021+Budget.pdf).
[4] *Id.* at page 12 of 40.
[5] *Id.* at page 12, 26, 29 of 40.

pay Aqua. For some families, even juggling their bills in drastic fashion will not be enough. They will simply be unable to pay.

A sale of the CWA system to Aqua is not only bad for families, it is bad for business too. We have looked at some of the larger employers in the City that we serve to attempt to gauge the impact of high Aqua water rates. A number of these larger businesses will see water bills go up by millions of dollars per year under Aqua. Not for one year, but every year after, if Aqua acquires the water system. We question the ability of these businesses to remain afloat with such draconian increases in essential utility service costs. At some point, Aqua's water rate increases will strip these businesses of any hope of being profitable. Under such circumstances, these businesses will be left with no choice but to cut jobs or relocate out of the City. This will further deplete the City's fragile tax base. Why is DCED pursuing this absurd strategy?

C. Aqua's/Essential's municipal acquisition strategy is its main pitch to shareholders, because it knows it can pass along the costs of acquiring systems to ratepayers in order to pay shareholder dividends.

It is worth thinking about the reasons for these differences in rates. Municipally owned entities like CWA operate under a much different business model than investor-owned utilities like Aqua. CWA is locally owned and is focused solely on providing high-quality affordable service to its customers. CWA is controlled by locally appointed board members who answer to the communities CWA serves and no one else. On the other hand, investor-owned utilities like Aqua are responsible to distant and sometimes foreign shareholders. Aqua's goal is to maximize shareholder profit above all else.

Importantly, the economic trends outlined in this letter will only grow worse for Aqua's customers in the future. Aqua's senior management is promising its investors continuous growth in earnings per share in the range of 7 to 10% per year. The only way for Aqua to meet this aggressive target is through continuous Aqua rate raises. Aqua's rate growth will just go on and on. Aqua's past practices bear this out. Like clockwork, Aqua has asked its regulator for a double-digit rate increase every three years. If the Public Utility Commission grants Aqua's current rate increase request, Aqua's residential customer rates will go up by 20%.

To hide the economic pain it causes, Aqua will often promise to temporarily freeze rates for newly acquired customers. Indeed, Aqua has made such a promise to the City. Do not let Aqua fool you. Aqua has no legal authority to promise a rate freeze. Indeed, Aqua promised such a rate freeze to newly acquired sewer customers in New Garden Township, but the PUC, Aqua's regulator overruled Aqua's promise. Even if Aqua could make such a promise – which Aqua cannot – the rate freeze would only **be temporary**. Aqua **always** eventually imposes huge rate increases on newly acquired customers. This is Aqua's unbroken practice in numerous acquisitions going back decades. See the attached article for the financial rate shock that residents and businesses of Limerick Township,

Montgomery County must now deal with --- an Aqua October surprise of a 90% sewer rate increase. (Exhibit C)

These problems for the City and its residents can be avoided by keeping Aqua out and keeping the CWA in public hands. The focus should not be on increasing dividends to large Aqua shareholders like the Canada Pension Plan Investment Board.[6] Frankly, the City would be far better served accepting the CWA's offer of settlement, investing that $60 million in Aqua/Essential stock, and using the dividends to fund the City's pension plans. That investment could support the annual obligations of the City's pension plans and more. Even better, the CWA would remain in public hands, rates would stay low for City residents and the City would at least be treated as well as Aqua's massive Canadian investor, which holds a seat on Aqua's board of directors.

Why is DCED asking City residents to permanently fund the pensions of Canadian Retirees by paying 2 or 3 times as much as they currently pay for their Water?

This week the US Senate held confirmation hearings for the newly nominated US Ambassador to Canada, the Honorable David Cohen, former managing partner of Ballard Spahr. Is it a coincidence that the law firm that the DCED insisted that the City use to litigate an attempted hostile take-over of CWA and sale of CWA to Aqua, also represents Aqua and is the nominated Ambassador's old law firm, Ballard Spahr?

By the way how are DCED and the Receiver and your DCED provided law firm doing in pursuing the City's claim for the return (or sale) of its sewer system in the as yet unconsummated Aqua-DELCORA transaction as I laid out in my August 19, 2021 letter?

