



Towamencin Township

Results of the Sewer Exploration Process

February 23, 2022

Prepared by:

PFM Financial Advisors LLC

PFM Financial Advisors
LLC

213 Market Street
Harrisburg, PA 17101

717.232.2723
pfm.com



Tonight's Agenda

- ◆ Presentation by PFM on the results of due diligence process.
 - Tonight's questions should be focused on the process.
- ◆ The Township will be conducting additional public presentations in April with the exact dates and location to be provided to Township residents.



Sewer System Monetization Exploration Team*

◆ Township Administration

- Don Delamater, Township Manager
- Brooke Neve, Assistant Township Manager/Finance Director

◆ Township Solicitor

- Jack Dooley, Dischell Bartle Dooley

◆ Township Engineer

- Bill Dingman, Gilmore & Associates Inc

◆ Special Transaction Counsel

- Marc Feller, Dilworth Paxson LLP
- Elizabeth Preate Havey, Dilworth Paxson LLP

◆ Financial Advisor

- Scott Shearer, PFM
- Garrett Moore, PFM

*Represents the main parties involved from each entity, however others not listed contributed to the process



Township Goals

- ◆ To ensure Township residents receive best in class sewer service, at reasonable and competitive rates, allowing the Township to focus on core government functions, pay off debt, provide for needed capital expenditures and improvements that will significantly benefit Township residents.
 - The Township has systems with aging infrastructure which over time will require additional investment.
 - Due to this needed investment, it is projected that rates will rise regardless if the system remains with the Township or is sold.



