CHESTER WATER FACTS.COM

UPDATED FEBRUARY 2026

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I. Introduction

This is a story about a corporation doing everything in its power to seize control over something no person can live without—drinking water. It is a precious natural resource and a basic human need. But some see water as something else—a marketable commodity which can be legally monopolized and for which there will never be a lack of demand. It is through this lens that for-profit water companies view the drinking water of Pennsylvania's residents, companies like Essential Utilities (parent company of Aqua) and American Water (now seeking a merger with Essential). And that is why these companies will stop at nothing to expand their monopoly over water regardless of what public places are lost or who gets driven into poverty.

Make no mistake—once the public gives up their right to control their water, they will never get it back.

That is why this is also a story about a community fighting back. Part of that fight involves shedding light on the schemes of for-profit entities and holding our government officials accountable. That is the goal of ChesterWaterFacts.com.

In the pages that follow, you will read about a well-run, non-profit, public entity—the Chester Water Authority (CWA). It is an award-winning entity with an excellent reputation. It has been providing clean, affordable drinking water for its ratepayers for the better part of a century, free from the interference of private interests seeking to maximize profits for its executives and shareholders.

You will also hear about the City of Chester and its long-standing financial troubles resulting from years of failings in the oversight and management of the City's finances by the Commonwealth of Pennsylvania. This gross mismanagement culminated with the City filing for bankruptcy in 2022. After failing to keep the City solvent, the City's financial managers have been looking for a way to bail themselves out, and seek to do so by forcing the sale of the CWA to provide the City with a one-time cash infusion, rather than fixing the systemic issues that caused the City's financial collapse.

In addition, you will learn about the CWA's efforts to put its assets into a trust for the benefit of the public and to provide the City of Chester with tens of millions in financial assistance—efforts which Aqua has opposed through lawsuits. You will read about a host of shadowy dealings and tactics employed by those who wish to dissolve the CWA, including brazen attempts to illegally circumvent Court Orders, misrepresentations to the public and the legislature, and apparent conflicts of interest and improper payments.

And, finally, you will get a clear sense of what will happen if private interests succeed in taking over the CWA. If they are allowed to take over the CWA, it will be to the detriment of the residents of the City of Chester as well as the 80% of CWA ratepayers who reside throughout Chester County and Delaware County in dozens of other townships and boroughs. All CWA ratepayers, regardless of where they live, will pay significantly higher water rates if the CWA is sold.[1] And, in all likelihood, the two-billion-gallon Octoraro Reservoir and its 2000 acres of surrounding land—pristine open space currently available for public enjoyment—will be closed off to the public forever.

The end of this story has not yet been written. Each of us is responsible for that part. We hope you will join us in our fight.

II. <u>The Chester Water Authority</u>

The CWA was incorporated in 1939 as a public, non-profit organization for the purpose of providing potable water. Today, the CWA serves approximately 200,000 people and businesses across 37 municipalities throughout Chester and Delaware Counties. It is governed by a nine-member board, three of whom are appointed each by the City of Chester, Delaware County and Chester County.

The CWA's water rates are among the lowest in the area—they are far below those of private investor-owned utilities such as Aqua. The CWA is also operationally sound, with infrastructure that is properly and comprehensively maintained. Indeed, the CWA consistently meets or exceeds all governmental standards for water quality and regularly wins water quality awards.[2] It is also fiscally sound and well-capitalized, and has a fully funded pension and an "Aa3" bond rating. The CWA also has an excellent (A+) customer satisfaction rating from the Better Business Bureau (better than Aqua's).[3]

In addition, the CWA owns the two-billion-gallon Octoraro Reservoir. It maintains over 2000 acres of land that protects our water source and watershed. The Octoraro Reservoir and its untouched surrounding land is home to wildlife including bald eagles, herons, wild turkeys, and more. The reservoir and the surrounding watershed are widely used for non-polluting public recreation, such as fishing, boating, kayaking, hiking, bird watching, and hunting. It is all free and open to the community for enjoyment and recreation.

Thus, the CWA not only safeguards the public's right to affordable drinking water, but also ensures that the public has continued access to and enjoyment of a massive, pristine open space.

III. The City of Chester and its Long-Standing Financial Troubles

Pennsylvania's Department of Community and Economic Development (DCED) was supposed to help the City of Chester recover from financial distress. Instead, the DCED allowed the City's finances to further deteriorate, resulting in the City ultimately declaring bankruptcy in 2022.

As discussed below, the DCED has tried to cover up its long-standing lack of transparency and fiscal mismanagement of Chester going back more than a decade. The DCED has also been looking for a way to bail itself out and, to that end, has become focused on seizing and selling the

CWA. However, as outlined below, there are long-term structural problems at the root of Chester's financial troubles—problems which cannot be fixed by a one-time infusion of cash. The public, which stands to lose its rights to open space and affordable water in the event of a sale, should not be fooled into believing otherwise.

A. Financial Troubles Commencing with John Linder's Term as Mayor

By way of background, the City of Chester has experienced economic difficulties ever since manufacturing and other industries moved out of the City in the mid-1950s.[4] In 1995, the City first entered the Municipalities Financial Recovery Act, or Act 47, process, according to the DCED.[5] As such, the DCED's Act 47 Recovery Team has been involved in the City's day-to-day strategic financial planning since the mid-1990s. About 15 years ago, Chester achieved significant improvement in its operating results and was able to operate within budget for several years, including establishing a revenue fund with excess revenues, due in large part to new income associated with gaming activity at Harrah's Racetrack and Casino.[6] That positive momentum dissipated approximately 12 years ago when John Linder became Mayor.

From 2013 through 2017, the City ran operating deficits, began delaying payments to vendors, and failed to fund required pension and other obligations.[7] It has been disclosed that "[t]he City has not made its full minimal municipal obligation (MMO) to the three pension plans since 2013, leading to a severely underfunded pension situation, particularly with the Police and Officers & Employees (non-uniform) plans."[8] In 2014, the credit rating agency, S&P, suspended the "A" rating it previously provided in August 2011 regarding Chester's general obligation debt because in 2014 "the city failed to supply needed documentation."[9] At the end of 2016, the City defaulted on its 2016 Tax and Revenue Anticipation Note,[10] and underpaid for its healthcare costs, accumulating an outstanding balance to its health insurance provider of almost $8 million.[11]

According to the City's Receiver, due to the lack of fiscal oversight, "[t]he City faced a severe situation in 2017 with $28 million in unpaid obligations, including past due pension minimum municipal obligations (MMOs), health insurance premium payments, vendor payments, and workers compensation premiums."[12] The only way the City made it through 2017 was because the DCED issued an emergency $2 million loan in January 2017 to meet the City's immediate cash flow needs, and in August 2017, the City issued $12 million in Series 2017A Bonds to pay certain unfunded General Fund liabilities and to fund required reserve funds.[13]

For at least the last decade, Pennsylvania's Auditor General has noted deficiencies related to Chester's funding and handling of its pensions. In a 2019 letter concerning the audit report of the Police Pension Fund, the Auditor General noted four major violations, all of which related to the City's failure to fully comply with past audit recommendations.[14] The four repeated violations were:

- Failure to fully pay the MMO of the Plan;[15]
- Providing excess benefits inconsistent with the Third Class City Code and Commonwealth Court case law,[16] thereby increasing pension costs and reducing the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses.[17] This condition was raised in the Auditor General's "prior eight audit reports";[18]
- Inconsistent pension benefits between the Plan's governing documents and the collective bargaining agreements.[19] This condition was included in the "prior five audit reports";[20] and
- Untimely deposit of state aid into the Police Pension Fund.[21]

The Auditor General stated that "we are extremely concerned about the funded status of the plan" which received a designation as "Level III severe distress status."[22] The Report also stated that "[t]he deterioration of the plan's funded status has been exacerbated over time by conditions noted in the Comments section of this audit report as well as the city's continued inability to meet its minimum funding requirements under Act 205 . . . ."[23]

The Auditor General's compliance audits of the Fire and Officer and Employees Pensions also note that those pensions have for years, like the Police Pension, provided excess benefits inconsistent with the Third Class City Code and applicable law, which has increased pension costs and reduced the funds available for authorized benefits.

The DCED—whose job it was to oversee Chester's financial recovery—simply sat by and watched each year for over eight years as the City failed to make the required pension contributions.

Moreover, back in January 2012, Mayor Linder and the DCED were forewarned of the looming pension issues as a result of an adverse arbitration award and had the opportunity to appeal that decision based on a powerful dissent that laid out the legal and factual basis to do so. Mayor Linder and the DCED's Act 47 Oversight team chose not to appeal that decision, and then ignored the impact it had on the City by simply letting the unpaid benefits pile up year after year for the present day residents of Chester to now deal with.[24]

In 2018, the DCED Recovery Team recognized that "[a]t the beginning of 2017, the City had accumulated approximately **$28 million of unpaid obligations** including over $14 million in past due pension MMOs, $6.9 million of health insurance premium payments, $1.1 million of workers compensation premiums, and $2.3 million of other vendor payments."[25]

While it has been long thought that the City was shoving bills in drawers without paying them, it has now been confirmed by the Chester's Receiver that millions of dollars of unpaid bills were carried over from year to year, such that the "[t]he pattern of pushing a portion of each fiscal year's obligations into the next one has made it difficult to accurately analyze the [City's] financial performance on an annual basis."[26]

In addition, the City has admitted publicly that its failure to issue and produce audited financial statements is a violation of mandated Securities and Exchange Commission continuing disclosure obligations.[27] Further, the City's auditors have, for several years, identified issues with the City's manipulation of accounts payables and lack of financial management, among other things, which the auditors deemed so material they modified their audit opinions, including stating in 2014, 2015, 2016, 2017, 2018, and 2019, that the auditors had substantial doubts about the City's ability to continue as a going concern.[28] The issues identified by the City's auditors included:

- In 2013, the auditors "were unable to obtain sufficient appropriate audit evidence about various classifications of certain revenues and expenditures contained in the financial statements of the opinion units" and "we were unable to sufficiently audit the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities."[29]

- In 2014, the auditors "were unable to obtain sufficient appropriate audit evidence about various classifications of certain revenues and expenditures contained in the financial statements of the opinion units . . ." and "were also unable to obtain sufficient audit evidence to assess the reasonableness of the estimated allowances for uncollectible receivables and escrow account and for certain interfund balances."[30]

- In 2015, the auditors "were unable to obtain sufficient appropriate audit evidence about classifications of certain revenues and expenditures and sufficient detail for an escrow account contained in the financial statements of the opinion units . . . ."[31]

- In 2016, the auditors "were unable to obtain sufficient appropriate audit evidence about classifications of certain revenues and expenditures and sufficient detail for an escrow account included in cash and cash equivalents and a payroll tax liability included in accrued payroll and related cost, contained in the financial statements of the opinion units listed above."[32]

- In 2017, the auditors "were unable to obtain sufficient appropriate evidence for an escrow account included in cash and cash equivalents, unused sick leave, and for revenue related to gaming."[33]

- In 2018, the auditors "were unable to obtain sufficient appropriate audit evidence for certain balances included in the financial statements."[34]

- In 2019, the auditors "were unable to obtain sufficient appropriate audit evidence for certain balances or transactions included in the financial statements," including "certain cash accounts, wire transfers, tax abatements, and expense accounts."[35]

Moreover, the 2016 and 2018 Amended Recovery and Exit Plans issued by the Act 47 Recovery Coordinator noted serious financial management infrastructure deficiencies, including that the City had fallen years behind on its annual independent financial audits.[36] The Recovery Coordinator also warned of significant breakdowns in basic accounting functions at the City, stating that "[t]he Finance Department has had significant delays in completing its trial balances and struggled to deliver clean, accurate internal financial information to its auditor."[37]

The City's financial statements from 2013 through 2019 reveal alarming trends, as well as complete disregard for accounting rules and proper fiscal management. The City consistently produced unrealistic budgets that it could not meet and used improper data and assumptions to overstate expected revenues. When the budgets are compared to actual results for each year, the financial mismanagement of the City and lack of oversight by the DCED are shocking. Indeed, even the DCED's hand-picked Receiver for the City concedes that there has been "a pattern" of "either failing to adopt a realistic budget, failing to follow that budget or both which results in consistent, large deficits."[38]

This poor budgeting meant that the City took in significantly less revenue each year than it was projecting, and the DCED should have known these projections were unrealistic. The budget to actual variances to Total Revenue for the General Fund were as high as 19% during the period 2013-2019.[39] At the same time, the City spent more and more money with its expenses far outpacing revenue. Total Actual Expenditures for the General Fund increased from $40 million to nearly $55 million from 2011-2019, and, during the same timeframe, Total Liabilities for the

City's basic services increased nearly tenfold, going from $4 million to almost $40 million.[40] This mismatch between revenue and expenditures, largely occurring during Mayor Linder's administration, resulted in the positive year-end fund balances for the General & Reserve Funds going from a beginning fund balance surplus of $10.4 million to start 2011, to negative fund balance deficit of -$15.3 million at the end of 2017—**a swing in the wrong direction of more than $38 million dollars**.[41]

A spreadsheet detailing aspects of the City of Chester's financial activity from 2011 to 2019, based on the City's audited financial statements, is available here (web address in the endnote).[42]

B. The COVID-19 Pandemic and Appointment of a Receiver

On April 13, 2020, former Governor Wolf issued a "Declaration of Fiscal Emergency" for the City of Chester. The City and DCED claimed that the City's financial distress was related to the COVID-19 pandemic, which "threaten[ed] all of the progress that the City has made."[43] As is clear from the City's financial history detailed above, this is simply not true; it was a story concocted by the DCED to cover up the DCED's long-standing lack of transparency and fiscal mismanagement of Chester going back at least twelve years.

Indeed, unredacted emails obtained by the CWA show that—just days after Governor Wolf's "Declaration of Fiscal Emergency"—the DCED and Governor's Office of General Counsel (OGC) were discussing how they had already settled on, and were secretly pursuing, their plan to sell the CWA: that they had "tee[d] up the issue" of selling the CWA and "point[ed] the city [of Chester] in a specific direction, but without causing fireworks." In those emails, dated April 22, 2020, Kim Bracey (DCED Executive Director) and Robert Teplitz (Special Counsel for OGC) discussed proposed language for the DCED's Emergency Action Plan for the City of Chester[44] to address the issue of whether the City could terminate benefits for employees who have been furloughed or terminated. In proposing that the DCED use softer language than what had been drafted,[45] Teplitz explained the agencies' strategy: **"We are trying to achieve what we did regarding the sale of the water authority: tee up the issue, point the city in a specific direction, but without causing fireworks."**

Then, in June 2020, a Commonwealth Court judge issued a ruling that started the process of receivership, just the second time such proceedings have been instituted by the Commonwealth.[46] Receivership is the process in which the state appoints a manager with a degree of direct control over local finances in an attempt to avoid bankruptcy. As a result, the DCED selected a Receiver, Michael T. Doweary, who was tasked with working with the City to avoid bankruptcy and harm to residents.

Unredacted emails show that, in preparing for the June 15, 2020 hearing to determine whether a Receiver should be appointed, the DCED was not operating independently from the City, but rather, secured the agreement of the City's solicitor to be "fully cooperative." The DCED internally reported the City's cooperation as follows: "They are totally on board with giving us whatever we need (his words), including having the CFO testify and entering into stipulations. . . . He asks for the questions in advance and some time to review the stipulations, but is fully cooperative." In emails the following day, the DCED's counsel discussed what evidence should be presented to the Court at the June 15th hearing, stating that they were "concerned about" the DCED Act 47 Coordinator's documents "referencing the sale of the CWA" and wondering whether "the references to selling the CWA are going to be problematic." Why was the DCED concerned that the references to selling the CWA may be "problematic" as the Court was deciding on the appointment of the Receiver?

Despite the COVID-19-centric version of events presented by the City, DCED and

Governor's Office, the DCED's handpicked Receiver has admitted that Chester's cash struggles have been building for the last decade. Indeed, in a receivership filing, the Receiver admits:

> **The impact of COVID-19 is new and unexpected, but the City's struggle to finish the year without running out of cash is not.** In recent years the City has dealt with this problem by defaulting on its Tax Revenue Anticipation Note (TRAN) repayment (2016); falling behind on its payments for employee health insurance (2016); issuing new debt to cover current year obligations (2017); or pushing a portion of its current year obligations into the next year (2018 and 2019).[47]

The reason the DCED pushed the inaccurate COVID-19 cover story is because, behind the scenes of the 2020 Declaration of Fiscal Emergency, the DCED had been working with the City of Chester and for-profit water companies to attempt to circumvent pending litigation, and to attempt to improperly seize and sell—to the DCED's private utility company friends[48]—assets that neither the DCED nor the City own. It was all done in an effort to cover up the DCED's lack of oversight that has resulted in the City's cash crisis and economic collapse.

The City's finances have fallen apart since 2013 under the watch of the DCED and Act 47 Recovery Team because the DCED refused to adhere to the recommendations it made in the Recovery or Exit Plans, and because the City had no financial controls or financial management, failed to capture revenue to which it was entitled, failed to match expenses to its actual revenues, and failed to pay bills as they were due, instead opting to simply put them off for another day.