Please keep in touch with us. Thank you.

Respectfully yours,

/s/ Paul Andriole

Paul Andriole
Board Vice Chair
Chester Water Authority

[6] We assume the City (or its Receiver appointed at Governor Wolf's direction) has demanded from Aqua/Essential an accounting of the identities of Aqua's institutional investors, particularly foreign entities or those whose substantial investors are foreign entities, so that the public can assess the true beneficial interests in any attempted sale to Aqua/Essential.

Exhibit A

Aqua announces $750 million investment from CPPIB

Marks important step in transformational acquisition of Peoples

BRYN MAWR, Pa./TORONTO (March 29, 2019) - Aqua America Inc. (NYSE: WTR), the second-largest publicly traded water and wastewater utility based in the U.S., will receive an approximately $750 million investment by Canada Pension Plan Investment Board. The investment marks an important step in obtaining permanent financing for Aqua's pending acquisition of Peoples Natural Gas.

The investment is expected to close concurrently with, and contingent upon, the Peoples acquisition. Through the investment, CPPIB will acquire approximately 21.7 million newly issued shares of Aqua's common stock. Additional information may be found in the Form 8-K that will be filed today with the U.S. Securities and Exchange Commission.

Announced Oct. 23, 2018, Aqua's acquisition of Peoples will create a new utility infrastructure company that will be uniquely positioned to have a powerful impact on improving infrastructure reliability, quality of life and economic prosperity in the areas it serves.

"CPPIB's investment in Aqua is an impactful contribution toward closing our acquisition of Peoples," said Aqua America Chairman and CEO Christopher Franklin. "This investment positions us well as we look ahead to completing the permanent financing for the Peoples acquisition, and we appreciate CPPIB's commitment to this transformational endeavor."

The all-cash Peoples acquisition reflects an enterprise value of $4.275 billion, including the assumption of approximately $1.3 billion of debt. As previously disclosed, the transaction will be financed through an appropriate mix of equity and debt, which will support a strong balance sheet and continued investment-grade credit ratings for the combined business.

Deborah Orida, Senior Managing Director & Global Head of Active Equities, CPPIB, said, "We are pleased to partner with Aqua America to support the revitalization of this key infrastructure. By acquiring Peoples, Aqua America will create a unique platform with a strong management team that is poised for further expansion."

CPPIB's investment represents a sizable commitment to the Peoples acquisition financing. Following the transaction's closing, one CPPIB-designated nominee, to be named at a later date, will be appointed to Aqua's board of directors.

Franklin added, "The Company's board and management team have an optimistic outlook about Aqua's business and the strong impact it can have in strengthening infrastructure and taking care of communities. CPPIB's investment is a notable milestone in making this vision a reality."

Advisors
Moelis & Company LLC is serving as lead financial advisor and Goldman Sachs & Co. LLC and RBC Capital Markets, LLC are serving as financial advisors to Aqua. Simpson Thacher & Bartlett LLP is serving as legal advisor to Aqua.

About Aqua America
Aqua America is the second-largest publicly traded water utility based in the U.S. and serves over 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Indiana and Virginia. Aqua America is listed on the New York Stock Exchange under the ticker symbol WTR. Visit www.AquaAmerica.com for more information.

About CPPIB
Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization that invests the funds not needed by the Canada Pension Plan (CPP) to pay current benefits in the best interests of 20 million contributors and beneficiaries. In order to build a diversified portfolio, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, Luxembourg, Mumbai, New York City, São Paulo and Sydney, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At December 31, 2018, the CPP Fund totalled C$368.5 billion. For more information about CPPIB, please visit www.cppib.com or follow us on LinkedIn, Facebook or Twitter.

About Peoples
Peoples is a natural gas provider serving approximately 740,000 homes and businesses in Western Pennsylvania, West Virginia and Kentucky. The company's mission is to improve the lives of its customers and to help build long-term economic growth for the regions it serves. For more information about Peoples, visit *www.peoples-gas.com* and follow Peoples on social media @peoplesnatgas.