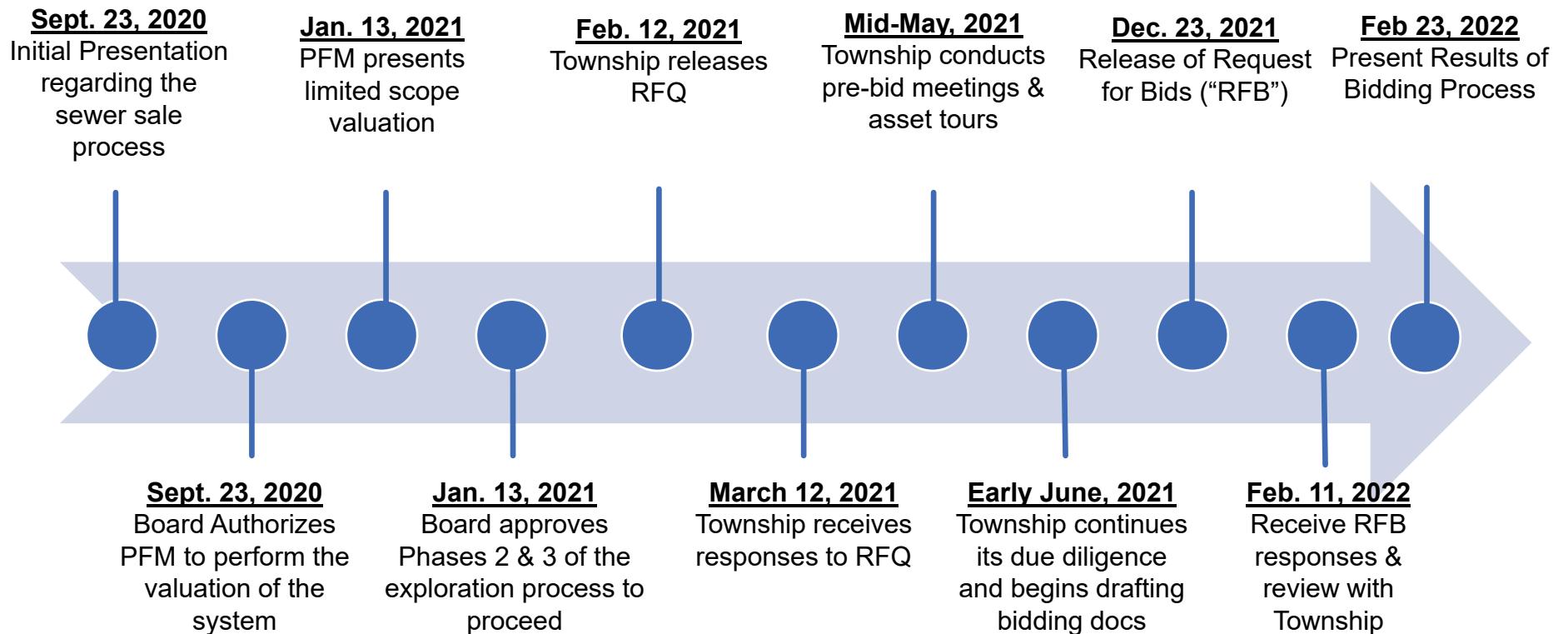
Summary of Key Events

- ◆ Enlisted expert outside engineering, financial and legal counsel to provide an objective assessment.
- ◆ Solicited potential buyers/investors via a Request for Qualification based on industry established criteria for the possible execution of an Agreement.
- ◆ Five potential bidders were pre-qualified and participated in a rigorous vetting, full disclosure and collaborative assessment process.
- ◆ Issued a Request for Bid, due February 11, 2022.



Timeline of Events

◆ The exploration process has progressed well since beginning over a year ago. The Twp has provided transparent and frequent updates throughout the process and voluminous information available on the Township’s website.





Pre-Qualified Bidders

- ◆ **Aqua** – PUC regulated company interested in a sale of the system.
- ◆ **Pennsylvania American** – PUC regulated company interested in a sale of the system.
- ◆ **NextEra Energy** – Not currently regulated by the PUC interested in a sale of the system.
- ◆ **Franconia Sewer Authority** – Neighboring municipal authority (not regulated by the PUC) interested in a sale of the system.
- ◆ **VICO** – Consortium of companies interested in a long-term lease of the system – would not be regulated by the PUC.



Highlights of the Request for Bids (“RFB”)

- ◆ The RFB (and bid package) was released on December 23rd and responses due on February 11th.
- ◆ The bid package is comprised of the RFB and the APA (Asset Purchase Agreement) or ALA (Asset Lease Agreement).
- ◆ The RFB is the document that includes the various bidding forms in addition to defining the terms of submitting the bid, awarding the bid and timing of bid consideration.
 - Ex. The bids remain valid thru June 1, 2022 unless extended under certain actions.
- ◆ The ALA and APA are the documents that define all the business and legal provisions of the sale or the lease.
- ◆ Four bidders are interested in the APA and one bidder is interested in the ALA.
- ◆ The Bidders had the option of bidding on a two-year rate freeze and/or no rate freeze scenario.
- ◆ Along with purchase price bidders were asked to provide their indicative, non-binding sewer rates through the next 10 years.
- ◆ **In evaluating the bids, the Township is considering what is the best overall package, inclusive of all qualitative and quantitative aspects, as opposed to simply accepting the highest bid.**



Rates and Employees

Rates:

- The Buyer will initially adopt the Township current rates.
- The Pennsylvania PUC will ultimately set rates if the Township proceeds with a PUC regulated company.
 - One of the non-PUC regulated bidders is governed by the Municipal Authority Act and the other non-PUC regulated bidder would be governed by the Asset Lease Agreement.
- The Township bills its residential customers a flat annual fee of \$450.00 per EDU.
- The Township bills its commercial customers bi-annually in one of two ways:
 - A flat rate of \$225.00 per EDU per billing
 - A metered rate with a minimum fee of \$225.00 per EDU per billing.
- Hatfield Quality Meats is billed pursuant to a separate agreement.

Employees:

- As part of any agreement, all employees will be offered employment by the Buyer/Lessor.



Bid Results – NextEra Energy

◆ 2 Year Rate Freeze :

◆ **Bid Price** - Purchase price of **\$115.3 million** [2] (rate table below)

Indicative rates for next 10 years [1][3] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$37.50	Year 3	\$54.47	Year 4	\$77.42	Year 5	\$86.37
Year 6	\$86.11	Year 7	\$87.68	Year 8	\$87.42	Year 9	\$88.68	Year 10	\$88.40

Indicative rates for next 10 years [1][3] – Annualized									
Year 1	\$450.00	Year 2	\$450.00	Year 3	\$653.64	Year 4	\$929.04	Year 5	\$1,036.44
Year 6	\$1,033.32	Year 7	\$1,052.16	Year 8	\$1,049.04	Year 9	\$1,064.16	Year 10	\$1,060.80

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

[2] NEE is also willing to offer Towamencin a refundable deposit in the amount of \$10,000,000 (“Additional Deposit”). The Additional Deposit would be payable to Towamencin upon the third business day following the execution of the APA and would be applied against the purchase price at Closing. In the event that the APA is terminated for any reason, the Additional Deposit would be refundable to Proposer within 30 days following the termination of the APA. This Additional Deposit is separate and distinct from the Deposit identified in the Asset Purchase Agreement.