The DCED does not deny it has failed to properly oversee Chester's finances. In October 2021, the Receiver confessed that, under the watch of the DCED's Act 47 team, the City has been paying artificially inflated pension benefits "for years." He explained that police retirees' pensions were artificially "spiked" because they were calculated based on the retirees' last 12 months of earnings, rather than the average of their last 3 years as required under their collective bargaining agreement. During a public meeting with the Receiver, DCED's Kim Bracey acknowledged that the DCED/Act 47 team totally missed this, stating that she was "stunned" by the revelation and that "we've often talked about, um, you know, the State's involvement for years and, um, you know, **I can't say we caught this**."[49]

This revelation should have been a wake-up call for the DCED. Yet, the DCED's failure to properly oversee Chester's finances continued. On June 8, 2022, the Chester City Council reportedly sent an estimated $400,000 to an unknown scammer during a "phishing" incident.[50] According to an October 21, 2022 press release from the City, the wire payment was made to a hacker posing as the insurance broker for the City employees' workers compensation insurance.[51] **Astonishingly, the Receiver did not even find out about the scam until it received the City's October 21, 2022 press release.**[52] Why didn't the City have insurance coverage for a cybercrime like this? Did the DCED or its Receiver recommend any internal controls that would have prevented this? It appears that keeping the public in the dark has been the status quo in Chester for years. Indeed, the DCED-led City has not released audited financial statements since the release of statements for the year ending December 31, 2021.[53] Why is the City not releasing audited financial statements for the most recent four years?

C. The City of Chester Files for Bankruptcy

On November 10, 2022, less than a month after the phishing scam was disclosed, the Receiver filed for Chapter 9 bankruptcy on behalf of the City of Chester. Through the bankruptcy proceedings, the Receiver has targeted the CWA, stating: "It is clear that the [CWA's] Water Assets represent hundreds of millions of dollars of contingent and potential value to the City that, if realized, would permit it to address the underfunded Pension Plans and invest in much needed improvements for the City."[54] In other words, bank robber's logic: "I need money. You have money. I'm taking your money." On August 26, 2024, the DCED-appointed Receiver filed a proposed Plan for the Adjustment of Debts of the City of Chester in the bankruptcy court—the "Plan" calls for the termination of the CWA and an RFP process for the CWA's assets, with the City receiving all of the sale proceeds.[55]

The Receiver has remained fixated on the CWA's assets despite having acknowledged that the City's financial troubles are **long-term structural problems that will not be fixed by a one-time infusion of cash** resulting from the improper seizure and sale of CWA assets. Indeed, the Receiver previously stated in a proposed "Recovery Plan" that a one-time infusion of cash will not solve the City's financial issues.[56] As discussed below, not only would a sale of the CWA **fail to fix** Chester's systemic financial troubles, a sale of the CWA would, without question, increase the financial burden on hundreds of thousands of Pennsylvania residents in order for private water company shareholders to profit from their investments in our drinking water.

IV. <u>The Improper Attempts to Seize the Water System</u>

A. Aqua's Opening Salvo

Sometime in 2016 or early 2017, Aqua and the DCED began discussing the sale of the CWA to Aqua. Emails obtained through the Right-to-Know Law indicate that Aqua made former Governor Tom Wolf's office aware of its intentions to purchase the CWA in May 2017.[57] Incredibly, discussions by the DCED and Aqua were held in secret and did not involve anyone from the City of Chester or the CWA.[58]

DCED documents reveal that on May 31, 2016, attorneys hired by the Recovery Coordinator for the City ordered the CWA's articles of incorporation from the Pennsylvania Corporations Bureau.[59] There is only one plausible reason for such diligence on the CWA: the DCED was exploring whether the CWA could be sold to bail out the failures of the DCED and its appointees to fix the City's finances throughout the City's protracted tenure in financial distress.

On May 8, 2017, Aqua sent an unsolicited offer to the CWA seeking to purchase it for $320 million. The CWA's board unanimously rejected the offer, a decision made, in part, because analysis showed that ratepayers would have seen significant rate increases over time—ultimately over 100%—by Aqua.[60] Unhappy with the CWA's rejection of Aqua's offer, attempts to simply seize the CWA and force the deal began, with more secret meetings taking place with Aqua and the City of Chester, lawsuits, and political pressure. It is worth noting that once these plans to seize and sell the CWA became known, more than 30 townships and boroughs, 10 state senators and state representatives, and at least 10 local interested organizations have written letters opposing any sale of the CWA.[61] To date, it does not appear that the DCED has provided a response to any of these letters of support.

B. Aqua's Bid Sparks City of Chester's Desire to Sell What it Does Not Own

In October 2017, the City's then-Mayor, Thaddeus Kirkland, sent a letter to the CWA expressing interest in exploring ways to monetize the CWA for the City's sole benefit. The CWA responded the following month that the City does not have the legal authority to unilaterally terminate and sell-off the CWA.

The CWA's steadfast position, supported by the law, is that the CWA does not belong to the City, as it is an Act 73 Authority with a board appointed by the jurisdictions within its large service area (Chester County, Delaware County, and Chester City) and funded solely by its ratepayers.

The City itself recognized, as it had to, in every one of its audited financial statements that the CWA is not a City asset. For example, the City's audits state that the CWA is not a "component unit" of the City and is therefore "excluded from the reporting entity [the City]."[62] This audit was issued on July 10, 2019 under the supervision, and with the approval, of the state-appointed Act 47 Team.[63] **An identical disclaimer—confirming that the CWA is not a City asset—is in every one of the City's audits undertaken while the DCED and its Act 47 Team were involved.**[64] These statements in the audits are the City's own position, arrived at with the input of "the Act 47 Team" (to use the DCED's own words). They are not merely the auditors' position. The City itself does not, has not, and cannot carry the CWA as an asset on the City's books. The City, under the supervision of the Act 47 Team, provided that underlying financial information to the auditors through the City's own financial statements. Then, the City explicitly endorsed and approved the audited financial statements, each containing such a disclaimer. Those same audited financial statements were similarly endorsed by the Act 47 Team acting at the DCED's behest.

The former Secretary of the DCED has also written privately that the CWA owns the water system.[65]

Moreover, other than as a ratepayer, the City of Chester has never contributed money to the CWA.[66] Rather, generations of the CWA's ratepayers throughout Chester and Delaware Counties (including the ratepayers in the City of Chester) are the sole source of the CWA's funding. The CWA continues to self-fund its growth and acquisitions through ratepayer revenues and bond/bank financing in its own name. The City cannot lay unilateral and total claim to several hundred million dollars of water infrastructure for which the City **never paid anything**.

Also, approximately 80% percent of the CWA's service area, and well over 160,000 of its customers, are **outside of the City's limits**. This includes the most significant of the CWA's assets, its treatment plant and reservoir, which are 35 miles outside the City, in Lancaster and Chester Counties. The City cannot lay claim to property that does not serve the City's customers, is outside of its jurisdiction, and operates well-beyond the City's limits.

Finally, by law known as Act 73, **the City only appoints three of the nine members to the CWA's board**. Chester County and Delaware County, where most of the CWA's water infrastructure and customers exist, each appoint three seats as well. In 2012, the General Assembly passed Act 73 unanimously, including the vote of the City's then-Mayor, Thaddeus Kirkland. This was the General Assembly's recognition that the CWA serves large areas of Southeastern Pennsylvania far beyond the City's borders, and so these other areas must have a say in the CWA's governance.

C. The CWA Seeks a Compromise to Avoid the Cost of Litigation

Despite the clear reality that the City does not own the CWA, in an effort to avoid protracted litigation over the issue, the CWA began discussions with the City after receiving the Mayor's October 2017 letter. To aid those discussions, on March 15, 2018, the City and the CWA entered into a "standstill agreement."[67] The standstill agreement had the goal of "provid[ing] the framework to continue . . . discussions with the mutual goal of entering into a definitive agreement between the City of Chester and the Chester Water Authority concerning future Authority operations." The City and the CWA continued their discussions past the expiration date of the standstill agreement, on December 31, 2018. The CWA believed those discussions were productive and that a final resolution was imminent.

In consideration of ongoing discussions with the City, on January 24, 2019, the CWA's board unanimously approved a proposed settlement agreement that would end this dispute.[68] The proposed settlement agreement provided that the CWA would make a one-time payment to the City of $60,285,000. In exchange, the City would agree, for a 40-year period, to release any purported claim that it could unilaterally terminate the CWA and sell its operations for the City's sole benefit. The CWA would take out bonds to cover the payment to the City. The CWA would pay for the bonds through a proposed rate increase on customers of up to 10%. It was determined that a small water rate increase was ultimately better for customers than any risk that the City would try to sell the system outright to a for-profit company that would double rates, and the protracted litigation that would be triggered by the City's attempt to do so.

From January through June 2019, the CWA and the City continued to negotiate the finer points of the proposed settlement agreement. Even though the CWA had been negotiating in good faith with the City for a mutually beneficial and amicable settlement, the CWA was unaware that the DCED was attempting to force dissolution and sale of the CWA in the shadows through pressure on the City.

D. The DCED Sabotages the Proposed Settlement

On June 11, 2019, the City's Mayor sent a letter to the Chairperson of the Board of the CWA, Cynthia Leitzell, stating that the City was displeased with the state of negotiations and that it would "issue a request for proposals" to attempt to unilaterally sell the CWA. The City's new position was directed by the DCED and forced the CWA to go to the courts to preserve its very existence.

During the course of this now multi-year dispute, the CWA and its representatives issued public records requests under Pennsylvania's Right-to-Know Law to understand what was going on behind the scenes. The CWA directed several of the requests to the City's overseers at the DCED. One of the CWA's goals in issuing these requests was to explore exactly why the City blew up settlement negotiations that were nearly concluded and would have provided a significant influx of immediate money to the City.

In response, the DCED was forced to turn over public documents, which the DCED heavily redacted. The redactions are so extensive that in one instance, the DCED redacted more than 80 consecutive pages in their entirety.

Despite the redactions, a picture begins to emerge about why the City backed out of settlement discussions at the last moment. It appears that the DCED and the Recovery Coordinator derailed the proposed settlement between the City and the CWA. For example, a month before the City and the CWA finalized the standstill agreement, the DCED wrote to the City to discuss the CWA.[69] Although the DCED produced this letter with heavy reactions, in a summary, the DCED said the redacted portion "discusses a proposed agreement between the City and the CWA and makes recommendations to the City regarding the proposed agreement."

Two days before the City and the CWA finalized the standstill agreement, the DCED wrote another letter to the City. Again, the DCED heavily redacted the actual letter. But, in another summary, the DCED said the letter "discusses improving the relationship between the Recovery Team, DCED, and the City of Chester and proposes that the Recovery Team be able to review any agreements regarding Chester's water system."[70] In a March 2018 meeting, the DCED criticized the standstill agreement, calling it a bad deal for the City. At that point, the City's Mayor disagreed and stormed out of the meeting.[71]

In January 2019, around the time the CWA's board unanimously approved the settlement offer, the DCED's Executive Director, C. Kim Bracey, said the DCED "put our concerns in writing to Chester regarding the proposed deal."[72] Throughout January and February 2019, DCED representatives wrote to the City's representatives many times about the proposed settlement agreement.[73] There was discussion within the DCED that a sale would cause a water rate increase.[74] But, through redactions, the DCED is blocking release of the specifics.

Not long after this barrage of communications from the DCED to the City, the City backed out of seemingly productive settlement negotiations with the CWA.

As outlined above, the DCED's own documents suggest that when the City and the CWA were close to reaching a mutually beneficial settlement to avoid a sale, **the DCED derailed the deal**.

Subsequently, throughout November and December 2019, Ms. Bracey at the DCED frequently wrote about the pros and cons of "ownership of the CWA."[75] As late as February 2020, there may have been even more discussions about the DCED's distaste for settlement with the CWA, though the DCED has continued to try to hide the details through its redactions.[76]

Despite the DCED's efforts to hide the truth, further details are continuing to emerge regarding the DCED's involvement. In the fall of 2025, a Special Master in pending litigation required that a host of emails be unredacted.[77] These emails, along with others previously obtained by the CWA, show that the DCED has continued to insist on a sale even after recognizing that **a sale would dramatically increase water rates**.

For example, on April 3, 2020, the DCED's Recovery Coordinator wrote to Ms. Bracey with an analysis of the City's options for monetizing the CWA. The Recovery Coordinator made clear that: **"A higher bid [to buy the CWA] does not necessarily indicate a more generous offer. In general a higher bid is conditional on a steeper rate increase for water customers."**[78]

Having received this information from the DCED Recovery Coordinator, Ms. Bracey emailed DCED Deputy Secretary Rick Vilello later that month regarding the CWA's $60 million offer that was designed to free the City of debt while preserving the CWA's existence and keeping it in public hands. Ms. Bracey states: "CWA is not acting in good faith at all. Wow. The Mayor said yesterday, one of this [sic] entities…it must be Aqua just went to $350mm. $60M is chicken scratch now. Sad."

While the DCED Recovery Coordinator was sharing concerns about a "steeper rate increase for water customers" in April 2020, the DCED and OGC, during the same month, were discussing how they had teed up the issue of selling the CWA and pointed the City of Chester in that direction "without causing fireworks." It was also the same month that Governor Wolf issued a "Declaration of Emergency" to allow the DCED to place the City into a receivership where it would ultimately file for bankruptcy.

E. Emails Suggest DCED's Sabotage Was Part of Statewide Initiative to Sell Municipal Water Systems

The reasons underlying the DCED's apparent decision to blow up the deal between the CWA and the City of Chester remain unclear. However, through information obtained by the CWA through Right-to-Know Law requests, a picture is beginning to emerge which shows a concerted effort by Commonwealth officials to implement a statewide effort to monetize municipal water systems.

In one such email dated September 16, 2020, Elena Cross, then Deputy Chief of Staff for the Governor, reached out to various high-ranking state officials serving in General Counsel's Office, the DCED, the Office of the Budget, and the Office of Policy and Planning.[79] She states: "Do folks remember the Governor's idea on doing a publicly owned municipality sewer/utility pilot via PennVEST? Think OGC or someone did a memo on this. **Governor brought it up to me again through a conversation on Chester and the receivership. He asked why can't PennVEST be the entity that would buy CWA for this pilot.** . . . Either way, Governor asked where we are on this and that he wanted to get a general update (and particularly relative to it being a potential option for Chester) soon."

Neil Weaver (DCED Executive Deputy Secretary) was the first to respond to Cross.

Revealing the existence of an ongoing effort by the DCED in this regard (during the height of the COVID-19 pandemic), Weaver offered to ask Rick Vilello (DCED's Deputy Secretary for Community Affairs and Development) and Kim Bracey (DCED's Executive Director at the time) **"where we are"** and deferred to counsel for "the legal side of things." With Cross' approval, Weaver then forwarded her email to Vilello, Bracey, legal counsel, **and the Receiver for the City of Chester, Michael Doweary.**

Erin Smith (Deputy Secretary of Policy and Planning) also responded and forwarded a memo her office prepared in 2019. Smith states: "We had determined that the ongoing litigation specifically related to who owns the [Chester] water authority didn't make it a good fit for a **pilot program**."

The "program" Smith referred to appears to target water and wastewater authorities throughout the Commonwealth owned by financially "distressed" municipalities. The email chain continues with a back and forth between Bracey and then-DCED Local Government Policy Manager, Andrew Sheaf, who attaches an analysis he conducted where he notes:

> All of these municipalities:
> 1. Showed signs of distress in their pension (below 73% funded)
> 2. Showed signs of distress in one of their debt indicators (liquidity, debt over revenue)
> 3. Reported Wastewater / Sewage revenues on their Annual Financial Report (our best guess if [sic] they owned water / sewer)

Bracey suggested calling the municipalities "or perhaps DEP," explaining she "just got off a call with Elena and others from the Governor's office who are still trying to make this work." In response, Sheaf agreed that their office should "call these municipalities and ask if they solely own their water and sewer systems and if they are the sole user on that system." Bracey then asked Sheaf to proceed with this plan, noting that Vilello "is also trying through his connections too." Then, forwarding an undisclosed attachment in follow up, Sheaf concludes: "Lower Frederick Township and Penn Hills

Township **seem to fit.** Penn Hills Township owns two plants, and is the sole user at one of them." (Emphasis added). Sheaf notes that while "[b]oth of those municipalities saw improvement in their pensions since we last ran the numbers . . . [b]oth municipalities are still showing signs of distress in their debt load."

These emails raise a slew of questions regarding what our state officials are seeking to accomplish by targeting municipal water systems and what their motives are. For example, are the attempts to monetize water systems part of a plan to cover up the state government's inability and/or unwillingness to offer assistance to the municipalities it deems "distressed" by their pensions and/or debt? And what exactly are the incentives for state officials to push for monetization of municipal water authorities?