For more information, contact:

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Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which generally include words such as “believes,” “expects,” “intends,” “anticipates,” “estimates” and similar expressions. Aqua America can give no assurance that any actual or future results or events discussed in these statements will be achieved. Any forward-looking statements represent its views only as of today and should not be relied upon as representing its views as of any subsequent date. Readers are cautioned that such forward-looking statements are subject to a variety of risks and uncertainties that could cause the company’s actual results to differ materially from the statements contained in this release. Such forward-looking statements include, but are not limited to statements relating to the investment by CPPIB and the use of proceeds as part of the financings for the planned acquisition of Peoples, as well as the expected benefits of the Peoples acquisition. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including the factors discussed in our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q, which is filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Aqua America's business, please refer to Aqua America's annual, quarterly and other SEC filings. Aqua America is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

*** * ***

The securities offered in this private placement investment have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

WTRF

# # #

Exhibit B

From: Vilello, Richard
To: Chianelli, Evelyn
Subject: FW: bids 42
Date: Tuesday, June 9, 2020 9:35:32 AM

Richard "Rick" Vilello | Deputy Secretary Community Affairs & Development
Pennsylvania Department of Community and Economic Development
Commonwealth Keystone Building
400 North Street, 4th Floor | Harrisburg, PA 17120-0225
Phone: [redacted] | [redacted]
www.dced.pa.gov | www.visitPA.com
Follow us on Twitter @newPAnews and LinkedIn

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From: Bracey, C Kim
Sent: Thursday, March 26, 2020 2:19 PM
To: Vilello, Richard <[redacted]
Cc: Martin, Theodore <[redacted] Sheaf, Andrew <[redacted] Chapman, Frederick <[redacted] Brinton, David <[redacted]
Subject: bids

Rick:

Just an update on the bids Chester City received for the water system.

See below.

Thanks.

Kim

C. Kim Bracey | Executive Director
PA Department of Community & Economic Development
Governor's Center for Local Government Services
Commonwealth Keystone Building
400 North Street, 4th Floor | Harrisburg, PA 17120-0225
Phone: [redacted] | [redacted]
dced.pa.gov | www.visitPA.com

From: Connelly, Dan <[redacted]
Sent: Thursday, March 26, 2020 2:06 PM
To: Bracey, C Kim <[redacted] Chapman, Frederick <[redacted]

Cc: Unkovic, David <[redacted] Santucci, Adam <[redacted]
Mullin, Stephen <[redacted]
Subject: Re: [External] Re: agenda

Kim,

The city received four proposals, including two proposals from Aqua America.

Below are the rough bids, per Kevin Greenberg the City's attorney. These bids are net proceeds after paying off existing debt.

Aqua 1 - $200MM

Aqua 2 - $250MM

Pennsylvania America Water - $290MM

Chester Water Authority - $60MM (this is what the CWA has been offering all along)

Generally, the higher the bid, the higher the rate the rate payers will be charged.

There are other important conditions to each one of these deals that must be taken into account - it's definitely not as simple as picking the highest offer. However, the amounts above will give you an idea of the order of magnitude of a potential transaction.

It's likely that any deal would be followed by litigation from Chester County and Delaware County looking for piece. If there ends up being some kind of settlement out of court, it would almost certainly involve a payout to both of those counties.

The website with the bids has not been set up yet. However, given that the City had planned on presenting publicly last night, they should be working on it right now.

Please let us know if you have any questions.

To: Bracey, C Kim [redacted] Kelley, Marita [redacted] Sheaf, Andrew [redacted] Chapman, Frederick [redacted]
Cc: Unkovic, David [redacted] Mullin, Stephen [redacted] Dan Connelly ([redacted] Queenan, Brooke [redacted]
From: Santucci, Adam [redacted]
Sent: Wed 1/16/2019 1:21:46 AM (UTC)
Subject: RE: [External] Attorney Client Privileged RE Chester & CWA Proposed Settlement Agreement
Ltr. to K. Schuster RE Proposed Settlement Agreement w- CWA (A6728899).docx