[3] NEE does not expect to recover the full amount of the proposed purchase price under the Section 1329 process. Proposer anticipates that the fair market value appraisals will be lower than our proposed purchase price, and therefore, future rates would not reflect a return on or of the full Purchase Price.



Bid Results – PA American Water

◆ No Rate Freeze:

◆ **Bid Price** - Purchase price of **\$92.4 million** (rate table below)

Indicative rates for next 10 years [1][2] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$48.75	Year 3	\$48.75	Year 4	\$48.75	Year 5	\$60.16
Year 6	\$60.16	Year 7	\$60.16	Year 8	\$74.23	Year 9	\$74.23	Year 10	\$74.23

Indicative rates for next 10 years [1][2] – Annualized									
Year 1	\$450.00	Year 2	\$585.00	Year 3	\$585.00	Year 4	\$585.00	Year 5	\$585.00
Year 6	\$721.92	Year 7	\$721.92	Year 8	\$890.76	Year 9	\$890.76	Year 10	\$890.76

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

[2] A DSIC surcharge is not included within the ten-year rate projection. However, PAWC's rates do include reasonable and necessary capital improvements over time and movement towards PA WC's statewide rates.



Bid Results – Aqua

◆ No Rate Freeze:

◆ **Bid Price** - Purchase price of **\$54.1 million** [2][3](rate table below)

Indicative rates for next 10 years [1][4] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$37.50	Year 3	\$62.16	Year 4	\$63.72	Year 5	\$65.27
Year 6	\$66.42	Year 7	\$68.08	Year 8	\$69.74	Year 9	\$71.14	Year 10	\$72.91

Indicative rates for next 10 years [1][4] – Annualized									
Year 1	\$450.00	Year 2	\$450.00	Year 3	\$745.92	Year 4	\$764.64	Year 5	\$783.24
Year 6	\$797.04	Year 7	\$816.96	Year 8	\$836.88	Year 9	\$853.68	Year 10	\$874.92

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

[2] Upon execution of the Bidding Documents, Aqua will provide a \$1,000,000 refundable deposit (to be credited against the bid price) to Towamencin Township.

[3] After filing of the PUC Application and upon recognized status of "Full-Acceptance" by the PUC, Aqua will provide an additional refundable deposit (to be credited against the bid price) of \$1,000,000 to Towamencin Township.

[4] Aqua assumes approximately 25% cost allocation, and a DSIC surcharge beginning no sooner than Year 4. These rates do not assume the EDU growth presented by the Seller and to the extent that the growth occurs the above rates could be less.



Bid Results – Franconia Sewer Authority

◆ No Rate Freeze:

◆ Bid Price - Purchase price of **\$23.5 million** (rate table below)

Indicative rates for next 10 years [1] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$37.50	Year 3	\$40.00	Year 4	\$40.83	Year 5	\$42.08
Year 6	\$43.33	Year 7	\$44.58	Year 8	\$45.83	Year 9	\$47.08	Year 10	\$48.33

Indicative rates for next 10 years [1] – Annualized									
Year 1	\$450.00	Year 2	\$450.00	Year 3	\$480.00	Year 4	\$489.96	Year 5	\$504.96
Year 6	\$519.96	Year 7	\$519.96	Year 8	\$549.96	Year 9	\$564.96	Year 10	\$579.96

◆ 2 Year Rate Freeze:

◆ Bid Price - Purchase price of **\$23.5 million** (rate table below)

Indicative rates for next 10 years [1] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$37.50	Year 3	\$40.00	Year 4	\$40.83	Year 5	\$42.08
Year 6	\$43.33	Year 7	\$44.58	Year 8	\$45.83	Year 9	\$47.08	Year 10	\$48.33

Indicative rates for next 10 years [1] – Annualized									
Year 1	\$450.00	Year 2	\$450.00	Year 3	\$480.00	Year 4	\$489.96	Year 5	\$504.96
Year 6	\$519.96	Year 7	\$519.96	Year 8	\$549.96	Year 9	\$564.96	Year 10	\$579.96