Aqua has denied knowledge of the statewide program to target water authorities of "distressed" municipalities as revealed through these email chains. However, Chester's Receiver was included in the September 2020 email chain (having received Cross' email from Weaver) and, during this time, **the Receiver was in the midst of ongoing discussions with Chris Franklin** (CEO of Aqua's parent company, Essential Utilities) regarding Aqua's offer to purchase the CWA. We know this because of other emails obtained through the Right to Know Law which show the cozy relationship between the DCED and the for-profit water industry. **Note how Receiver Doweary's tone changes <u>in October 2020</u> when he tells Franklin that "it would probably be best for us to limit our interactions outside of the prescribed channels" to "protect both of us":**

- **July 21, 2020: Franklin to Doweary:** "Thank you 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."[80]

- **July 22, 2020: Doweary to Franklin:** "It was a pleasure to meet you and Joel [Frank] as well. We look forward to continued discussions and resolving the myriad of open matters as soon as possible. . . . 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."[81]

- **July 23, 2020: Joel Frank, Aqua's counsel, to Doweary:** "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. . . . 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' [sic] consideration and approval at that time, so we could then promptly execute the APA."[82]

- **July 29, 2020:**

  - **DCED Deputy Secretary Rick Vilello forwards the draft Asset Purchase Agreement ("APA") to DCED Chief Counsel Mike Adams, copying Receiver Doweary**, and states: "Aqua has increased their proposal to acquire the water assets of the City of Chester. This is the subject of litigation between the City and Chester Water Authority. **Aqua's offer has increased to $420 million with a $12 million upfront payment.** Neil [Weaver, DCED Executive Deputy Secretary,] would like us to follow-up with [Chester] Mayor Kirkland. **Can you review this Asset Purchase Agreement? And provide a legal opinion?"**

  - **DCED Chief Counsel Adams forwards the draft APA to DCED Special Counsel Robert Teplitz**, stating: "Rob, kindly review and advise." In response, Teplitz points out that the "**DCED had told legislators and the media back a few months ago that we were not involved with any sale of the water authority**." **Teplitz goes on to acknowledge that the representations made to lawmakers are not consistent with the reality of how the DCED has been operating**, stating: "It seems that advising the city, or even the receiver, about the deal would be contrary to this assertion. This may be a good reason for OGC Main to revisit the issue of separate legal counsel for the receiver."

- **October 26, 2020: Doweary to Franklin:** "Thank you for reaching out last week. . . . With all that is going on, it would probably be best for us to limit our interactions outside of the prescribed channels. . . . . [I]f needed, I can introduce our legal counsel as well but I would hate to involve lawyers on every communication. I hope this is not offensive in any way. **In the end, my intention is to protect both of us.**"[83]

How does this cozy relationship between Big Water and the DCED benefit Pennsylvania's residents? From whom or what was the Receiver trying to "protect" Aqua's CEO and himself?

V. The CWA is Forced to Turn to the Courts to Block Repeated Attempts to Illegally Sell It

A. Initial Legal Actions

On March 1, 2019, the CWA filed a Petition for Approval of Declaration of Trust Under Pennsylvania Law and the Transfer of Legal Title to Certain Assets to the Trust (the "Trust Petition") in the Orphans' Division of the Delaware County Court of Common Pleas.[84] The CWA believes that having the assets held in trust will ensure that the CWA will continue unabated in its mission of providing safe, high-quality and affordable water to the people of the Commonwealth, in accordance with the existing fiduciary duties imposed by law with respect to water as a natural resource expressly protected by the Pennsylvania Constitution (specifically, Section 27, known as the Environmental Rights Amendment). The CWA seeks, through the Trust, to protect, conserve, and maintain the CWA's assets for the benefit of citizens of the Commonwealth.

Aqua and the City of Chester, through costly litigation, have opposed the CWA's efforts to place the CWA's assets in trust for the benefit of the public.

In addition, on April 4, 2019, Aqua sued both the CWA and the City of Chester to block the CWA's proposed $60 million settlement with the City, designed to free the City of debt and preserve the existence of the CWA. Not long after the filing of Aqua's lawsuit, the City bowed to pressure from Aqua and the DCED, and began a "request for proposals" (RFP) process, a process which the City never intended to actually allow for public bidding, but rather—in the City's own words—a "transaction that Chester and Aqua intend to consummate."[85]

B. Buckling Under Pressure from Aqua and the DCED, the City Engages in a Sham RFP Process

About two months after Aqua filed suit to block the settlement, the City's Mayor sent CWA Board Chairperson Leitzell the aforementioned June 11, 2019 letter stating that the City had decided to "issue a request for proposals" to attempt to unilaterally sell the CWA. The following day, on June 12, 2019, the CWA held a regularly scheduled board meeting. An Aqua representative arrived late and asked a departing CWA individual if the CWA was sending someone to the "meeting tonight," which was an apparent reference to the City Council meeting scheduled for later that evening.[86] Upon hearing this, Chairperson Leitzell called Mayor Kirkland to inquire whether the City Council planned to discuss the CWA that evening.[87] Mayor Kirkland responded that there was no item on the City Council agenda that night concerning the CWA.[88] He said the City Council would merely be discussing the "RFP."[89]

A City resident attended and recorded the City Council meeting that night, as authorized by Pennsylvania statute.[90] The publicly released agenda for the July 12, 2019 City Council meeting made no reference to the CWA.[91] Item fifteen of the agenda was a cryptically worded pending resolution to "[a]uthorize to approve Request for Proposals for Valuation of Assets."[92] As it turned out, item fifteen on the agenda was a resolution directly targeting the CWA and authorizing the City to issue the RFP for interested entities to submit bids to acquire the CWA.[93] The resolution was read aloud and them immediately approved by a vote of the City Council.[94] There was no prior opportunity for public discussion or debate regarding the resolution, nor was there public deliberation before the City Council members unanimously voted.[95] Immediately following the City Council meeting, Mayor Kirkland issued a press release and distributed an RFP for the sale of the CWA.[96]

In the Orphans' Court case regarding the CWA's Trust Petition, the City filed a brief on June 19, 2019 that contains a remarkable admission: the City specifically stated that state law "was designed to promote the very transaction that Chester and Aqua intend to consummate . . . ."[97] This was the City admitting that the RFP is not public or competitive, and the City and Aqua have already agreed to a deal. This admission fits right in line with the fact that the RFP, worth hundreds of millions of dollars, was only open for a preposterously short **13 business days**. The reason: the City and Aqua already had a deal in place, and so there was no need for an RFP that would allow other bidders the time to meaningfully respond.[98]

C. Judge After Judge Blocks the City's RFPs to Illegally Sell the CWA

This scheme by the City and Aqua forced the CWA to file a Complaint and Petition for a Preliminary Injunction against the City and Aqua on June 26, 2019. The central allegation in the CWA's Complaint was that the City was attempting to illegally sell the CWA to Aqua in a pre-arranged, backroom, non-public transaction, thereby violating state laws including Pennsylvania's Sunshine Act (Open Meetings Law) and the Third Class City Code.

On July 1, 2019, a full-day hearing was conducted and, upon its conclusion, Judge Bradley announced his decision against the City: "In this particular case I think Chester City fell far short of satisfying the requirements for the . . . Sunshine Act."[99] Judge Bradley also stated that the City's Mayor and Clerk did not testify credibly in the hearing.[100]

In agreeing with the CWA, Judge Bradley then issued a written Order enjoining the City "from alienating any assets owned by or allegedly owned by the Chester Water Authority" and "from taking any legal action dissolving, or attempting to dissolve, the [CWA] or in any way attempting to interfere with the day to day operations of the [CWA]."[101]

This was the first time Court intervention was necessary to block the City from attacking the CWA's existence in the midst of litigation. It would not be the last.

On July 17, 2019, the City initiated another litigation, captioned as *City of Chester v. Chester Water Authority*, No. 2019-5976, to seek a declaration that it may dissolve the CWA. On August 6, 2019, after a hearing, Judge Angelos rejected the City's arguments and issued a pair of Orders designed to maintain the status quo in the CWA's Sunshine Act and Trust Petition cases. One order extended Judge Bradley's Order of July 1, 2019. The other Order prohibited the City from taking action against the CWA pursuant to the Municipalities Authorities Act.

The City's July 17, 2019 lawsuit was filed two days before the CWA was set to close on a prior-noticed round of $35 million in bond financing. That money was intended for the CWA to complete necessary, routine system maintenance that was long planned and scheduled. This maintenance, and the bond financing to support it, is routine and unremarkable in the water industry. Unfortunately, the City's action caused the banks to put a hold on closing the bonds. Thus, in effect, the City got the relief it wanted by simply filing its frivolous lawsuit—without actually getting a preliminary injunction.

The Orders of Judge Bradley and Judge Angelos, designed to protect the CWA, did not stop Aqua and the City of Chester from continuing to attempt to force a deal to sell the CWA. Just eight days after Judge Angelos entered his Order, on August 14, 2019, the Chester City Council convened another meeting and passed two resolutions directly attacking the CWA: (1) Resolution No. 4: "Authorize to approve the City Exploring the Project and Assets of the CWA"; and (2) Resolution No. 5: "Authorize to approve Specifying Projects(s) [sic] to be Undertaken by the CWA."[102] This resulted in the Court having to step in again to block the City from illegally interfering with the CWA. The CWA pointed out that the resolutions expressly purported to prevent the CWA from obtaining long-planned and routine funding for critical infrastructure maintenance. On August 16, 2019, **the Court entered yet another Order** enjoining the City from attempting to "force a conveyance or cause a conveyance" of the CWA, and further enjoining the City's resolutions to the extent they restricted the CWA's ability to comply with federal laws and permits.

Still undeterred by the Court's Orders, the City fired another salvo the last week of August 2019. On August 26, 2019, the City announced that at the upcoming City Council meeting on August

28, the City would approve the final language for a second RFP, **blatantly disregarding the Court's prior Orders which prohibited a second RFP in the midst of litigation.** In a hearing on August 28, 2019, **the Court unequivocally blocked the City's illegal attack**: "It's my decision that the terms of the July 2 order and the subsequent orders of August 6 and August 16 prevent the city from issuing an RFP."[103] This was the **fourth time in less than two months** that the Court had to issue an Order blocking the City from interfering with the CWA.

D. Judge Angelos Orders the City of Chester Cannot Unilaterally Sell the CWA, But the Commonwealth Court Reverses the Decision

On April 24, 2020, Judge Angelos ruled that the City of Chester does not have the right to unilaterally sell the CWA. The Court ordered that any transfer of CWA assets must be conducted "in unison" by the three municipalities represented on the CWA board, which are the City of Chester, Delaware County and Chester County.[104]

Nevertheless, the Receiver selected by the DCED, Mr. Doweary, ignored the Order and, as seen in emails obtained through the Right-to-Know Law discussed above, Doweary and the City had secret discussions with the CEO of Essential (Aqua's parent company) and its counsel about the sale of the CWA throughout the summer and fall of 2020.[105] Aqua/Essential even sent the Receiver and Mayor a draft Asset Purchase Agreement.[106] Aqua/Essential and the Receiver excluded Delaware County and Chester County from these secret discussions, which only were discovered through Right-to-Know Law requests. In response to these emails being produced, the CWA's Solicitor posed in a letter several questions to the Receiver about the emails, which the Receiver has yet to answer.[107]

While the Receiver and the DCED were conducting their secret negotiations, Aqua and the City of Chester were busy appealing Judge Angelos' April 2020 Order to Pennsylvania's

Commonwealth Court. Nearly a year and a half after the April 2020 Order was entered, on September 16, 2021, the Commonwealth Court reversed that Order, issuing a narrow ruling on the question of who can dissolve the CWA and finding that CWA ratepayers in Chester and Delaware Counties—who outnumber the City of Chester's ratepayers by at least five times—have **no say** in the decision of whether to sell the CWA.

The September 2021 decision was not unanimous. Rather, two Commonwealth Court judges dissented. The dissenting opinion, issued by Judge Wojcik and joined by Judge Cohn Jubelirer, described the Commonwealth Court's majority ruling as follows:

> The Majority opines that "[i]n enacting [S]ection 5610(a.1), our General Assembly simply provided the [Counties] with 'seats at the table' of the governing body or board of the Authority." . . . Yet, the Majority ascribes little to no significance to the Counties' representation. . . . In my view, **the General Assembly did not amend the MAA to simply give counties meeting the specific criteria *token* "seats at the table"** . . . . Rather, the General Assembly recognized Chester and Delaware Counties as critical stakeholders in this water project and as representatives for their constituent ratepayers who, in this unique situation, outnumber the City's ratepayers by "at least five times." 53 Pa. C.S. §5610(a.1). **The growth and success of the water project has been built on the backs of the Counties' ratepayers.** Therefore, the General Assembly gave the Counties "seats at the table" of the governing board to give them **some meaningful control over the Authority**, its assets, and "the project" that provides them with vital water service in their areas.
>
> The Majority's upside-down logic has the tail wagging the dog. Under the Majority's statutory interpretation, **the City would constitute a super-minority of the Authority's board**, with the ability to unilaterally "acquire the project" and sell the Authority's assets to pay the City's debt, **leaving the 79% majority of the Authority's ratepayers living in the Counties and elsewhere, where the majority of the assets are actually located, holding the bag. The General Assembly could not have intended such an intolerable and absurd result.**
>
> * * * *
>
> **It is patently unconscionable to permit the City to pay off its own municipal debt by selling the Authority's assets that were paid for by its ratepayers, the vast majority of whom reside in the Counties and elsewhere.** In fact, the General Assembly granted the Counties "seats at the table" to prevent the City from looting the Authority, and using the sale of the Authority's assets as its own municipal piggy

bank, by enacting Section 5610(a.1).[108]

The decision of the Commonwealth Court was appealed to the Pennsylvania Supreme Court.

E. Pennsylvania Supreme Court Agrees to Hear Appeal of Commonwealth Court Ruling But Chester's Bankruptcy Filing Pauses Appeal

In April 2022, the Pennsylvania Supreme Court agreed to hear the case.[109] The high court would ultimately decide whether the Commonwealth Court's majority ruling should be affirmed or overruled. The appeal was fully briefed and oral argument before the Pennsylvania Supreme Court was set for November 30, 2022. However, on November 10, 2022—on the eve of oral argument in the Commonwealth's highest court after three years' worth of litigation—the Receiver for the City of Chester filed a petition in a federal bankruptcy court on behalf of the City of Chester and immediately sought to stay the appeal in order to prevent the Commonwealth's highest court from resolving the issue of whether the City could unilaterally terminate the CWA's existence.[110] On November 17, 2022, the Pennsylvania Supreme Court indefinitely paused the appeal because of the bankruptcy filing.[111] Why did the Receiver pull the case from the Pennsylvania Supreme Court before it could hear argument on the critical issues concerning ownership of the CWA?

Unredacted emails recently obtained by the CWA show that, for years prior to the bankruptcy filing, the DCED's plan had been to force a sale of the CWA through a federal bankruptcy court rather than allowing the issue of the CWA's ownership to be decided by Pennsylvania's own state courts. In emails dated October 29 and 30, 2020 (just days after the email exchange between the Receiver and Aqua/Essential CEO Franklin discussed above), DCED Chief Counsel Adams emailed DCED Special Counsel Teplitz to tell him that the "Gov Office is requesting a clear plan on next steps" for the City of Chester. Adams advised Teplitz that "it must be a bankruptcy," explaining: "A bankruptcy may then lead to a 'grand bargain' as referenced because **the CWA would be leveraged**

to negotiate or run the risk the U.S. Bankruptcy Court would decide their fate."

F. Chester's Receiver Continues to Pursue a Sale of the CWA Through Bankruptcy Court Proceedings

Having diverted the issue of the CWA's ownership away from Pennsylvania's highest court, on August 26, 2024, the DCED-appointed Receiver (now Vijay Kapoor) filed a proposed Plan for the Adjustment of Debts of the City of Chester in the bankruptcy court.[112] The Receiver states in his Plan of Adjustment that he is seeking to terminate the CWA, dissolve the CWA's board, and initiate an RFP process for the CWA's assets, with the City receiving all of the sale proceeds.[113] The Plan of Adjustment would also give the Receiver—appointed by a Pennsylvania court at the behest of a Pennsylvania executive branch agency[114]—"the right to commence or remove to the Bankruptcy Court any litigation regarding the dissolution of [the CWA] and the reversion of its assets to the City."[115] Simply put, the Plan would dissolve and liquidate the CWA to help settle the City's debts.

The Receiver seeks all of this despite the fact that exactly none of the CWA's assets are owned by the City, purchased by the City, financed by the City, or titled in the City's name.[116] Instead, the purported "Water Assets" identified in the Receiver's Plan are owned outright by the CWA, held in trust pursuant to the Pennsylvania Constitution's Environmental Rights Amendment, and were acquired with revenue generated by ratepayers across 37 municipalities and two counties. Those ratepayers funded more than $390 million in infrastructure and facilities development—value that the City has sought to usurp for itself.[117]

The same day the Receiver filed his Plan of Adjustment (August 26, 2024), the Receiver posted a presentation on Facebook in which he stated to the public at large that "Chester has ownership and control of the Chester Water Authority" and that the CWA is an "asset" of the City which is "on the City's books."[118] After refusing to comply with a Right-to-Know Law request for the "books" listing the CWA as an asset of the City, Pennsylvania's Office of Open Records ordered the Receiver to produce the "books" to the extent they exist. In response, the Receiver was not able to produce any document listing the CWA as an asset on the City's books.[119] Why would the Receiver make this public claim of "ownership and control" without evidence to support it?

While the Receiver was making bald claims of ownership of the CWA, the CWA was working on getting that issue back to the Pennsylvania Supreme Court. On September 25, 2024, the CWA filed a motion asking the bankruptcy court to return the CWA's pending appeal to the Pennsylvania Supreme Court.[120] The motion was successful—on November 20, 2024, the bankruptcy court issued an order allowing the CWA's appeal to proceed to the Pennsylvania Supreme Court.