Attorney Client Privileged and Confidential
All,
Per our call last week, we prepared the attached draft letter to Ken Schuster, the City's Solicitor. Please review it and let us know if you have any questions, comments or feedback. Once we have your input, we will finalize and send the letter to the City. Ideally, we would distribute the letter this week.
If you have any questions, or if you would like to discuss the letter in detail, please let us know.
Thank you,
Adam

From: Santucci, Adam
Sent: Monday, January 7, 2019 1:38 PM
To: 'Bracey, C Kim' <[redacted] Kelley, Marita <[redacted] Sheaf, Andrew <[redacted] Chapman, Frederick <[redacted]
Cc: Unkovic, David <[redacted] Mullin, Stephen <[redacted] Dan Connelly ([redacted] <[redacted] Queenan, Brooke <[redacted]
Subject: RE: [External] Attorney Client Privileged RE Chester & CWA Proposed Settlement Agreement
Kim,
Thank you. It probably makes sense to schedule a call to walk through all of your questions. However, I will try to answer the questions below briefly.
The Recovery Team has maintained that the City does need to move forward with some form of monetization strategy in order to exit Act 47 distressed status. There are a number of different monetization strategies that the City could adopt, and each has its positives and negatives. It appears that the City has considered a couple of different options. Also, it appears that the current strategy would help the City achieve the goal of moving out of distressed status, assuming that the proceeds were utilized appropriately. Therefore, at a high level, the Recovery Team is in agreement with the proposed approach.
However, we cannot comment on the appropriateness of the payment. We do not know how it was determined, and what information was used in reaching that figure. That is something that the City's financial advisor would need to evaluate. We simply do not have enough information to determine if $60 million is a fair price.
Also, we have concerns with the terms of the proposed settlement agreement. We feel strongly that the City's outside legal counsel should request certain changes to the agreement before the City signs off.
On the issue of the rate increase, we believe that under any monetization strategy there would be a rate increase. Under the Aqua proposal, rates would have been frozen for a period of 5 or 10 years, but then the rate increases would have been out of the City's control. Rates could jump up higher than 10 percent thereafter and could be increased every few years. Here, it looks like there will be a one-time 10 percent increase (at least that is how it appears). Certainly, 10 percent is a lot (the initial indication is that it is about $3.65 per month), but, if that increase is only a one-time increase, them in the grand scheme it may be better than the Aqua proposal, which could have had significant increases into the future. Attached is an explanation that the CWA put out to its rate payers.
Please let us know if you would like to discuss further.
Thank you,
Adam
Adam L. Santucci
[redacted]

From: Bracey, C Kim <[redacted]
Sent: Monday, January 7, 2019 1:23 PM
To: Santucci, Adam <[redacted] Kelley, Marita <[redacted] Sheaf, Andrew <[redacted] Chapman, Frederick <[redacted]
Cc: Unkovic, David <[redacted] Mullin, Stephen <[redacted] Dan Connelly ([redacted] <[redacted] Queenan, Brooke <[redacted]
Subject: RE: [External] Attorney Client Privileged RE Chester & CWA Proposed Settlement Agreement
Hi Adam:
I appreciate the update.

What I can't tell is if the Recovery Team concurs with this settlement agreement.
If so, why or if not, why?
My concern is the proposed rate increase being on the backs of the poorest of the poor in that area. With their already significant property tax rate, this is just another added burden for the taxpayer/rate payer. Unfortunately, I am not sure of the choices available to move this matter along, but a 10% rate increase does not sound good to me.
Thanks.
Kim

C. Kim Bracey | Executive Director
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From: Santucci, Adam <[redacted]
Sent: Monday, January 7, 2019 12:49 PM
To: Kelley, Marita <[redacted] Sheaf, Andrew <[redacted] Bracey, C Kim <[redacted] Chapman, Frederick <[redacted]
Cc: Unkovic, David <[redacted] Mullin, Stephen <[redacted] Dan Connelly ([redacted] <[redacted] Queenan, Brooke <[redacted]
Subject: [External] Attorney Client Privileged RE Chester & CWA Proposed Settlement Agreement