Bid Results – VICO

◆ 2 Year Rate Freeze :

◆ **Bid Price** - Purchase price of **\$45 million** [3] (rate table below)

Indicative rates for next 10 years [1][4] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$37.50	Year 3	\$39.40	Year 4	\$41.30	Year 5	\$43.40
Year 6	\$45.60	Year 7	\$47.90	Year 8	\$50.30	Year 9	\$52.80	Year 10	\$55.40

Indicative rates for next 10 years [1][4] – Annualized									
Year 1	\$450.00	Year 2	\$450.00	Year 3	\$472.80	Year 4	\$495.60	Year 5	\$520.80
Year 6	\$547.20	Year 7	\$574.80	Year 8	\$603.60	Year 9	\$633.60	Year 10	\$664.80

Indicative rates for next 10 years [2][4] – Based on a Monthly Billing Cycle									
Year 1	\$37.50	Year 2	\$37.50	Year 3	\$44.70	Year 4	\$49.70	Year 5	\$54.60
Year 6	\$58.00	Year 7	\$61.20	Year 8	\$64.70	Year 9	\$68.20	Year 10	\$71.90

Indicative rates for next 10 years [2][4] – Annualized									
Year 1	\$450.00	Year 2	\$450.00	Year 3	\$536.40	Year 4	\$596.40	Year 5	\$655.20
Year 6	\$696.00	Year 7	\$734.40	Year 8	\$776.40	Year 9	\$818.40	Year 10	\$862.80

[1] Indicative rates excluding any future capital requirements.

[2] Indicative rates inclusive of the Township & TMA's existing capital plans.

[3] Assumes an ALA with a 30-year term.

[4] In the event HQM discontinues to discharge wastewater to the Towamencin system this will result in a Rate Adjustment Event for residential units during the term of the ALA.



Bid Results – VICO

◆ No Rate Freeze :

◆ **Bid Price** - Purchase price of **\$55 million** [3] (rate table below)

Indicative rates for next 10 years [1][4] – Based on a Monthly Billing Cycle									
Year 1	\$39.40	Year 2	\$41.30	Year 3	\$43.40	Year 4	\$45.60	Year 5	\$47.90
Year 6	\$50.30	Year 7	\$52.80	Year 8	\$55.40	Year 9	\$58.20	Year 10	\$61.10

Indicative rates for next 10 years [1][4] – Annualized									
Year 1	\$472.80	Year 2	\$495.60	Year 3	\$520.80	Year 4	\$547.20	Year 5	\$574.80
Year 6	\$603.60	Year 7	\$633.60	Year 8	\$664.80	Year 9	\$698.40	Year 10	\$733.20

Indicative rates for next 10 years [2][4] – Based on a Monthly Billing Cycle									
Year 1	\$39.40	Year 2	\$44.30	Year 3	\$48.80	Year 4	\$53.90	Year 5	\$59.10
Year 6	\$62.60	Year 7	\$66.10	Year 8	\$69.80	Year 9	\$73.60	Year 10	\$77.50

Indicative rates for next 10 years [2][4] – Annualized									
Year 1	\$472.80	Year 2	\$531.60	Year 3	\$585.60	Year 4	\$646.80	Year 5	\$709.20
Year 6	\$751.20	Year 7	\$793.20	Year 8	\$837.60	Year 9	\$883.20	Year 10	\$930.00

[1] Indicative rates excluding any future capital requirements.

[2] Indicative rates inclusive of the Township & TMA's existing capital plans.

[3] Assumes an ALA with a 30-year term.

[4] In the event HQM discontinues to discharge wastewater to the Towamencin system this will result in a Rate Adjustment Event for residential units during the term of the ALA.



Next Steps

- ◆ Towamencin Township began this exploration to determine the potential impacts that the residents could experience from the sale of the sewer system.
 - With the proposals received after a thorough competitive process, the Township now has the ability to evaluate a potential sale or lease.

- ◆ In the near term, the Township plans to:
 - **Analyze all the proposals in detail in the coming weeks.**
 - **Follow up with bidders as necessary for clarification.**
 - **Conduct public presentations to further educate the ratepayers and residents.**



Disclosure

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Thank You



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