Nevertheless, the Receiver continued pushing ahead with his plan to seize and sell the CWA despite the bankruptcy court's order—apparently continuing to pursue the "grand bargain" referenced in DCED emails back in 2020, whereby "the CWA would be leveraged to negotiate or run the risk the U.S. Bankruptcy Court would decide their fate." Despite agreeing to let the state's highest court decide the issue of ownership, the Receiver continued taking efforts to see that the CWA would be "leveraged" at the expense of its water customers. For example:

- **The Receiver issues a request that "prospective proposers" bid on the CWA, including for-profit water companies:** On November 20, 2024 (the same date as the bankruptcy court order), the Receiver issued a Request for Qualifications (RFQ) in order to effectuate his plan.[121] Indeed, rather than waiting for the Pennsylvania Supreme Court to rule, the Receiver issued the RFQ to provide "Prospective Proposers" an "opportunity to formally express their interest in bidding on a sale, lease or other form of monetization … of some or all of the

City's [a]ssets," which purported to include "the City's ownership rights to the water assets … currently held by the [CWA]."[122] The RFQ sets up a procurement process whereby the City will identify qualified prospective purchasers, after which final and binding proposals will be submitted. **Final bid proposals are to include bids from private, for-profit water companies.**[123] The Receiver has refused to disclose the names or even number of those parties interested in the RFQ. The selection process is also shrouded in secrecy. The "selection committee" will work behind closed doors, with its unknown members bound by nondisclosure agreements.

- **The Receiver pushes for release of confidential CWA documents to RFQ bidders:** At the request of the Receiver, the bankruptcy court has allowed the bidders in the RFQ process to access a multitude of CWA documents and materials that are confidential and critical to the CWA's operations.
- **The Receiver's attempts to force a sale of CWA, combined with actions of Aqua, result in downgrade in CWA's credit rating:** In light of the Receiver's Plan of Adjustment, Moody's downgraded the CWA's credit rating. Prior to the DCED's efforts to force its sale, the CWA maintained a strong credit rating of Aa2 from Moody's. In June 2025, however, the CWA's credit rating was downgraded as a result of the Receiver's Plan of Adjustment (specifically referenced in Moody's letter downgrading CWA's creditworthiness) seeking to transfer the CWA's operations and debt to the bankrupt City, which has no creditworthiness whatsoever.[124] This has resulted in higher borrowing costs that are adversely impacting the CWA's ability to keep its rates down. Over 80% of the CWA's customers live outside the City of Chester, but all of its ratepayers are now being affected by the DCED-backed actions

of the City's Receiver. The other factor noted by Moody's was decreased water use by "a major wholesale customer," namely, Aqua, as acknowledged by the Receiver.[125] The downgrading of the CWA's credit rating is among the latest consequences of a campaign stretching back nearly a decade to force a sale of the CWA. Why would the DCED pursue actions that are increasing costs for hundreds of thousands of Pennsylvania residents who rely on the CWA for their drinking water? How does interfering with and seeking to dissolve a well-run, non-profit water authority benefit Pennsylvania residents?

- **CWA is forced to raise rates to offset higher borrowing costs due to credit rating downgrade:** In October 2025, the CWA sent a letter to its ratepayers notifying them of an emergency rate increase of 14%.[126] The CWA explained:

> The City of Chester's state-appointed Receiver, supported by the Department of Community and Economic Development (DCED), filed a bankruptcy plan of adjustment (POA) that could transfer CWA's operations and debt to the City of Chester if his plan is approved. The City of Chester is bankrupt with no credit worthiness whatsoever. As a result of this plan, Moody's placed CWA's historically strong Aa2 credit rating under review and has now downgraded our rating. This downgrade made it significantly more difficult for us to secure loans at favorable interest rates. The plan has also caused harm to our ability to use our funds as effectively as possible in our operations and interfered with our ability to obtain low-cost financing.
>
> Over the last year, CWA made refinancing requests to several major financial institutions as well as the FDIC who holds our current 2022 bonds, and they all declined to provide refinancing because of the threat of a takeover of CWA by the City of Chester. If we had found ourselves unable to refinance our 2022 Water Revenue Bonds, we would have been forced to double rates before the end of the year in order to cover a large payment due in 2026.
>
> Fortunately, after extensive efforts by CWA's board and leadership, we secured financing through a specialty lender. Because the City of Chester continues its plans to assume CWA's obligations in the bankruptcy court, the lender priced the loan at roughly twice the rate

> we would otherwise have qualified for. To cover these higher borrowing costs, ongoing inflation, and more than $1.7 million in unpaid water bills from Crozer Hospital (now closed following bankruptcy) and the City of Chester, we will implement a 14% rate increase effective January 1, 2026.
>
> Please be mindful, if the City's efforts to take over and monetize CWA eventually succeed, rates will continue to rise much more aggressively, threatening the quality, reliability, sustainability and affordability of the water our customers have enjoyed for over 80 years.
>
> Over 80% of CWA's customers live outside the City of Chester, but all ratepayers are and will continue to be affected by the City's actions, which are aimed at resolving the City's longstanding financial problems at your ongoing expense.

- **Receiver calls language in CWA's letter to ratepayers "lies" but cannot say what is false about it:** The Receiver has repeatedly used his taxpayer-funded communications platform—Municipal Financial Recovery Advisory Committee (MFRAC) meetings—to disparage the CWA and baselessly accuse the CWA of lying. In one instance on October 14, 2025, the Receiver publicly posted his MFRAC presentation which stated: "Time and time again, CWA has disparaged Chester and its financial troubles with lies and innuendos. Notice this line from CWA's letter to ratepayers:"[127] The "line" is the portion of the CWA's October letter to its ratepayers which stated: "Over 80% of CWA's customers live outside the City of Chester, but all ratepayers are and will continue to be affected by the City's actions, which are aimed at resolving the City's longstanding financial problems at your ongoing expense."[128] In the presentation, the Receiver altered the content of the CWA's letter by underlining and bolding words that were not underlined or bolded in the CWA's letter (without telling his viewers that he had made such alterations). More importantly, however, despite repeating his accusation in the press that the CWA was lying,[129] **the Receiver could not say what about this language was**

false. Rather, he referenced his efforts to silence the CWA through legal action because he believes the language is "inflammatory and disrespectful," stating: "We've asked CWA to stop doing this type of language, this type of inflammatory and disrespectful language, and we're going to ask them to stop again because it is absolutely over the line and it is absolutely disrespectful to the residents of Chester."[130]

- **The Receiver obtains a gag order from the bankruptcy court to silence the CWA's criticism over the attempts to force its sale:** As discussed above, the Receiver has falsely told the public that the City of Chester has "ownership and control" over the CWA and that the CWA is an "asset" on its "books," while also baselessly telling the public that the CWA is lying. While apparently having no qualms about his own public misrepresentations, the Receiver cannot bear to hear criticism of his ill-advised plan to "monetize" the CWA. Incredibly, rather than allowing the public to make up their own minds, the Receiver sought and obtained a gag order from the bankruptcy court in order to prevent the CWA from setting the record straight. As reported in an August 4, 2025 *Delaware Valley Journal* article, "Court Muzzles CWA While City Courts Bidders for Water System":

> A federal bankruptcy judge has ordered the Chester Water Authority (CWA) to stop publicly commenting on its legal battle with the City of Chester's state-appointed Receiver's Office over the future of the city's water system.
>
> Judge Ashley M. Chan told the CWA earlier this summer that she did not want "any comment being made about the sale or the plan" because it could negatively affect the bidding process.
>
> "So, don't do it, period," she said.
>
> The judge's gag order does not apply to the Receiver's Office, which has begun soliciting bids for the water system.

> . . . .
>
> Frank Catania, an attorney for the CWA, declined to comment due to the judge's order. "I'm not allowed to talk about the Receiver at all," he told DVJournal.[131]

The CWA proceeded to file an appeal of the gag order in federal court.[132]

- **Displeased with the CWA's letter to ratepayers and its appeal the gag order, the Receiver unsuccessfully seeks an order from the Commonwealth Court to remove the CWA's board and audit its finances:** When the CWA sought to appeal the gag order, the Receiver publicly criticized the CWA's efforts to exercise its free speech rights and called for an investigation of the CWA's legal expenses. At his October MFRAC meeting, the Receiver complained: "CWA has filed motion after motion and has actually expanded its legal team with high-priced out-of-town attorneys. They have hired a boutique first amendment firm out of D.C. to litigate this. . . . I say this because it's a concern of ours. Lawyers are not cheap. . . . We're asking for how much you're spending on this."[133] The Receiver then proceeded with a filing in the Commonwealth Court seeking to remove the CWA's board and demanding financial information from CWA. On December 23, 2025, however, the Commonwealth Court sustained the CWA's objections and rejected the Receiver's demands, finding that Delaware and Chester County were necessary parties in the litigation and had not been included by the Receiver.[134]
- **In response to the CWA arguing against the imposition of a gag order, the bankruptcy judge tells the CWA's counsel that the City of Chester has the right to "annihilate" the CWA:** On February 12, 2025, during oral argument regarding whether the CWA should be subject to a gag order, the bankruptcy court told counsel for the CWA that it believed the City

of Chester, "as the debtor in this Court," had the "right" to cause the CWA's "annihilation":

> MR. KENT (counsel for CWA): I'm not treating this lightly at all, because I think it's a significant issue about the Court's jurisdiction. The legal argument is a Tenth Amendment argument, and it's an argument under Section 903. The discovery is being sought in connection with a proposed dissolution of my client. My client is a municipal entity.
>
> THE COURT: Yeah, I understand that. And I think that, because we're sitting in bankruptcy court, even though what they are trying to do is the **annihilation of the CWA**, and I get that, **that's what they have the right to do** as the debtor in this Court. And I know you don't like it, but **they've got that right**.
>
> MR. KENT: Actually, we absolutely disagree, because the Court cannot interfere with the political and governmental operations of a municipal entity.

Notably, all of events described in the above bullet points occurred after the Receiver agreed that the issue of who owns the CWA should be decided by the Pennsylvania Supreme Court. This has resulted in the CWA incurring considerable expenses that could have been avoided. Over the course of one year following the February 12, 2025 hearing where the bankruptcy court proclaimed the City's supposed "right" to "annihilate" the CWA, there have been 319 filings on the bankruptcy court docket,[135] in addition to the Receiver's unsuccessful legal action against the CWA in Commonwealth Court described above.

The Receiver's actions raise a host of questions. For instance, why was the Receiver trying to act before letting Pennsylvania's highest court decide? Why did he seek to block the Pennsylvania Supreme Court from hearing this case for two years? Was it so the City could end up in even worse shape and even more desperate for a cash infusion? Why would the DCED and Receiver waste so much money pursuing smear campaigns and the "annihilation" of the CWA through the bankruptcy court rather than having the Pennsylvania Supreme Court decide the issue of ownership of the CWA? Was it the DCED and Receiver's plan all along to drive Chester to the brink of collapse, appeal to the sympathy of the right court by claiming urgent financial needs (while ignoring the needs of 200,000 residents to have affordable water), and then present "monetizing" water assets as the only solution? Is that the "grand bargain" discussed in unredacted DCED emails?

After more than five years under receivership, the proposed "monetization" (i.e., extracting money from ratepayers' wallets) has been the Receiver's only plan on the table. There is no Plan B. And despite the DCED's "grand bargain" apparently having been pursued at the expense Pennsylvania taxpayers and CWA ratepayers, the DCED continues to maintain a façade of non-involvement. Despite the DCED's stated position, the truth, as confirmed by unredacted emails, is that the DCED has been working behind the scenes for many years to promote a sale of the CWA to ameliorate and cover up its negligent oversight of the now-bankrupt City of Chester.

G. Pennsylvania Supreme Court Overturns Commonwealth Court Ruling and Finds that Chester Cannot Unilaterally Seize and Sell the CWA

On January 21, 2026, the Pennsylvania Supreme Court issued an opinion deciding the issue of whether the City of Chester has the unilateral authority to seize and sell the CWA (as the Receiver has repeatedly claimed). In reversing the Commonwealth Court, the Pennsylvania Supreme Court concluded that the City does not have that authority.

The Supreme Court's majority opinion explained its application of the relevant law (Section 5622(a) of the Municipality Authorities Act) as follows: "Municipalities that seek to wield Section 5622(a)'s conveyance power may only do so insofar as the targeted projects for acquisition are of a present character that the municipalities have the power to establish, maintain or operate. In the context of this case, this means that City no longer possesses the unilateral power to acquire CWA's projects under Section 5622(a). In order to acquire CWA's projects, City, Chester County and Delaware County, the legislatively designated municipalities that share governance over the CWA, are now the 'proper authorities' referred to in Section 5622(a) who may demand conveyance of CWA projects under that provision. Consequently, we reverse the order Commonwealth Court."[136]

Despite this ruling by the state's highest court, the Receiver is continuing to pursue his goal of seizing and selling the CWA. The Receiver continues to assert that Act 73 is unconstitutional. As previously discussed, Act 73 was passed unanimously by the Pennsylvania General Assembly in 2012 and it granted Delaware County and Chester County (where most of the CWA's water infrastructure and customers exist) the power, along with the City of Chester, to appoint CWA board members. As a result of Act 73, three board members are appointed by Delaware County, three members are appointed by Chester County, and three members are appointed by the City of Chester, for a total of nine board members. The Receiver alleges that Act 73 was "unconstitutional special legislation" that was intended to undermine the City's influence over the CWA. The Receiver also claims that the constitutionality of Act 73 was not an issue before the Pennsylvania Supreme Court—despite the fact that the Supreme Court based its decision on the understanding that Chester County, Delaware County and the City of Chester all share in the governance of the CWA.[137]

We should not wait to see if the Receiver's plan becomes a reality, nor should we wait for the courts to save the CWA. As members of the public and ratepayers, we must increase pressure on all of our state lawmakers. Our elected officials' inaction by "waiting for the courts to decide" is no longer an excuse. Our lawmakers must take back the power for their people—now.

H. Litigation is Simply Not Enough

Incorrect judicial decisions—like the Commonwealth Court's majority decision in 2021 (ultimately overturned) and the bankruptcy court's assertion that Chester can "annihilate" the

CWA—make clear that CWA ratepayers should not rely on courts to protect their interests. All the courts can do is attempt to apply and interpret the laws that legislators pass. If there is a lack of clarity in a law, it is up to the lawmakers to clarify with additional legislation.

Because of activism of CWA ratepayers, legislation was introduced to the Pennsylvania House. HB 2597 was introduced by State Representative John Lawrence (PA-13) in July 2020. HB 2746 was introduced by State Representative Christina Sappey (PA-158) in August 2020. Both of these bills were referred to the Consumer Affairs Committee. **However, both bills died in committee without ever being brought up for a vote at the end of the 2020 legislative session.**

Unredacted emails show that—consistent with its plan to force a sale of the CWA—the DCED opposed the bi-partisan efforts to save the CWA through the bills sponsored by Representatives Lawrence and Sappey. In September 2020, Leigh Walter (DCED Acting Director of Legislative Affairs) emailed DCED Special Counsel Robert Teplitz with the DCED's analysis of HB 2597 and HB 2746. In the memos attached to the email, **the DCED's recommended position as to both bills was "Oppose."**

In the 2021 legislative session, Representative Sappey reintroduced her bill (now named HB 144) and Representative Lawrence reintroduced his bill (now HB 97). HB 144 proposed a water ratepayer bill of rights allowing ratepayers to have the ability to voice issues they may have with a possible water utility acquisition.[138] The bill would have also required water and wastewater utilities to publish an annual report with information regarding average residential billing amounts in order to prevent utilities from inflating their costs to the residential consumer.[139] HB 97 would have required ratepayer approval prior to the sale a publicly managed utility in the Commonwealth.[140] Other states, including neighboring New Jersey, require voter input prior to the sale of a publicly managed utility.[141] In addition, State Senator John Kane (SD-9) introduced a companion bill to

Representative Sappey's bill in the Pennsylvania Senate, SB 452.[142] **Again, however, these bills died in committee without ever being brought up for a vote.**

In May 2021, a bi-partisan hearing co-chaired by Representative Lawrence, a Republican, and Representative Leanne Krueger (PA-161), a Democrat, drew attention to Section 1329 of Title 66 (better known as Act 12). It was proposed that the law should be amended to pertain only to distressed water systems—not healthy systems like the CWA. Indeed, for years, state lawmakers have been rallying behind the CWA and proposing new legislation to help save it. It is a cause that has been supported by lawmakers in both the Democratic and Republican parties. Yet, to date, no such legislation has been passed. Instead, proposed legislation for water rights has been left to languish in Harrisburg's legislative "committees" until expiration of the legislative term. Meanwhile, Act 12 remains the law of the land.

So, what is Act 12? Act 12 is a Pennsylvania law passed in 2016 which created a predatory pricing scheme allowing for-profit utilities to aggressively bid and acquire well-run and financially healthy public water and wastewater systems. The Pennsylvania Municipal Authorities Association has explained[143] how Act 12 has allowed companies like Aqua to "bid up the purchase price for any system they are interested in acquiring" with the effect of "cutting any competing non-profit Municipal Authority out of the running." Ultimately, the purchase price arrived at through the Act 12 process could be two to four times the "book value" of the water system. And, as long as the purchase price is less than the average of two appraisals, the PUC is required, under the current law, to recognize the purchase price in the customer rates of the purchasing company.[144] As a result, customer rates are increased to allow the company to recover 100% of its investment "plus a reasonable return on the investment" (rules that also apply to any subsequent improvements made to the system). The ratepayers end up fully funding the purchase so that companies like Aqua can go on to enjoy staggering profits.