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Attorney Client Privileged and Confidential
Dear DCED Team,
Ken Schuster, Chester's Solicitor, forwarded to us the attached draft settlement agreement with the Chester Water Authority and the CWA's proposed resolution approving the agreement. We also received a copy of the attached postcard that was distributed by the Chester Water Authority ("CWA"). Our review of these documents identified certain issues regarding the agreement and the process for approval. However, before we raised those issues with the City, we wanted to outline our concerns to you. With your approval, we will notify the City of our concerns.
The first issue is really a concern for the City, nonetheless, we wanted to bring it to your attention. The CWA and the media have essentially stated that there will be a 10 percent rate increase on all CWA rate payers to fund the settlement with the City. This issue is not really a legal or financial issue, it is more of a public relations issue. Of course, the media and CWA have also pointed the finger at the Recovery Coordinator in an effort to place blame on our team for the 10 percent rate increase. Here is a link to a recent article regarding the proposed rate increase and the settlement agreement. https://www.delcotimes.com/news/chester-water-authority-eyes-percent-rate-hike/article_cb4fd222-0fc3-11e9-aa00-4bad4a3afaee.html
As you know, the City has its own legal representation with respect to the negotiations with CWA, and it has retained a financial advisor. We trust that the City's attorneys and financial advisor have been involved in the negotiations regarding the settlement payment and the settlement agreement. We do not believe that the City's attorneys have commented on this draft agreement, which was prepared by the CWA. We did spot some issues with the agreement, which are detailed below. We cannot comment on the appropriateness of the proposed $60 million settlement payment, because we simply do not have enough information to evaluate it. When we pass along our feedback to the City, we will raise this issue and seek to confirm that the Financial Advisor has weighed in on the payment/value.
Similarly, we will defer to the City's legal team regarding the details of the agreement. The agreement states, essentially, that the City will be paid a lump sum payment in exchange for an agreement not to dissolve the authority for a period of time. The current proposal is for a 40 year period. However, the agreement also appears to contemplate placing the CWA assets in trust. We have some concerns regarding the proposal to place the CWA assets in trust, because that approach may permanently impair the City's rights with respect to some or all of those assets. In other words, even after the 40 year term, the City may lose whatever rights it had with respect to those assets. Therefore, we would like to specifically call this issue to the attention of the solicitor.
Also, the settlement agreement has an indemnification clause that is one-sided. Essentially, the draft agreement provides that the City is on the hook for any financial consequences associated with the agreement and the transfer of funds from CWA to the City. There are some mutual, limited releases of liability, but those are only between the CWA and the City. Therefore, the City is exposed to claims from third parties, and is also exposed to claims against the CWA that may be filed by third parties. Also, the

Exhibit C

https://www.pottsmerc.com/local-news/limerick-residents-oppose-90-sewer-rate-hike-by-aqua-pa/article_f4cb4d5e-159a-11ec-9aff-ff94a29692f0.html

FEATURED

Limerick residents oppose 90% sewer rate hike by Aqua PA

Evan Brandt ebrandt@21st-centurymedia.com @PottstownNews on Twitter
Sep 16, 2021

The wastewater treatment plant on King Road in Limerick is one of two sold to Aqua PA in 2018 by the township.

MediaNews Group File Photo

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LIMERICK — Opposition to Aqua Pennsylvania's request for a sewer rate hike of nearly 90 percent is growing among the company's Limerick customers.

Objections have been raised before the board of township supervisors, for their role in selling the system to Aqua three years ago, and to the Public Utilities Commission, which must ultimately approve the increase, some fraction of it, or reject it completely.

Those objections are coming from individual residents, state Rep. Joe Ciresi, D-146th Dist., as well as in the form of petitions and letters from developments within the township.

The Montgomery Brook Condominium Association, representing 396 units amid 25 buildings submitted a letter calling the increases "totally unacceptable."

The letter notes that the association's annual sewer bill would increase from $145,000 a year to $255,000.

"This increase is extreme and in no way commensurate with inflation or other cost-of-living increases or any repairs or upgrading necessary to the system," the letter reads.

