



**WILLISTOWN
TOWNSHIP**
*CHESTER COUNTY
Pennsylvania*



Willistown Township

Supplemental Information Regarding the Sewer Monetization Exploration Process

November 9, 2020

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Summary of Key Events

- ◆ Expert outside engineering, financial and legal counsel were enlisted to provide an objective assessment.
- ◆ Potential buyers/investors were solicited via a broadly disseminated Request for Qualification based on industry established criteria for the possible execution of an Asset Purchase Agreement.
- ◆ Two bidders were pre-qualified and participated in a rigorous vetting, full disclosure and collaborative assessment process.
- ◆ A Request for Bid, due Oct 12, 2020, was issued by the Township.



Bid Results – Aqua

◆ 2 Year Rate Freeze Option

- ◆ **Bid Price** - Purchase price of \$17.5 million (indicative rate table below)
- ◆ Rate table below are indicative monthly sewer rates assuming 4,000 gallons per month of usage

Indicative rates for next 10 years [1][2]									
2021	\$63.63	2022	\$63.63	2023	\$63.63	2024	\$65.22	2025	\$92.69
2026	\$95.00	2027	\$97.38	2028	\$94.64	2029	\$97.00	2030	\$99.43

[1] indicative rates for illustrative purposes. Aqua cannot guarantee rates as that is done at the discretion of the PUC

[2] The Company's 10-year projection of rates for the costs associated with the acquisition of the Willistown Wastewater system assume base rate increases in 2025 and 2028, assume approximately 30% cost a/location, and a DSIC surcharge beginning no sooner than 2023. These projections are for illustration purposes and reflect reasonable expectations of the Company based on current industry trends, however, are subject to changes and the approval of the PA Public Utility Commission.



Estimated Sources & Uses of Proceeds

◆ Shown below are the estimated sources and uses of proceeds resulting from the transaction

SOURCES	
Purchase Price	\$17,500,000
Cash on Hand*	\$3,700,000
Total Sources	\$21,200,000

*Estimated, may fluctuate until closing occurs.

USES	
Payoff of Debt*	\$4,000,000
Est. Transaction Fees/Contingency	\$1,000,000
Real Estate Escrow**	\$0
Total Uses	\$5,000,000

*Estimated.

**Each missing easement will result in \$2,000 deposited into the escrow at closing. Once easements are satisfied, monies released back to Twp.

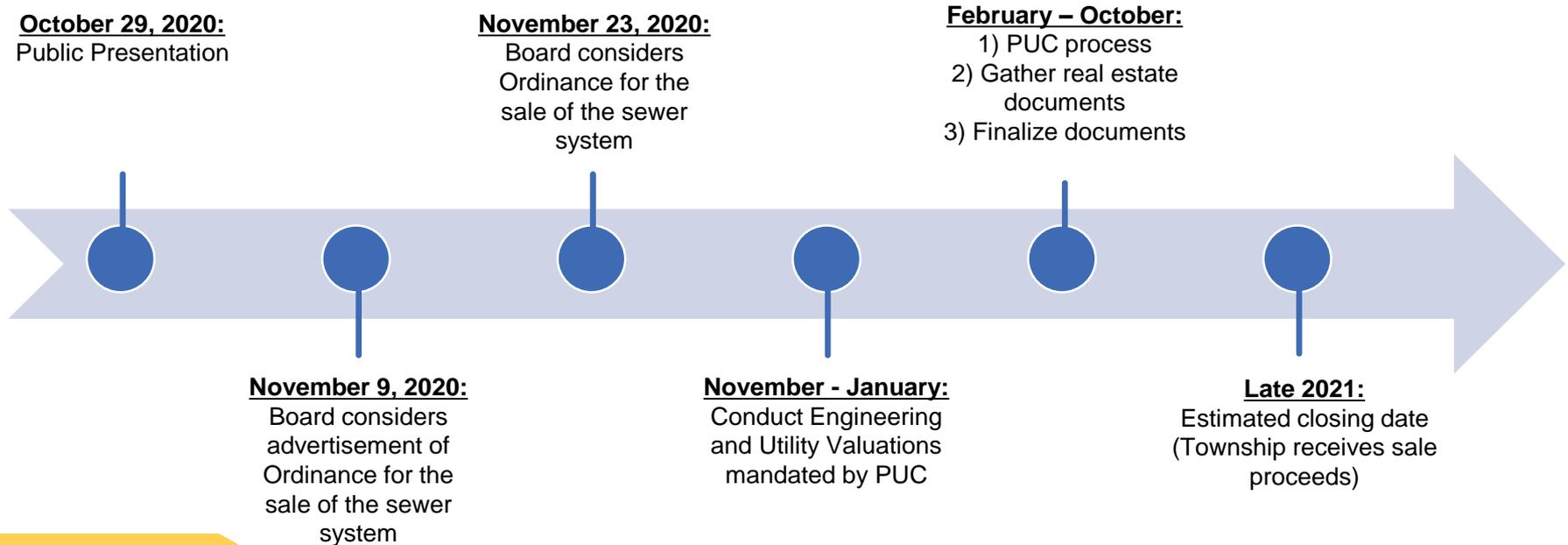
EST. PROCEEDS AVAILABLE FOR USE

\$16,200,000



Estimated Closing Timeline

- ◆ Prior to closing, an application would have to be submitted to the PA PUC.
- ◆ Should the Township decide to pursue a sale, settlement would likely occur in Late 2021 (this assumes the Township makes its decision in the near term).





Follow Up from October 29th Public Presentation

◆ *How will this potential sale impact current grinder pump customers regarding annual maintenance and repairs to the grinder pump?*

- Township Response - If this transaction is approved, current grinder pump customers will receive multiple communications until the transaction closes (anticipated 4th qtr 2021) which will highlight the following topics:
 - Homeowners will no longer be billed the \$50 quarterly maintenance fee once the transaction closes.
 - Homeowners will now have freedom of choice to select their own provider (i.e. PreDoc) for grinder pump maintenance. This will enable the homeowner to achieve cost savings and overall greater customer satisfaction.



Follow Up from October 29th Public Presentation

◆ *How will this potential sale impact grinder pump customers that have a private well?*

- Township Response - If this transaction is approved, prior to closing, the Township will develop a flat rate for those wastewater customers and then at closing, Aqua will adopt that new flat rate.
- Aqua and the Township Team are currently in discussions regarding the calculation of the flat rate.



Follow Up from October 29th Public Presentation

◆ *Will current wastewater customers realize a direct benefit from this transaction?*

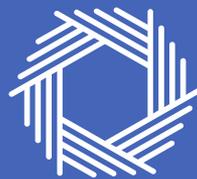
- Township Response – As mentioned during the prior public meeting, the use of the proceeds from this sale will be discussed and analyzed over the next year.
- Two of those potential uses include:
 - Establishing a **Customer Benefit Fund** in which a portion of the proceeds would be set aside to more gradually phase in the expected rate increase currently estimated to occur in 2025. For instance, instead of the estimated rate increase occurring in 2025 as estimated on page 3, all or a portion of the impact could be phased in over a 5-year period by redeploying funds back to the customers.
 - Establishing a **Capital Replacement Fund** in which a portion of the proceeds would be set aside to assist current grinder pump customers with replacement of the existing grinder pump.



Disclosure

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Thank You



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