There is no requirement that the purchasing company ever reduce the increased rates; to the contrary, the company can continue to raise the rates of those same customers in order to, for example, fund purchases of other systems "in the same rate zone" despite the fact that "the customers of the previously acquired system receive no direct benefit from the new acquisition." The water company can also pass along to its other customers any portion of a purchase price that the company could not recover from the "initial tariff" rates at the time of the closing on the purchase (an impact that is seen in the company's first "base rate case" with the PUC after closing). Thus, customers not only pay for a water system's infrastructure in their mortgages (through "tapping" or "capacity" fees) but, under Act 12, customers are required to pay for it all over again to offset the water company's acquisition expenses—and then, of course, the customers continue to pay, in perpetuity, as the for-profit water company routinely increases rates and continues reaping massive profits.

In the 2023-2024 legislative session, several bills were introduced to amend the Act 12 process. However, not all of these bills are designed to actually solve the problems created by Act 12 and save the CWA.

Specifically, Rep. Robert Matzie (D) has proposed a four-bill package (HB 1862 – HB 1865) that pays lip service to reforming Act 12, but in reality, protects the core interests of for-profit water companies, including their power to take over a non-distressed water authority without approval from ratepayers. To be clear, Rep. Matzie's bills do not repeal Act 12. They do not include a ratepayer referendum or otherwise allow customers to vote on the sale of their public water/sewer system. They do not limit acquisitions to distressed systems only, thereby taking healthy systems, such as the CWA, off the table. They do not provide real transparency such as requiring reports and public meetings with accurate information about the impact of a sale. And they do not require an independent financial review of proposed water/sewer acquisitions. **Essentially, Rep. Matzie's bills provide ratepayers with nothing more than an opportunity to complain at hearings on proposed acquisitions.**

Compare Rep. Matzie's bills with other recent bills introduced by Pennsylvania legislators from both sides of the aisle that are receiving less attention than Rep. Matzie's:

- Rep. Matzie's bills DO NOT include any provisions for a ratepayer referendum or any other procedure for ratepayers to stop a proposed sale of their public water and/or wastewater systems.
    - Other bills, however, do:
        - Rep. Lawrence's (R) HB 626, proposed 66 Pa.C.S. §§ 1329(d)(vi), 1329(d)(3)(revision), 1329(d.1).
        - Rep. Sappey's (D) HB 1205, proposed 66 Pa.C.S. §§ 1329(d)(vi), (d)(3)(revision), 1329(d.1).
        - Sen. Kane's (D) SB 432, proposed 66 Pa.C.S. §§ 1329(d)(vi), (d)(3)(revision), 1329(d.1).
        - Sen. Kane's SB 866, repealing § 1329 (like Rep. Lawrence's HB 627).
        - Rep. Krueger's (D) HB 1308, adding 66 Pa.C.S. § 1329(f.1) re limitation on use of procedure under § 1327 (re acquisition of water and sewer utilities).
    - Although Rep. Matzie's HB 1862 does provide for a hearing process, there is nothing in the proposed legislation that governs the form, content, or procedure for any such "hearings," let alone any mechanism for the public to stop a proposed sale.
        - The original text of 66 Pa.C.S. § 1327(c) (which is presently on the books) provides for discretionary hearings: "The commission may hold such hearings on the application as it deems necessary."
        - Rep. Matzie's proposed amended provision provides that the commission "shall schedule and conduct at least two public hearings" on the proposed acquisition.
- Rep. Matzie's bills DO NOT include a "Water Ratepayer Bill of Rights" regarding privatization.
    - Others do:
        - Rep. Sappey's HB 1205, proposed Chapter 20 to 66 Pa.C.S. re "Water Ratepayer Bill of Rights" re privatization

        - Sen. Kane's SB 432, proposed Chapter 20 to 66 Pa.C.S. re "Water Ratepayer Bill of Rights" re privatization.

- Rep. Matzie's bills DO NOT include Independent Fiscal Office Documentation.
    - Rep. Lawrence's HB 629 does: see proposed addition of 66 Pa.C.S. § 1329(f.1).

- Rep. Matzie's bills DO NOT include a repeal of Act 12 (66 Pa.C.S. § 1329).

    - Others do:
        - Rep. Lawrence's HB 627 seeks to repeal the entirety of the existing Pa.C.S. § 1329.
        - Sen. Kane's SB 866, repealing § 1329 (like Rep. Lawrence's HB 627).

- Rep. Matzie's bills DO NOT provide transparency around the process to pay appraisers used to value municipal water and wastewater systems.

    - Rep. Lawrence's HB 628 does: it modifies 66 Pa.C.S. § 1329(b)(3) to allow for valuation expert fees to be based on an hourly rate deemed reasonable by the commission, as opposed to the current text that states it shall not exceed "5% of the fair market value of the selling utility or a fee approved by the commission." The proposed amendment would also require supporting documentation from the expert to the commission for each hour billed, in a form determined by the commission. In short, Rep. Lawrence's proposed amendment would provide transparency around the process to pay appraisers utilized to value municipal water and wastewater systems.

Pennsylvania's ratepayers deserve more than simply a right to complain about skyrocketing water bills caused by corporate privatization. Let your elected officials know where you stand by contacting them through our simple tool available at https://chesterwater.com/savecwa/contact-your-representatives/.

VI. More Shadowy Dealings in the Scheme to Sell the CWA

A. Misrepresentations to Lawmakers

The DCED has repeatedly advanced inconsistent positions regarding the attempt to seize the CWA, often saying one thing in public and the opposite in private.

As stated, in April 2020, former Governor Wolf declared a Fiscal Emergency for the City of Chester. Pursuant to that declaration, former Secretary of the DCED, Dennis Davin, filed a

Petition for a Receiver for the City of Chester in the Commonwealth Court captioned, *Davin v. City of Chester*, No. 336 MD 2020. Davin is the only Petitioner in the case, in which several filings have been made advocating for the sale of the CWA. Despite clear statements advocating for the sale of the CWA, the DCED has been telling the legislature a different story, claiming that it has not taken any position on the sale of the CWA.

The DCED produced documents in response to public records requests, including a draft report dated March 28, 2018[145] and a final report dated May 4, 2018[146] by the City of Chester's Act 47 Coordinator (which the DCED oversees) concluding that "Chester must explore the monetization of municipal assets including a potential transaction involving Chester Water Authority." In addition, the Receiver for Chester (overseen by the DCED) has filed several documents in Davin's case in the Commonwealth Court advocating for the sale of the CWA, specifically stating, for example:

(a) that "the City has little choice other than to explore the potential sale or lease of" its water system and parking system;[147]

(b) "I fully support the City's ongoing litigation to establish its sole ability to repossess the assets of the Chester Water Authority";[148]

(c) "Section 706(a)(5) of Act 47 specifically empowers the Receiver 'to require the distressed municipality or authority to cause the sale, lease, conveyance, assignment or other use or disposition of the distressed municipality's or authority's assets'";[149]

(d) "The Receiver hereby directs the City to continue litigating for its ability to repossess and sell the assets of the Chester Water Authority";[150] and

(e) that "[m]onetizing the Chester Water Authority . . . is a key component of Chester's path forward and permanent recovery because it would bring a significant amount of money into the City."[151]

These statements by the DCED between 2018 and the present make clear that the DCED has been advocating for the sale of the CWA to its private water friends for several years.

Despite the foregoing statements by the DCED, former Secretary Davin has told Pennsylvania's lawmakers that the DCED takes **no position** on a sale of the CWA. On April 22, 2020, State Representative John Lawrence, co-authored a letter to Davin, which, among other things, expressed concern that the "DCED may attempt, under the guise of [former Governor Wolf's April 13, 2020 declaration of] Fiscal Emergency, to step in and order a sale of" the CWA.[152] The letter also asked Davin whether such a sale had been contemplated by the DCED or its agents, and what conversations had taken place between the DCED and potential buyers.

In response to the legislators' April 22nd letter, Secretary Davin did not answer the questions asked. Rather, he asserted: (1) that the Governor and Act 47 Coordinator maintain that "the water system is owned by the Chester Water Authority"; (2) that "[t]o the best of our knowledge, at least as far back as 1995, neither DCED nor the Act 47 Coordinator has ever promoted a sale of the Authority or any of the City's assets"; and (3) that "we have only ever advised, and continue to advise, the City to retain its own counsel and professionals in order to help the City formulate its own legal positions with respect to the Authority."[153] While Davin crafted his words to avoid answering the questions asked, the impression he intended to convey was clear: the City was making its own independent decisions about pursuing a sale of the CWA, and the DCED was not involved in those efforts.

On February 22, 2021, Representative Lawrence questioned Davin about his reply letter which, as stated, included the assertion that "neither DCED nor the Act 47 Coordinator for the City of Chester has ever promoted a sale of Chester Water Authority."[154] Representative Lawrence pressed Davin to explain the obvious contradiction between the Act 47 Coordinator's 2018 reports promoting a sale of the CWA's assets and Davin's denial of any such promotion. All Davin would say, over and over, was that he had no response and would "have to get back to you."

Following the exchange, DCED Chief Counsel Mike Adams complimented Davin on his evasive tactics:

> Dennis, way to hang tough. The partisan politics are shameless. But you are a very cool customer.
>
> The Chester Water Authority was a trap question. You were very wise to defer to a mere specific response. Frankly, it is detail below the Secretary level more for Local Govt. and Legal. I have already sent Neil [Weaver] more detail under separate cover and am prepared to draft a response.
>
> The statement he quoted from the letter that DCED never "promoted" the sale of the Chester Water Authority is true and accurate. The gentleman is playing semantics and word games.

Then, in deciding how to answer the questions posed by Representative Lawrence, Adams, as DCED Chief Counsel, offered his advice in emails dated February 24 and 25, 2021. In response to Representative Lawrence's question as to whether the DCED has consulted with the Governor regarding the potential sale of the CWA, Adams advises: "Do we even want to dignify this with any response? My instinct is we ignore this question." Adams then decides: "Rather than responding to 4 separate questions let's package this into one statement ignoring questions #2 and #3."

Consistent with Adams' approach, Davin offered the following response to Representative Lawrence in a letter dated March 8, 2021, effectively doubling down on his contradictions:

> **Question:** The Representative asked DCED's position on the sale of the Chester Water Authority and stated that DCED contradicted a letter saying DCED did not advocate for its sale.
>
> **Response:** DCED has not taken any position on a potential sale of the Water Authority. DCED is aware of several proposals which have been initiated by other parties including one between the Water Authority itself and the City. However, DCED has consistently stated that the Chester Water Authority owns the water system. Therefore, any sale of the system will ultimately be a decision made by the Authority. Moreover, the Commonwealth Court is currently considering a case which will likely determine the City's legal interest in the Water Authority. DCED has advised the City over time to rely on their own counsel and professionals, which they have done.[155]

The DCED wants to have it both ways by taking one position regarding a sale of the CWA with the courts, and then pretending the agency never took that position when answering the legislature's questions.[156]

On December 3, 2024, CWA Solicitor Francis Catania wrote to DCED Secretary Rick Siger, who replaced Dennis Davin as Secretary of the agency in 2023.[157] The CWA's Solicitor asked Siger some simple questions: Does the DCED stand behind its official, historic and public position that the CWA is owned by CWA? Or is it now the official position of the DCED that the City of Chester has "ownership and control" of the CWA as the Receiver for the City of Chester has baldly claimed to thousands of Chester citizens and other interested stakeholders? If the DCED's position is the latter, what led to the change in official policy, when did this official policy change occur, and what is the Governor's position on the DCED's changing policy?

By letter dated December 30, 2024, Secretary Siger responded. Despite former Secretary Davin having expressed the DCED's position on ownership of the CWA during ongoing litigation in the past, Siger asserted: "Given the ongoing litigation, it would be inappropriate for DCED to comment on the ownership issue at this time." However, like his predecessor, Siger professed the independence of the Receiver for the City of Chester, stating: "[A]lthough Act 47 mandates that the Secretary of the Department establish the compensation of the Receiver and although his compensation and expenses are paid by the Commonwealth, Receiver Doweary is independent from the Department. He has his own staff, consultants, and legal counsel. The Department does not dictate his legal and policy positions."

Why is the DCED being allowed to avoid transparency in these matters? To whom is the DCED accountable?

B. Evidence of Conflicts of Interest

There seems to be a pattern of the City of Chester retaining, as its counsel, attorneys who also represent either Aqua or the DCED Receiver. The question is: Who is representing the interests of the residents of Chester?

1. City of Chester Retains Aqua's Attorneys

As stated, Aqua previously sued the City of Chester and the CWA, trying to force the sale of the CWA to Aqua. Aqua has routinely used the law firm Ballard Spahr to represent Aqua in corporate matters including as attorneys: (1) in the issuance of $900,000,000 in Senior Notes due 2029 and 2049;[158] (2) in the issuance of 6,000,000 shares of common stock;[159] (3) in the issuance of up to $500,000,000 aggregate of common stock[160] and preferred stock; and (4) advising on environmental, social and governance disclosures made in Aqua's ESG report, proxy statement, and Form 10-K.[161]

Now Ballard Spahr represents the City of Chester, having entered its appearance for the City in litigation against the CWA,[162] and is providing its representation under a contract up to $3.8 million as of June 2023.[163] In addition, the City, with Aqua, is conducting litigation against the CWA.[164]

Trying to get information about these relationships, Right-to-Know Law requests were sent to the City of Chester requesting documents showing invoices received and amounts paid to law firms, which would include Ballard Spahr. Incredibly, the City of Chester has stated that no invoices exist, despite records showing that Ballard Spahr received over $200,000 from the City just for the time period July to December 2020.[165]

Right-to-Know Law requests also revealed emails dated August 13, 2020 and August 15, 2020 between Ballard Spahr, the DCED, Act 47 Team, the Receiver and the City, talking about the sale of the CWA to Aqua. With the encouragement and blessing of the DCED, on August 13, 2020, the City hired Ballard Spahr to sell the CWA (ignoring Judge Angelos' Order that the City alone could not sell the CWA). The fee agreement sets an October 15, 2020 deadline for signing the agreement to sell the CWA to Aqua.[166] Note page 2 of the fee agreement where the City waives conflicts of interests.[167] This agreement between the City and Ballard Spahr was negotiated and executed under the DCED's supervision while both the DCED and Receiver were saying publicly that no decisions had been made about selling the CWA. Additionally, as stated, former DCED Secretary Dennis Davin told lawmakers in February 2021 that he did not know what was going on regarding the sale of the CWA to Aqua—all the while, his employee, the Receiver, was orchestrating the City's hiring of Aqua's lawyers to help with a forced sale of the CWA.

Who is representing the interests of the residents of Chester if the attorneys for the City government and Aqua are the same? How can the City pay a law firm over $200,000 without having any invoices for what they are paying for? There are a lot of questions to be answered about how Aqua's corporate attorneys came to now represent the City of Chester in CWA-related litigation, after Aqua itself sued the City over the CWA. How much control does Aqua have over the City?

2. Receiver Retains City of Chester's Attorneys

In 2012, the City of Chester retained John P. McLaughlin and his then law firm (Ballard Spahr) to represent it in matters related to, among others, the arbitrations and appeals of the arbitration awards in favor of the police and firefighter pensions.[168] The City, with Mr. McLaughlin as counsel, did not appeal those awards. The Receiver now claims that those awards, and the failure to meet the payments under them, is what has caused much of the City of Chester's fiscal crisis.[169]

Yet, it appears that after the Receiver was appointed on June 22, 2020, he hired as counsel the very same lawyers that represented the City in 2012: Mr. McLaughlin, and his law firm, Campbell Durant,[170] under a contract up to $1.7 million as of May 2023.[171]

Making matters even more complicated is that Campbell Durant was representing the City in matters that pre-date the Receiver, and appears to have continued to represent the City and be paid by the City since that time.[172]

How can the same law firm represent both the City of Chester and the Receiver? Who is representing the interests of the residents of Chester if the attorneys for the City government and the DCED's Receiver are the same?

C. Evidence of Improper Offer of Multi-Million Dollar Payment

The Receiver's December 2, 2020 Status Report revealed that City of Chester officials proposed a **budget that relied on a $12 million payment from Aqua** to the City for the sale of the CWA's assets, even though no such sale has happened, or has even been voted on by the City. The Status Report also revealed that this $12 million payment from Aqua would be non-refundable to Aqua "unless the City sold the CWA to another entity."[173]

This $12 million payment is being offered at the same time that Aqua has asked the City to vote to sell the CWA, and at the same time that Aqua has pending litigation against the City to try to block any deal the City might reach with the CWA that would not involve a sale to Aqua.[174]

Is it legal for Aqua to propose this payment? Doesn't Aqua's offer of money appear to be in exchange for Chester voting to sell the CWA to Aqua?[175]

D. Other Questionable Dealings

Right-to-Know Law requests also revealed a collection of October 7, 2020 emails involving Aqua, the DCED, the Act 47 Team, the Receiver and the City of Chester discussing the Delaware

County Regional Water Quality Control Authority (DELCORA).[176] While Aqua has sought to purchase DELCORA, it still does not own DELCORA,[177] and DELCORA is not part of the email exchange—so why are Aqua's lawyers talking about DELCORA with the City? Note the **massive redaction** by DCED about Aqua's offer to amend the City's agreement with an entity that Aqua does not own—DELCORA.[178] What is going on here? Did the City already get money from Aqua?