Opposition has also arisen from 85 residents of the 50-plus community William Penn Villas off Neiffer Road. They signed a petition that notes "even though we realize they are entitled to a rate increase, we feel that almost a 90 percent increase is both an unreasonable request and also will be a hardship for many people who are on a fixed income."

Ciresi agrees.

"This astronomical rate increase would pose a significant burden on a public either still dealing with or recovering from the financial impact of the COVID-19 pandemic and would be particularly punishing on our many senior citizens who live on fixed incomes," Ciresi wrote.

Rep. Joe Ciresi

"The proposed rate increase is the first opportunity Aqua Pennsylvania has had to raise the rates as fees had been frozen for the first three years as part of the agreement between Limerick Township and Aqua Pennsylvania at the time of sale in 2018," Ciresi wrote.

"When Aqua Pennsylvania purchased the sewer system from Limerick Township in 2018, the president of the utility had called the Limerick sewer system 'compliant and well-maintained.' How is it that a well-maintained sewer system would now require a doubling of service rates?" Ciresi asked.

"It is unimaginable that the cost of providing sewer service — through an already well-maintained system — to Limerick Township residents has more than doubled in those three years," wrote Ciresi.

Preston Luitweiler, a frequent commenter at township meetings, supervisor candidate in 2019, and a retired environmental engineer who used to work for Aqua, agrees with Ciresi.

"It is my understanding that the Limerick Township sewer system was run well by an authority and was in good shape," he wrote in an email to MediaNews Group.

But he believes more than just the company is to blame.

"The township dissolved the sewer authority, took over the system and then sold it to Aqua. The Township got a $75 million windfall that they claim will be used to avoid future tax increases. For many sewer customers, any tax savings will be far outstripped by the increase in sewer rates," Luitweiler wrote.

Preston Luitweiler speaks to the Sept. 7 Limerick Township Board of Supervisors meeting.

Image from screenshot

During the Sept. 7 Limerick Supervisors Meeting, Luitweiler said the way the township characterized the deal to sell the sewer system was "intellectually dishonest."

Calling it a "shell game," the retired engineer said sewer customer bills will go up so supervisors can pat themselves on the back for not raising taxes, and undertaking capital projects that benefit all taxpayers, even though the financial burden is being borne only by the sewer customers.

"Now the supervisors can spend freely without any tax consequences while my sewer bill goes up," Lutweiler said.

In his email to MediaNews Group, Luitweiler wrote "I used to live in Lower Providence and Upper Providence, and in both places the sewer rates were reasonable compared to what is being proposed for Limerick. I did a little research on sewer rates in neighboring communities."

According to Luitweiler:

• The rate for Perkiomen Township is a flat $65/quarter per (equivalent dwelling unit. That is $21.67/month, regardless of the volume of water used.

• The rate for Upper Providence is a flat $75/quarter per EDU. That is $25/month, regardless of the volume of water used.

• The rate for Collegeville and Trappe is $6.85/1000 gallons. That would come to $26.03/month for the 3,800 gallon monthly usage used by Aqua in their rate notice.

June Landis addresses the Limerick supervisors at their Sept. 7 meeting.

Image from screenshot

At the Sept. 7 supervisors meeting, June Landis said the township meeting three years ago at which the sale of the sewer system was finalized was the first one she ever attended and the audience was told that sewer rates "would not increase for several years."

"This deal was presented as such a good deal for the township, but it doesn't feel like that to me," Landis told the Limerick supervisors.

She said Limerick supervisors "saw golden opportunity to get a fast nest egg, without justifying a need or have much discussion. I feel like I'm paying for the sewer plant all over again."

The supervisors did not respond to Landis or Luitweiler at the Sept. 7 meeting but township manager Dan Kerr did defend the township's decision to sell last month when he replied to a MediaNews Group query.

"Our business strategy for selling is holding steady and still shows that these sewer rate increases will be less to our residents than they would have had to pay if the township kept the sewer system," Kerry wrote.

"This includes tax increases that were planned to support the township-wide capital program that was needed across many service operations" but made unnecessary thanks to the money from the sale of the sewer system, Kerr wrote.