Yet another shadowy transaction has emerged from Chester's bankruptcy proceedings. Buried among the listing of creditors in the bankruptcy case is an entry for the law firm of Greenberg Traurig, with a debt of $1 million owed. When asked for the documents supporting this large legal tab, Receiver Doweary claims he has **no invoices** to support the fee owed.[179] How can the Receiver list a claim for $1 million without any invoices to support the fee? The listing also states that the fee is contingent—what is the fee contingent upon? The listing further notes that the fee is disputed—how does the Receiver dispute a claim if he has not seen the invoices? What legal issue was Greenberg Traurig hired to handle where they have a nice round $1 million fee that is now disputed? We know that firm was once involved in the City's attempt to seize the CWA. Is the $1 million fee a bounty that Greenberg Traurig was unable to deliver upon, or something else? While the reasons for the $1 million fee remain unclear, it is not difficult to imagine how the residents of Chester would benefit from that money if it were spent for the public's interest.

E. The Public Deserves Answers

Most Pennsylvania businesses are in the marketplace every day struggling to sell their product or service, keeping a watchful eye on their expenses and competing against other businesses who try to compete for the same customers. This is the harsh competitive reality facing most Pennsylvania businesses.

Aqua faces no such challenges. Aqua is protected by the state government. Aqua has been awarded a monopoly from state government. Here is what that means: Aqua's customers are required to purchase from only Aqua. The state sets—really, it protects—Aqua's revenues. The state even requires Aqua's customers to pay higher rates so that Aqua earns a guaranteed rate of return on capital expenditures.[180] It is a state-guaranteed privilege to be awarded monopoly status and Aqua has this privilege.

What should state government require from Aqua in exchange for this special status? All Pennsylvanians need to learn a whole lot more about Aqua's business practices. And they deserve the truth not only from Aqua, but from the government officials who have been entrusted with representing the public's interests—not the interests of themselves and their private utility company friends.[181]

VII. If Aqua Takes Over the CWA, Water Will Be Significantly More Expensive for Ratepayers

If this seizure is successful, any ill-gotten cash raised through the wrongful seizure and sale of an authority and assets not owned by the City of Chester will have been funded not only on the backs of the residents of the City of Chester (thus putting in jeopardy their ability to have the most affordable safe drinking water), but also on the backs of the 80% of Chester Water Authority customers who are residents of Aston Township, Bethel Township, Birmingham Township, Brookhaven Borough, Chadds Ford Township, Chester Heights Township, Concord Township, E. Marlborough Township, E. Nottingham Township, Franklin Township, Kennett Square Borough, Kennett Township, Little Britain Township, Londonderry Township, London Grove Township, Lower Chichester Township, Lower Oxford Township, Marcus Hook Borough, Middletown Township, Nether Providence Township, New Garden Township, New London

Township, Oxford Borough, Parkside Borough, Penn Township, Thornbury Township (Chester County), Thornbury Township (Delaware County), Trainer Borough, Upland Borough, Upper Chichester Township, and Upper Oxford Township.[182]

It is indisputable that if Aqua takes over the CWA, water will be significantly more expensive for ratepayers. Howard J. Woods, Jr., P.E. of Howard J. Woods, Jr. & Associates, L.L.C., an expert in water utility management and rate setting, has analyzed available data on water rates and has concluded that CWA rates are significantly lower than current Aqua Main Division Rates, which are what current CWA customers would ultimately pay if the CWA system were seized and sold to Aqua. The expert concludes, among other things, that a residential customer in the City of Chester would pay annually $510 more for water provided by Aqua than that customer would pay to the CWA for the same water.[183]

Pennsylvania residents outside of the CWA's coverage area know all too well the financial pain of being an Aqua customer. Aqua has requested rate hikes for its customers "ranging from 20.49 percent in Bensalem to an 86 percent increase in Sun Valley."[184] Aqua's requests for rate increases are ongoing. In May 2024, Aqua requested that the PUC approve yet another rate increase of $126.7 million per year,[185] and in February 2025, the PUC approved a rate increase of $73 million per year for Aqua.[186] Aqua also has a long record of imposing enormous rate increases following municipal system acquisitions. For example, after Aqua acquired systems in Bensalem, Bristol and West Chester, Aqua more than doubled the rates.

Recognizing that it imposes significantly higher rates than the CWA, Aqua has attempted to address the public's concerns by using terms like "rate freeze," "rate stability fund" and "customer assistance program"—none of which offer any real solution to the problem of water unaffordability. For example, Aqua's promise of a temporary "rate freeze" is a hollow promise because Aqua does not set the rates. The Pennsylvania Public Utility Commission (PUC) does, and it is guided by a policy known as "single tariff pricing." This policy essentially requires similar customers to pay similar prices for similar services. That means if CWA ratepayers become Aqua ratepayers, they will need to pay rates similar to what Aqua charges its ratepayers—rates much higher than what they pay under the CWA.

Further, any purported "rate stability fund" would not even be provided by Aqua—it would supposedly be provided by the City of Chester (currently in bankruptcy) according to Aqua. So, to be clear, this is the very best Aqua can offer ratepayers: a non-binding "plan" by the bankrupt City's mayor—not Aqua—to "partially offset" rates over which neither the City nor Aqua have any control. Also, even if Aqua actually had the ability to promise temporary rate stability, what happens after that period of stability expires? What is to keep Aqua from imposing massive rate increases? What exorbitant rate increases would Aqua request to offset any loss of profits it sustained during a period of rate stability? It is clear that Aqua's promise of a rate freeze is temporary and will be followed by massive hikes forever.

This impact will be especially devastating on City of Chester residents, many of whom are already below the poverty line. Currently, Aqua's Main Division rates as a percentage of median household income in the City of Chester exceed what is considered affordable water under the United States Environmental Protection Agency (EPA) guidelines.[187] The EPA uses a guideline of 2% of household income to judge what is or is not affordable. Aqua Main Division rates, excluding any additional surcharges the company charges, represent 2.87% of the median household income in the City of Chester. If Aqua is successful in the litigation and takes over the CWA, the "most immediate effect," according to Food & Water Watch, "is likely to be a dramatic increase in water rates — the most predictable consequence of corporate water privatization in Pennsylvania and across the country. **The water bill burden in Chester would go from about 1.2 percent of median household income to 3.3 percent of median household income, a level generally deemed unaffordable by the Environmental Protection Agency and the United Nations.**"[188] Unaffordable water is an environmental injustice that disproportionately impacts people of color.[189] The results are devastating: "Without access to running water, families are unable to cook, bathe, clean, or flush their toilets. Additionally, families may forego medical expenses or food in order to pay their water bills."[190] People can lose their homes, lose custody of their children, and even lose their freedom, as the "inability to pay for water and sanitation services can lead to criminal charges or other legal action."[191] Recognizing this, the CWA has petitioned the Environmental Justice Advisory Board (EJAB) of Pennsylvania's Department of Environmental Protection (DEP), calling upon the EJAB to hold state-wide public hearings about water affordability.[192]

It is also clear that Aqua's "customer assistance program" will not alleviate these concerns for many reasons, including (1) the CWA's full-cost rates are lower than Aqua's rates even with the full weight of the Aqua discounts applied; (2) by Aqua's own sworn testimony, Aqua anticipates that only 25% of the income eligible population will participate in the customer assistance program, so with the Aqua customer assistance program in place and with 25% of the income eligible population participating, 22% of all households in the CWA service area would not be able to afford water (and, moreover, 44% of all Black households would not be able to afford water service – even with the discount program in effect); (3) the cost of Aqua's discount program is simply reallocated to other customers who cannot qualify for discounted Aqua rates; and (4) low-income families are more likely to be renters, and renters cannot qualify for the discounted rates (but will surely bear the pain of the higher cost of water being passed on by the landlord).[193]

In addition, large commercial and industrial customers in the City of Chester will end up paying millions of dollars more under Aqua's rates. This could drive existing businesses to leave the City if faced with such large cost increases. These much higher rates will also make the City less competitive for attracting new businesses, which is key to the City's long-term health. All of these rate increases will come with no added benefit to customers. If the DCED's handpicked Receiver seizes the CWA and sells it to Aqua, the DCED and the Receiver will be using CWA customers to extract a short-term bailout for long-running financial problems that occurred because of the DCED's failures, and in the end will only enrich Aqua shareholders. An attempted sale of the CWA is not a "win" for the City's residents or businesses.

Also, compare the purpose and track record of the CWA and Aqua. The CWA is a non-profit municipal authority whose focus is on customers and the communities in which they live. The CWA's rates are carefully calibrated to cover the cost to responsibly run the system, and nothing more. The rates cover (1) the cost to make and deliver clean and affordable water to customers, and (2) the amount the CWA must put in reserve for future capital improvements to infrastructure. Through these two channels, monies that customers pay go back into the system. The CWA is not profiting off of ratepayers, does not charge more than the cost of service, and has no incentive to charge more than needed to provide services. The CWA goes through a great deal of effort to ensure that the rates customers pay accurately reflect the cost of service, and maintains a policy of matching rates to the cost of service so that one portion of a service area is not subsiding another. By way of example, due to the City of Chester's location in the Village Green East rate zone, ratepayers in the City of Chester pay slightly lower rates than other ratepayers located in the Village Green West zone (which, due to its elevation, entails slightly higher costs for the pumping pressure required for delivery of the water).

As a non-profit, the CWA has no shareholders to which it must send profits; it does not pay exorbitant salaries or bonuses to executives, especially those tied to growing share value, dividends or earnings; it is not sitting on a growing pile of retained earnings; and it has no corporate jet or extravagant offices. The CWA does, however, have a strong credit rating,[194] and its Better Business rating is outstanding. It recently won the highest water quality award from the Partnership for Safe Water. Its infrastructure is well-maintained. It is financially sound. Its rates are far lower than the rates of investor-owned utilities like Aqua.

Aqua's focus is on delivering profits to remote corporate shareholders and institutional investors, and maximizing earnings for its executives. For example, in 2020 alone, Essential/Aqua reportedly paid its CEO, Chris Franklin, **$7.2 million** in total annual compensation.[195] The April 2021 Simply Wall St. article reporting Franklin's salary says it all: "We think that the total shareholder return of 42%, over three years, would leave most Essential Utilities, Inc. shareholders smiling. So they may not be at all concerned if the CEO were to be paid more than is normal for companies around the same size."[196] For profiteers of the earth's limited freshwater resources (comprising less than 1% of all water), a 42% return is just the beginning. Essential/Aqua has since reported a net income increase of 51.5% for 2021 alone,[197] with annual profits soaring from $284.8 million to $431.6 million in just one year. Then, the company's annual profits increased even more, totaling $465.2 million for 2022, $498.2 million for 2023, and a whopping **$595.3 million for 2024**.[198] Similarly, Franklin's multi-million-dollar compensation continues year after year, with Franklin's total annual compensation exceeding **$4.5 million** in 2022, **$7.7 million** in 2023, and **$6.2 million** in 2024.[199]

For one of the largest shareholders of the company,[200] the Canadian Public Pension Investment Board, this is great news, especially insofar as its pensioners live nowhere near the communities carrying the burden of ever-rising water costs. It is no wonder why hedge fund manager

Michael Burry (who, as shown in the 2015 film, The Big Short, made his fortune predicting the housing bubble burst of 2008) has been "focusing all of his trading on one commodity: Water."[201]

And now, it appears Big Water is getting even bigger. In October 2025, Essential announced that it is seeking to merge with American Water Works Company, Inc.—a $63 billion merger that, according to the companies, is expected to close by the end of the first quarter in 2027, subject to closing conditions and approvals.[202] American Water is already the largest for-profit water and wastewater company in the U.S.[203] This, of course, begs the question: what are the profits to be made, and what will be the costs to Pennsylvania residents, as the corporations that monopolize our drinking water further consolidate their power over it?

VIII. <u>Aqua Cannot Be Trusted to Preserve the Public's Access to the Octoraro Reservoir</u>

The CWA owns the two-billion-gallon Octoraro Reservoir. It maintains over 2000 acres of land that protects our water source and watershed. The Octoraro Reservoir and its untouched surrounding land is home to wildlife including bald eagles, herons, wild turkeys and more. From fishing and hiking to boating and kayaking, the reservoir is free and open to the community for enjoyment and recreation. The CWA even works with the Pennsylvania Game Commission to offer turkey hunting.

One of Aqua's latest tactics to steal the CWA from our community is reaching out to conservation groups that have openly supported the CWA. Aqua is weaving a tale that they will allow our community continued access to Octoraro Reservoir.

Proof, however, is in action, not in words.

This is a sampling of what was done to the reservoirs in other communities:

- Springton Reservoir, Delaware County—fenced off, no public access, fishing banned.

- Pickering Creek Reservoir, Chester County—fenced off, no public access, fishing banned.
- Churchville Reservoir, Bucks County—gated road, fishing banned.

Take the Springton Reservoir, for example. Like the Octoraro Reservoir is today, the Springton Reservoir was open to the public for decades. But this all changed after the reservoir was purchased by a for-profit water company, a company now known as Aqua Pennsylvania. After purchasing the Springton Reservoir, Aqua sold off adjacent forest land to developers and closed the entire reservoir off to the public.

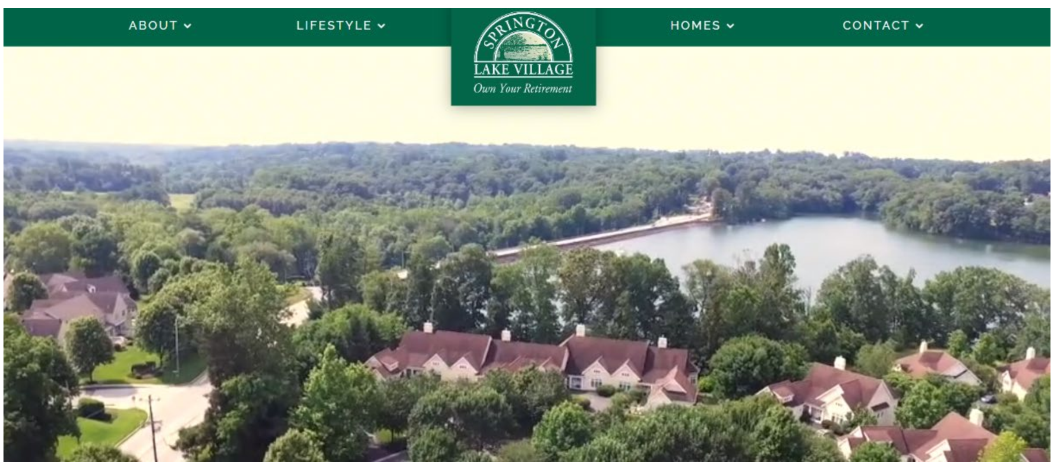
Closing Springton Reservoir was, by Aqua's own admission, a measure taken to enhance the profits of its shareholders, one that was pushed through under the guise of preventing terrorist attacks after September 11, 2001. Public access to the Springton Reservoir, including fishing and other recreational activities, had previously been allowed ever since the reservoir's creation in the 1930s. In the early 2000s, however, public access was banned completely. Around this same time, 23 acres of forest next to the reservoir were leveled and developed. In response to a public outcry over the fishing ban, Chris Franklin (now CEO of Aqua's parent company, Essential Utilities, Inc.) authored a letter to *The Philadelphia Inquirer* in 2004 in which he asserted:

> [W]e had to address increased security concerns after the Sept. 11 terrorist attacks. Although no specific threats exist, these concerns led us to take proactive measures to restrict access to our reservoirs. In addition, in today's litigious society, restricting access was also necessary to protect the company from potential lawsuits that could arise if accidents were to occur on the property. In the past, there have been several occurrences in which individuals did not comply with posted signs and injuries resulted.[204]

The reservoir still remains closed to the public, now more than two decades after 9/11. And while Aqua claimed that terrorism is the reason why people who previously enjoyed fishing, hiking, and wildlife for decades now cannot use the reservoir, **people actually live there**—right on the

Springton Reservoir, right now.