The proposed rate increase is no surprise to those familiar with the details of the sale. Contingent upon the township's sale to Aqua was a rate freeze for three years, a freeze that expires in September.

As The Mercury reported three years ago, "the current average monthly rate of $38 could jump to $70 when the rate freeze enacted as a condition of the sale expires, according to documents filed as the sale was being considered by the Public Utility Commission."

Rate hikes in Limerick driven by the company's need to make back the money it paid for Limerick's system were among the objections to the sale filed by Pennsylvania's Office of Consumer Advocate.

The sale of the Limerick system was also opposed by the Pennsylvania Bureau of Investigation and Enforcement and even Andrew Place, the Vice Chairman of the Public Utilities Commission, who was replaced in 2018 and who wrote a dissent of the PUC's affirmative vote to approve for the sale.

Place wrote that Aqua's own projections showed the company would need to increase rates by $4.5 million on Limerick customers over the next 10 years, or 104 percent, to make its money back.

Aqua's most recent filing with the Pennsylvania Public Utility Commission was made on Aug. 20 and the announcement makes no mention of the purchase of the Limerick sewer system, saying instead that the rate increase is needed for "the recovery of $1.1 billion the company has prudently spent to upgrade its distribution and treatment systems."

The rate hike proposal is part of a statewide rate hike for both public water and public sewer systems owned by the private company.

The company announcement also notes that "the average monthly residential wastewater bill would increase from $55.51 to $73.95" — or roughly 33 percent.

Any new base rates set by the PUC for either water or sewer would not be effective until 2022.

But according to a letter received by Aqua customers in Limerick, should the full rate hike be approved by the PUC, residential customers in Limerick would see their bills climb by much more — 89.6 percent, from $37.59 per month to $71.27 for those using 3,800 gallons per month — more than $400 per year.

Commercial customers would see a 72.9 percent hike if the request is approved. For those using 5,800 gallons per month, the rate would mean an increase from $50.90 to $80 per month — an annual increase of nearly $350.

"Our proposed increase is consistent with the agreement between Aqua and Limerick as a condition of our acquiring the wastewater system," Aqua President Marc Lucca said in a statement sent to MediaNews Group last month.

"Our statewide request for new rates is based on capital improvements and expenses to operate treatment plants and distribution and collection systems across Pennsylvania, including the Limerick wastewater system," according to Lucca.

Customers who wish to object to the rate hike request can send their objections in a letter to the PUC at Box 3265, Harrisburg, PA 17105-3265, according to the letter Aqua sent to Limerick customers.

Customers of other local sewer systems may face similar issues as a result of a wave of privatization of public utilities in Pennsylvania.

Pennsylvania American Water recently purchased the sewer system in Exeter for $93.5 million and in Royersford for $13 million and is awaiting PUC approval for a $13.7 million purchase of the Upper Pottsgrove sewer system.

Sewer rate objection from Montgomery Brook Condominium Association
Evan Brandt ebrandt@21st-centurymedia.com @PottstownNews on Twitter Sep 14, 2021

William Penn Villas Petition Opposing Limerick Sewer Rate Hike
Evan Brandt ebrandt@21st-centurymedia.com @PottstownNews on Twitter Sep 14, 2021

Twitter Recap of Sept. 7 Limerick Supervisors Meeting
Sep 15, 2021

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> — Montgomery Brook Condominium Association

> "We feel that almost a 90 percent increase is both an unreasonable request and also will be a hardship for many people who are on a fixed income."
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> — State Rep. Joe Ciresi, D-146th Dist.

> "For many sewer customers, any tax savings will be far outstripped by the increase in sewer rates."
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> — Preston Luitweiler, former Aqua engineer

> "Our proposed increase is consistent with the agreement between Aqua and Limerick as a condition of our acquiring the wastewater system."
>
> — Aqua resident Marc Lucca

> "I feel like I'm paying for the sewer plant all over again."
>
> — June Landis, Limerick resident

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Evan Brandt

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Evan Brandt has been a staff reporter for The Mercury for more than 20 years. He covers municipal, school district, political, state government, federal government and environmental news.