Seeking a "useful way to develop the 23 acres of forest on the reservoir," Aqua sold the lakefront of the Springton Reservoir to land developers.[205] In 2002, they created Springton Lake Village, an exclusive retirement community for seniors. It boasts 40 luxury homes that range up to over $860,000—all in a private, "serene lakeside setting" with "gorgeous views" and walking paths along the reservoir. There really wasn't a terrorist threat to the water after all. Instead, by closing the fishing area and fencing off all public access, Aqua preserved the beautiful view exclusively for Springton Lake Village residents:



Aerial view showing part of Springton Lake Village, as shown on its website. Source: https://springtonlakevillage.com/

This all comes at a cost—not just to the public who has been deprived enjoyment of the open space, but also to the land and water itself. The EPA explains: "A watershed – the land area that drains to a stream, lake or river – affects the water quality in the water body that it surrounds.… Healthy watersheds provide critical services, such as clean drinking water, productive fisheries, and outdoor recreation, that support our economies, environment and quality of life. The health of clean waters is heavily influenced by the condition of their surrounding watersheds, mainly because pollutants can wash off from the land to the water and cause substantial harm."[206]

In the case of Springton, some residents have noted what development has done to that reservoir, with one editorial pointing out: "AQUA sold off that entire adjoining watershed to the point that the only remaining 'buffer' around the Springton Reservoir is a useless narrow strip which offers virtually none of the cleansing benefits of a natural landscape. God knows how many lawn and household chemicals, automotive fluids, pesticides, herbicides, fertilizers, and bacteria from pet pies flow downhill into that lake?"[207] The editorial goes on to compare Springton's watershed with Octoraro's: "Chester Water Authority has kept its watershed open around the Octoraro Reservoir, so its water is easier and cheaper to treat. And it's better drinking water as a result." The high quality of the CWA's water is not just one person's opinion. In May 2023, it was reported that the CWA "won the jury prize for Best Tasting Water in Pennsylvania by the Pennsylvania American Water Works Association (PA AWWA)" and was "also awarded Best in Pennsylvania for the People's Choice Taste Test competition."[208] PA AWWA organizers noted "this may be the first time in the history of the competition that the same water provider won both the judge's and people's selection." These awards also come on the heels of two other water quality awards earned by the CWA in 2023 alone.[209]

Aqua's stated rationale for eliminating public access at Springton Reservoir—non-specific "security concerns" and a general desire to avoid lawsuits when individuals fail to "comply with posted signs"—is one that can be applied to any open space owned by any for-profit company, anywhere. Lawsuits obviously impact shareholder profits—recognizing this, Aqua has also banned fishing at Pickering Creek Reservoir in Chester County and Churchville Reservoir in Bucks County. If Aqua is successful in purchasing the Octoraro Reservoir, there is no reason why Aqua's rationale (which remains unchanged to this day) could not serve as pretext for turning Octoraro into a private reserve.

Facing criticism, Aqua has claimed that it would allow continued public access to the

Octoraro Reservoir if it were to acquire it. Proof, however, is in action, not in words. If Aqua is to be believed, it has many questions to answer about its past:

- Why did Aqua oppose Marple Township's efforts to rezone 25 acres along the Springton Reservoir as "open space" in 2011?[210] Did Aqua want to leave that land available for additional future land development?

- Why, in Aqua's Request for Proposal (RFP) which it submitted to the City of Chester to acquire the CWA, does Aqua not mention preservation or keeping recreational activities on the Octoraro Reservoir? Why does the RFP, instead, focus on security measures for the Octoraro Reservoir, including fences, walls, and high security gates?[211]

- Why, in Aqua's 58-page proposed Asset Purchase Agreement to take over the CWA, does Aqua not mention the Octoraro Reservoir even once?[212] And why was the proposed Asset Purchase Agreement withheld from the public, forcing the CWA to obtain it through Right to Know Requests?

- Why is Aqua pursuing a lawsuit to try to block the CWA from putting its own public assets into an environmental trust?

- And, if Aqua wants to prove that it has our community's best interest at heart, why has it not opened up the reservoirs that it owns to their local communities—take down the fences, allow fishing, and allow public access? Why doesn't Aqua place its reservoirs and watersheds into environmental trusts like the CWA has sought to do?

If Aqua wants to prove that they have our community's best interest at heart, why have they not opened up all of the reservoirs that they own to their local communities—take down the fences, allow fishing, and allow public access. Place all of the reservoirs and those land holdings into environmental trusts in perpetuity?

As with its other acquisitions such as the Springton Reservoir in Delaware County, it can be expected that Aqua will fence off the Octoraro Reservoir from the community and prohibit recreational activities. Also based on its well-documented history, it can be expected that Aqua will parcel and sell these land holdings for development.

Pennsylvanians have rights to their natural resources. The Pennsylvania Constitution, at

Article I, Section 27 (the Environmental Rights Amendment) states: "The people have a right to clean air, pure water, and to the preservation of the natural, scenic, historic and esthetic values of the environment. Pennsylvania's public natural resources are the common property of all the people, including generations yet to come. As trustee of these resources, the Commonwealth shall conserve and maintain them for the benefit of all the people."[213]

Our public natural resources are the common property of all of us as Pennsylvania residents. That is why the CWA wants to place its public assets in an environmental trust, and that is exactly why private interests are trying to stop the CWA from doing so.

IX. There Are Other Sources of Funding Available to the City of Chester Which Do Not Involve Relinquishing Control of Our Drinking Water to a For-Profit Corporation

In recent years, there have been tens of millions of dollars made available to the City of Chester—funding which does not entail a sale of the CWA. Examples include the following:

- The American Rescue Plan passed by Congress and signed into law by former President Biden unlocked more than $30 million in federal funding for the City of Chester.[214] As of June 2023, about $29.5 million of such funding has been allocated to projects while about $780,000 remains unallocated.[215]

- In 2017, when Aqua agreed to purchase DELCORA, it appears no one paid attention to a clause in a 50-year-old contract between the City of Chester and DELCORA that was triggered. That clause provides that if DELCORA goes out of business, the City, not Delaware County, gets back the sewer assets. In the transaction as currently structured, Aqua would be paying DELCORA for assets that belong **to the City**, which are estimated to be worth as much as $70 million.[216] After years of failing to pursue these assets, the Receiver is now asserting the City's rights to the assets in the City's bankruptcy proceedings.[217]

- Yet another source of additional funding for the City of Chester is $15 million that was reportedly promised to the City by the Commonwealth at the time the City agreed to the appointment of the Receiver. According to former Mayor Kirkland, the City agreed to accept the Commonwealth's help and appointment of a Receiver in April 2020 because of promises made by former Governor Wolf, and members of his administration from the DCED, that the Commonwealth would provide $15 million in assistance to Chester. Representative Lawrence questioned former DCED Secretary Davin about a December 23, 2020 Chester

City Council meeting,[218] in which Mayor Kirkland stated:

> You know, I got a call back in May, maybe early June, this is when the pandemic hit. . . . I received a call – factual information – I received a call from the Governor of Pennsylvania . . . Governor Wolf, and on that call was Secretary Davin, Secretary of DCED. Also on that call was Director Kim Bracey . . . They called and they said, "We want to help. We want to partner. We want to come in and roll up our sleeves and help Chester get back on its financial feet" . . . That's what they told me . . . And I was excited. And so I welcomed them, we welcomed them, with open arms. They said, "Not only are we coming with experience, not only are we coming with technical assistance," but they mentioned . . . $15 million of financial help. These are not things you make up or a number that you pull out of the sky. This was a conversation with the Governor of Pennsylvania and the Secretary of DCED and Director Bracey.[219]

When Representative Lawrence confronted Davin about Mayor Kirkland's specific recollection and details, and asked whether the promised $15 million payment had been made to the City of Chester, Davin denied that any such payment had been made or promised.

- As stated by the Receiver in the City's bankruptcy filings, the City was awarded a "Recompete Strategy Development Grant" in the amount of $400,000 from the Economic Development Administration, a bureau of the U.S. Department of Commerce.[220]

In sum, the City of Chester has funding available to it as well as options it can pursue to help alleviate its financial struggles. Permanently relinquishing control of our drinking water to private interests is simply not the solution.

X. Conclusion

We hope you will join us in our fight to oppose efforts to sell the CWA. Please make your voice heard by visiting https://chesterwater.com/savecwa/contact-your-representatives/ and using our simple tool to contact your elected officials.

You may also email us at info@chesterwater.com.

XI. Endnotes and Factual Support

[1] *See* https://chesterwaterfacts.com/expert-report-shows-that-aqua-rates-are-significantly-higher-than-cwas/

[2] See https://chesterwaterfacts.com/about-chester-water-authority/ for more information.

[3] *See* https://www.bbb.org/us/pa/chester/profile/utility-water-company/chester-water-authority-0241-165546953 (last visited Feb. 11, 2026).

[4] *See* https://www.chestercity.com/about/

[5] *See* https://whyy.org/articles/facing-fiscal-peril-city-of-chester-is-put-into-receivership/

[6] City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 7, Sec 2.2 ("For several years, Chester achieved significant improvement in its operating results and fund balance position due in large part to new income associated with gaming activity at Harrah's Racetrack and Casino. However, from 2013 through 2016, Chester ran operating deficits. In 2014, the City began delaying health insurance premium payments and substantial portions of its minimum municipal obligation (MMO) in order to meet payroll. To accurately portray the General Fund condition, all health care and MMO obligations are included in the expenditures, regardless of whether these expenses were actually funded in the year the expense was incurred. By the end of 2013, as the City's fund balance had dropped to $1.9 million and accelerated to over -$23.0 million by 2016, primarily as a result of outstanding pension MMO and health insurance expenses. At the end of 2016, the City defaulted on its 2016 Tax and Revenue Anticipation Note."). *See* https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894

[7] Receiver's Recovery Plan for City of Chester, at pg. 11: https://dced.pa.gov/download/chester-city-receiver- recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469

[8] *Id.*

[9] *Id.*

[10] City of Chester's 2016 Audited Financial Statements at pg. 40, https://emma.msrb.org/ER1281549-ER999684-ER1403098.pdf; 2017 Audited Financial Statements at pg. 40, https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf

[11] Receiver's Recovery Plan for City of Chester, at pg. 11: https://dced.pa.gov/download/chester-city-receiver- recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469

[12] Receiver's Recovery Plan for City of Chester, at pg. 17: https://dced.pa.gov/download/chester-

city-receiver- recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469

[13] *Id.*

[14] *See* Auditor General Jan. 4, 2019 Letter Enclosing Compliance Audit Report for the Police Pension Fund for the Two Years Ending December 31, 2017 at pg. 3: https://www.paauditor.gov/Media/Default/Reports/MunCityofChesterPPP040919.pdf ("The findings contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by city officials.").

[15] Audit Report for Two Years Ending December 31, 2017 ("Audit Report") at pgs. 10-13: https://www.paauditor.gov/Media/Default/Reports/MunCityofChesterPPP040919.pdf (noting that the City last paid the MMO in full in 2014).

[16] *Municipality of Monroeville v. Monroeville Police Dept.*, 767 A.2d 596 (Pa. Commw. Ct. 2001).

[17] Audit Report at pgs. 4, 5-8.

[18] *Id.* at pg. 5.

[19] *Id.* at pgs. 4, 9-10.

[20] *Id.* at pg. 9.

[21] *Id.* at pgs. 4, 14-15.

[22] *Id.* at pg. 5.

[23] *Id.* at pg. 6.

[24] January 19, 2012 Dissenting Opinion of Arbitrator for City of Chester in American Arbitration Association Case No. 14-360-L-01-351-11-02-ALVA-C.

[25] City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 13, Sec. 3.1, https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894 (emphasis added).

[26] Receiver's Recovery Plan for City of Chester, at pg. 15: https://dced.pa.gov/download/chester-city-receiver- recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469; *see also id.* at pg. 37, n.11 to Figure 4.6: General Fund Expenses by Category, 2019-2024 ("Though categorized as 'debt reduction,' the obligations here are not debt in the traditional sense. These are obligations carried over from prior years, like unpaid vendor bills or past due federal tax withholdings."), and pg. 40 ("Figure 4.6 shows $1.95 million in "debt reduction" expenditures in 2019 and another $4.0 million in 2020. That is not repaying debt in the traditional sense – that is paying obligations carried over from prior years, like unpaid vendor bills or past due federal tax withholdings.").

[27] Rule 15c2-12 Disclosure, dated 7/24/2017, Failure to Provide Notice That Financial Statements Would Be Delayed, https://emma.msrb.org/EP1027431-EP789684-EP1191336.pdf

[28] City of Chester's 2014 Audited Financial Statements at pg. 4, https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf; 2015 Audited Financial Statements at pg. 4, https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf; 2016 Audited Financial Statements at pg. 4, https://emma.msrb.org/ER1281549-ER999684-ER1403098.pdf; 2017 Audited Financial Statements at pg. 4, https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf; 2018 Audited Financial Statements at pg. 4, https://emma.msrb.org/P31427056-P31109013-P31519602.pdf; 2019 Audited Financial Statements at pg. 3, http://chesterwaterfacts.com/wp-content/uploads/2025/01/2019-City-of-Chester-Audited-Financial-Statements.pdf

[29] City of Chester's 2013 Audited Financial Statements at pg. 2 (Summary of Opinion Units): https://emma.msrb.org/ES1036164-ES810049-ES1211458.pdf

[30] City of Chester's 2014 Audited Financial Statements at pg. 2 (Basis for Modified Opinion) and (Emphasis of Matter Regarding Going Concern – Component Units): https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf

[31] City of Chester's 2015 Audited Financial Statements at pg. 2 (Basis for Modified Opinion) and (Emphasis of Matter Regarding Going Concern): https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf

[32] City of Chester's 2016 Audited Financial Statements at pg. 2 (Basis for Modified Opinion) and (Emphasis of Matters - Regarding Going Concern), and, at pg. 3 (Emphasis of Matters - Prior Period Restatement): https://emma.msrb.org/ER1281549-ER999684-ER1403098.pdf

[33] City of Chester's 2017 Audited Financial Statements at pg. 2 (Basis for Qualified Opinions) and (Emphasis of Matters – Regarding Going Concern), and, at pg. 3 (Emphasis of Matters – Restatement): https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf

[34] City of Chester's 2018 Audited Financial Statements at pg. 2 (Basis for Qualified Opinions): https://emma.msrb.org/P31427056-P31109013-P31519602.pdf

[35] City of Chester's 2019 Audited Financial Statements at pg. 2 (Basis for Qualified Opinions): http://chesterwaterfacts.com/wp-content/uploads/2025/01/2019-City-of-Chester-Audited-Financial-Statements.pdf

[36] City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 48, Sec. 7.0, https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894

[37] City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 48, Sec. 7.0, https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894

[38] Receiver's Recovery Plan for City of Chester, at pgs. 9, 80: https://dced.pa.gov/download/chester-city-receiver- recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469

[39] City of Chester's 2013 Audited Financial Statements at pg. 60 (-7.38%), https://emma.msrb.org/ES1036164-ES810049-ES1211458.pdf; 2014 Audited Financial Statements at pg. 61 (-18.84%), https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf; 2015 Audited Financial Statements at pg. 64 (- 9.35%), https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf; 2016 Audited Financial Statements at pg. 61 (-12.05%), https://emma.msrb.org/ER1281549-ER999684-ER1403098.pdf; 2017 Audited Financial Statements at pg. 62 (-7.2%), https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf ; 2018 Audited Financial Statements at pg. 64 (-4%), https://emma.msrb.org/P31427056-P31109013-P31519602.pdf; 2019 Audited Financial Statements at pg. 66 (-8.7%), http://chesterwaterfacts.com/wp-content/uploads/2025/01/2019-City-of-Chester-Audited-Financial-Statements.pdf

[40] City of Chester's 2011 Financial Statements at pg. 15 (Total Liabilities Government Funds $4,010,105) and pg. 62 (Total Expenditures of $40,379,0006), https://emma.msrb.org/EP1027421-ES810387-ES1211793.pdf, *compared to* 2019 Audited Financial Statements at pg. 13 (Total Liabilities Government Funds $39,949,313) and pg. 66 (Total Expenditures of $54,881,170), http://chesterwaterfacts.com/wp-content/uploads/2025/01/2019-City-of-Chester-Audited-Financial-Statements.pdf

[41] *Compare* City of Chester 2011 Financial Statements at pg. 62 (Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund for the Year Ending December 31, 2011) (Fund Balance Beginning listed as $10,418,538): https://emma.msrb.org/EP1027421-ES810387-ES1211793.pdf, *with*, City of Chester 2019 Audited Financial Statements at pg. 66 (Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund for the Year Ended December 31, 2019) (Fund Balance (Deficit) Ending listed as $(27,748,362)): http://chesterwaterfacts.com/wp-content/uploads/2025/01/2019-City-of-Chester-Audited-Financial-Statements.pdf

[42] http://chesterwaterfacts.com/wp-content/uploads/2025/01/CHESTER-CTY_AUDITED-FIN-STMTS-ANALYSIS_2011-THROUGH-2019.xlsx

[43] Chester Mayor, Thaddeus Kirkland Statement on Fiscal Emergency Declaration (Apr. 14, 2020): https://www.chestercity.com/wp-content/uploads/2020/06/2020PR_FinancialEmergencyStatement.pdf and DCED press release (Apr. 13, 2020), Wolf Administration Issues Declaration of Fiscal Emergency for the City of Chester: https://www.chestercity.com/wp-content/uploads/2020/04/Gov.-Tom-Wolf-Fiscal-Emergency-Declaration-Press-Release.pdf

[44] The April 23, 2020 Emergency Action Plan is available at: https://www.chestercity.com/wp-content/uploads/2020/06/Chester-City-EAP-Apr-23-2020-FINAL.pdf

[45] Specifically, Teplitz proposed language stating that the DCED would "review" the benefits and that the City would "work with its legal counsel to determine whether it has a legal obligation to continue providing benefits" despite having received the opinion of counsel that the City could, in fact, terminate such benefits.

[46] *See Siger (formerly Davin) v. City of Chester*, No. 336 MD 2020 (Pa. Cmwlth. June 2, 2020).

[47] Receiver's Recovery Plan for City of Chester, at pg. 40 (emphasis added): https://dced.pa.gov/download/chester-city-receiver-%20recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469

[48] Essential Utilities, Inc.—the parent company of Aqua Pennsylvania—knows the importance of friends in high places. By way of just one example, in June 2020, Pennsylvania House Speaker Mike Turzai (R-Allegheny County) left the House seat he held for nearly two decades to join Essential one day later as General Counsel for Essential's subsidiary, Peoples Natural Gas. *See* https://patch.com/pennsylvania/northallegheny/former-pa-house-speaker-mike-turzai-takes-gas-company-job. **"It was a pitch from his longtime friend Chris Franklin, CEO of Essential, that prompted Mr. Turzai to leave before his term expired."** *See* https://www.post-gazette.com/business/powersource/2020/06/16/Mike-Turzai-works-for-Peoples-Natural-Gas-house-speaker-pennsylvania/stories/202006160086

[49] *See* https://chesterwaterfacts.com/city-of-chesters-receiver-admits-mismanagement-of-the-citys-pensions-resulting-in-years-of-financial-troubles/

[50] *See* https://www.delcotimes.com/2022/11/02/chester-loses-400000-phishing-didnt-tell-receiver/

[51] *Id.*

[52] *Id.*

[53] In December 2025, the Receiver reported that the Audited Financial Statements for the years 2019, 2020 and 2021 were finally completed. The 2019-2021 Audited Financial Statements are now available at https://www.chesterreceivership.com/public-information. Only the 2018 Audited Financial Statements are currently available on the Electronic Municipal Market Access (EMMA) website. *See* "Financial Disclosures" tab at https://emma.msrb.org/IssuerHomePage/Issuer?id=18C5BE201522BBA347A13823C1B94941&type=G

[54] *In re: City of Chester, Pennsylvania*, No. 22-13032 (Bankr. E.D.Pa.), Docket No. 6 ¶ 45.

[55] *Id.* at pg. 30.

[56] Receiver's Recovery Plan for City of Chester: https://dced.pa.gov/download/chester-city-receiver-recovery-plan-%202020-08-20/?wpdmdl=103816&ind=1597957980469, at pg. 9 ("As noted earlier, the potential use of asset sale proceeds to address the pension problem depends on

contemporaneous changes to the benefit levels and actions taken to stop abuse of provisions like the disability pensions. **Otherwise we will just bail water on a sinking ship without fixing the hole in the bottom of it.**"), and pg. 24 ("**Other cities in Pennsylvania have sold assets without addressing the underlying structural issues, which only provided temporary relief and are now facing the same fiscal shortfalls that existed before the sale of the asset.** This does not serve the taxpayers or other stakeholders. The underlying structural issues must be addressed, and it is the Receiver's intent to do so by working with all stakeholders and taking all necessary and difficult actions to make the City fiscally viable once again.") (emphasis added).

57 *See* https://chesterwaterfacts.com/wp-content/uploads/2023/05/CWA-2017-gov-meeting.pdf

58 The secret meetings between the DCED and Aqua were discovered through Right-to-Know Law requests served on the DCED. *See* https://www.delcotimes.com/2017/11/24/chester-water-authority-sale-discussed-for-months-emails-show-2/; https://chesterwater.com/collusion-catania-docs-show-state-aqua-plotted-a-cwa-takeover/; and https://chesterwater.com/wp-content/uploads/2020/08/Email-Update-No-8.pdf (pg. 21 of PDF is an April 24, 2017 Email from Dan Schuller from Aqua to Dan Connelly, Act 47 Coordinator, regarding a meeting held with Aqua, for which other documents show Schuller billed two hours).

59 *See* https://chesterwaterfacts.com/new-documents-reveal-dceds-involvement-in-attempted-hostile-takeover-of-cwa/; DCED document number 1372016_Redacted, pg. 59-60.

60 Information about Aqua's offer and other information about the fight for the CWA can be found at http://chesterwater.com/savecwa/.

61 Collections of links to Resolutions and Letters of Support at http://chesterwater.com/savecwa/.

62 City Audit for 2016, pg. 24.

63 It is a blistering indictment of the City and the Act 47 Team that it took three years to prepare the City's 2016 audit.

64 Here are some examples going back decades: 2015 City Audit, at pg. 25; 2014 City Audit, at pg. 26; 2013 City Audit, at pg. 26; 2012 City Audit, at pg. 27; 2011 City Audit, at pg. 27; . . . 2003 City Audit, at pg. 21.

65 *See* 2020 Letter of Dennis M. Davin responding to questions raised by Chester County Commissioners, available at https://chesterwaterfacts.com/wp-content/uploads/2024/12/DAVIN-DCED-LTR-CHESTER-COUNTY.pdf

66 While the City of Chester has purchased water from the CWA, it has done so as a customer, and not as a source of capital contributions. As a customer, the City of Chester owes the CWA significant amounts of money going back several years for water and fire hydrant service.

67 *See* https://chesterwaterfacts.com/wp-

content/uploads/2024/02/Mutual_LetterofIntent_City_Chester_Resolution.pdf

[68] CWA Proposed Settlement Agreement begins on PDF p. 56 of: https://chesterwater.com/wp-content/uploads/2019/04/AQUA-v-CWA-Chester-City-2019-002924-served-April-8-2019-4pm.pdf

[69] *See* https://chesterwaterfacts.com/new-documents-reveal-dceds-involvement-in-attempted-hostile-takeover-of-cwa/; DCED document number 000030K-31K, dated 2/16/18.

[70] *Id.* at DCED document number 001084I-1085I, dated 3/13/18.

[71] *Id.* at DCED document number V 31.

[72] *Id.* at DCED document number V 140.

[73] *Id.* at DCED document numbers: 000012A-13A, dated 1/7/19; 000142B-143B, dated 1/18/19; 000030H, dated 2/21/19.

[74] *Id.* at DCED document numbers 000027K; 000028K; and 000028K-29K.

[75] *Id.* at DCED document numbers 001569A-001572A; 000400B-403B; 000421B-423B; and 001106I-001109I.

[76] *Id.* at DCED document number 1287A, dated 2/18/20. Kim Bracey is identifying the City's sources of financial hardship but the DCED is hiding that discussion through these redactions.

[77] The DCED, in response to Right-to-Know Law requests, had previously redacted these emails so that nearly all substantive content was blacked out. The CWA took those redactions to the Commonwealth Court and, in September 2025, the Honorable Christine Fizzano Cannon entered a stipulated order allowing a Special Master to make an unappealable determination as to whether the redactions were proper. On October 16, 2025, the Special Master issued her initial findings; later that month, the DCED made a production of unredacted emails pursuant to those findings.

[78] *Id.* at DCED document number IV 119-122.

[79] *See* https://chesterwaterfacts.com/emails-reveal-statewide-program-to-monetize-municipal-water-authorities-is-yours-next/

[80] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/08/Exh.-B-2020.7.21-Franklin-to-Doweary-et-al.pdf

[81] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/08/Exh.-C-2020.7.22-Doweary-to-Franklin.pdf

[82] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/08/Exh.-D-2020.7.23-Aqua-Atty-to-City-attys-and-Doweary-re-APA.pdf

[83] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/08/Exh.-E-2020.10.26-Doweary-to-Franklin.pdf

[84] *In Re: Chester Water Authority Trust*, No. 19-217 (O.C. Del. Co.).

[85] Amended Complaint of CWA in *Chester Water Authority v. Aqua Pennsylvania, Inc. and City of Chester*; No. 2019-5400 (Del. Co. C.C.P. Dec. 30, 2019), at Exhibit G, City's Brief, June 19, 2019, at 12.

[86] *Id.* at Exhibit C, Letter from C. Leitzell to Mayor Kirland, June 12, 2019; Exhibit A, July 1 Hearing Transcript, 40:22-42:14.

[87] *Id.* at Exhibit A, July 1 Hearing Transcript, 40:22-42:14.

[88] *Id.*

[89] *Id.*

[90] 65 Pa.C.S.A. § 711.

[91] Amended Complaint of CWA in *Chester Water Authority v. Aqua Pennsylvania, Inc. and City of Chester*; No. 2019-5400 (Del. Co. C.C.P. Dec. 30, 2019), at Exhibit D, Agenda for Chester City Council Meeting of July 12, 2019.

[92] *Id.*

[93] *Id.* at Exhibit E, Chester City Council Resolution Authorizing RFP, June 12, 2019.

[94] *Id.* at Exhibit A, July 1 Hearing Transcript, 56:19-58:18.

[95] *Id.*

[96] *Id.* at Exhibit F, City's June 12 RFP.

[97] *Id.* at Exhibit G, City's Brief, June 19, 2019, at 12.

[98] Weeks after losing at the preliminary injunction hearing, the City filed a self-serving request to correct this statement in its June 19 brief. In reality, the only mistake the City made in its brief was that the City let slip its true plan.

[99] Amended Complaint of CWA in *Chester Water Authority v. Aqua Pennsylvania, Inc. and City of Chester*; No. 2019-5400 (Del. Co. C.C.P. Dec. 30, 2019), at Exhibit A, July 1 Hearing Transcript, 204:17-205:14.

[100] *Id.* at 204:17-205:5 (Judge Bradley explaining that the City's two witnesses attempted to pass off the June 12 RFP as a routine type of City business, when in fact it "was essentially a nuclear bomb as far as finance is concerned").

[101] *Id.* at Exhibit H, July 2, 2019 Order, as amended.

[102] *Id.* at Exhibit M.

[103] *Id.* at Exhibit R, August 28 Hearing Transcript.

[104] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/08/Exh.-A-ORDER-CWA-Trust.pdf

[105] These emails can be found at https://chesterwaterfacts.com/receiver-ignored-court-order-and-had-secret-negotiations-with-aqua-over-attempted-cwa-takeover/

[106] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/08/Exh.-B-2020.7.21-Franklin-to-Doweary-et-al.pdf

[107] This letter can be found at https://chesterwaterfacts.com/wp-content/uploads/2021/08/2021.7.29-CWA-to-Doweary-re-Aqua-contract.pdf

[108] *In re Chester Water Auth. Tr.*, Nos. 489 C.D. 2020, 504 C.D. 2020, 514 C.D. 2020, 685 C.D. 2020, 2021 Pa. Commw. LEXIS 544, at *46-47, *52 (Commw. Ct. Sep. 16, 2021) (Wojcik, J., dissenting) (some emphasis added) (footnote omitted).

[109] *See* https://chesterwaterfacts.com/pa-high-court-will-review-decision-allowing-chester-to-sell-regional-water-system-to-aqua-pa/

[110] *See* https://www.delcotimes.com/2023/05/07/bankruptcy-situation-in-chester-the-key-component-in-water-sewer-authority-sales/

[111] *See* Motion by Chester Water Authority for Declaration that Automatic Stay Does Not Apply, or Alternatively, to Lift the Stay Relating to the Pending State Court Appeal, at pg. 29, available at https://savecwa.org/wp-content/uploads/2024/09/CWA_Lift_Stay-Motion.pdf

[112] *Id.* at pg. 30.

[113] *See* Plan for the Adjustment of Debts of the City of Chester, at pgs. 30-33, available at https://chesterwaterfacts.com/wp-content/uploads/2024/11/CWA-Chapter_9_Plan_of_Adjustment.pdf

[114] As previously discussed, then-Governor Tom Wolf issued a Declaration of Fiscal Emergency as to the City in April 2020. *In re City of Chester*, 649 B.R. 633, 639 (Bankr. E.D. Pa. 2023). In June 2020, the Secretary of the DCED nominated Michael Doweary to serve as Receiver for the City, and the Commonwealth Court of Pennsylvania subsequently entered an order appointing him as the

Receiver. *Id.* at 639-40.

[115] *Id.* at pg. 32.

[116] *See* Motion by Chester Water Authority for Declaration that Automatic Stay Does Not Apply, or Alternatively, to Lift the Stay Relating to the Pending State Court Appeal, at pg. 32, available at https://savecwa.org/wp-content/uploads/2024/09/CWA_Lift_Stay-Motion.pdf

[117] *Id.*

[118] *See* https://www.facebook.com/reel/1042535220574313 (Aug. 26, 2024) at minute marks 2:18 and 3:29.

[119] Rather, the Receiver produced (1) the September 16, 2021 decision of Commonwealth Court overturned by the Pennsylvania Supreme Court; (2) articles of incorporation and city ordinances which predate Section 5610(a.1) of the Municipality Authorities Act, which became effective on August 27, 2012 and provided that the CWA's governing body shall consist of three members from the City, three members from Chester County, and three members from Delaware County; and (3) a declaration from the Receiver stating that he "do[es] not have any additional discoverable information regarding the city's ownership of the Chester Water Authority beyond what has been filed by the parties in the Commonwealth Court."

[120] *See* Motion by Chester Water Authority for Declaration that Automatic Stay Does Not Apply, or Alternatively, to Lift the Stay Relating to the Pending State Court Appeal, available at https://savecwa.org/wp-content/uploads/2024/09/CWA_Lift_Stay-Motion.pdf

[121] *See* Request for Qualifications ("City of Chester, Delaware County, Pennsylvania, Request for Qualifications for Proposed Sale, Lease, or Other Monetization of Chester's Water Assets, Stormwater Assets, and Reversionary Interest in Certain Sewer Assets") (Nov. 20, 2024), available at https://savecwa.org/wp-content/uploads/2024/11/Chester_RequestforQualifications.pdf

[122] *Id.*

[123] The Receiver openly entices private, for-profit entities to bid on page 1 of the RFQ (thus revealing that his use of the term "monetization" is simply a euphemism for "privatization").

[124] *See* June 3, 2025 report from Moody's, available at https://savecwa.org/wp-content/uploads/2025/10/2025.6.10-Rating-Change-CWA-Moodys-Downgrade-June-3-2025.pdf. Specifically, Moody's explained that the downgrade was driven by "two broad factors." One factor was the "ongoing uncertainty surrounding the bankrupt City of Chester, PA's attempt to seize and monetize the authority's assets, as reference in the city's filed Plan of Adjustment." Moody's explained that the downgrading "captures some of the risks and uncertainty surrounding the bankrupt City of Chester's attempt to seize and monetize the authority's assets." It further stated: "The Supreme Court of Pennsylvania is currently considering this case. Depending how this unfolds, it could have dramatic consequences for the authority's rating. The longer this litigation

drags on, the greater the risk CWA faces from potential market access limitations and other challenges relating to this controversy. The most drastic scenario would be one in which the City of Chester assumes the authority's debt, even temporarily. In that event, the rating on the authority's bonds could be downgraded many notches."

The other factor noted by Moody's was decreased water use by "a major wholesale customer," namely, Aqua, as acknowledged by the Receiver. *See* Oct. 14, 2025 MFRAC Meeting at minute mark 17:52, available at https://www.youtube.com/watch?v=0WSCytQtSWg. Moody's noted that the CWA's "[d]ebt is very low at just 1.3x revenues," but explained that there was a "decline in debt service coverage and liquidity caused by a contraction in usage by a major wholesale customer [i.e., Aqua]."

[125] *See* Oct. 14, 2025 MFRAC Meeting at minute mark 17:52, available at https://www.youtube.com/watch?v=0WSCytQtSWg

[126] *See* October 2025 letter from CWA to ratepayers, available at https://savecwa.org/wp-content/uploads/2025/09/Customer-Notice-CWA_Rate-Increase.pdf

[127] *See* Oct. 14, 2025 MFRAC Meeting at minute mark 9:18, available at https://www.youtube.com/watch?v=0WSCytQtSWg

[128] *Id.*

[129]*See* Carey, Kathleen, "Chester Water Authority rates going up as receiver asks for independent audit," *The Delaware County Daily and Sunday Times* (Oct. 17, 2025), available at https://www.delcotimes.com/2025/10/17/chester-water-authority-rates-going-up-as-receiver-asks-for-independent-audit/ (in which the Receiver was quoted as stating: "We've seen time and time again, CWA disparaging Chester, the city of Chester, its residents and financial troubles, frankly with lies and innuendo.").

[130] *Id.* at minute mark 12:21.

[131] Millard, Taylor, "Court Muzzles CWA While City Courts Bidders for Water System," *Delaware Valley Journal* (Aug. 4, 2025), available at https://delawarevalleyjournal.com/court-muzzles-cwa-while-city-courts-bidders-for-water-system/

[132] As further background regarding the gag order, in August 2024, the CWA issued a series of requests for information about the City's RFP process under the Pennsylvania Right-to-Know Law (RTKL) in order to satisfy its obligations under state law to protect its ratepayers and honor its contractual bond covenants. The CWA has used the RTKL to unearth information about the ways in which the City and various other state interests have worked to seize and monetize the CWA's assets, and the Pennsylvania Supreme Court has approved such use of the RTKL. *See Chester Water Auth. v. Pennsylvania Dep't of Cmty. & Econ. Dev.*, 249 A.3d 1106, 1108 (Pa. 2021). The City does not want the CWA to know how it plans to seize the CWA's assets, which, of course, the City does not own.

Therefore, in response to the CWA's RTKL requests, the City filed an emergency motion for sanctions in the bankruptcy court, asserting that the cover letters to requests that the CWA had issued violated the bankruptcy code's automatic stay. The City argued that the CWA's request was part of an "intimidation campaign" designed to "destroy the value of" the City's supposed right to dissolve the CWA and take possession of its assets, by scaring off potential bidders. *See In re: City of Chester, Pennsylvania*, No. 22-13032 (Bankr. E.D.Pa.), Doc. 679 ¶¶ 39-4. The City asked for an order compelling the CWA to withdraw the request and forbidding it from "threaten[ing] or intimidat[ing] potential participants in the RFP Process or to otherwise chill bidding or thwart the RFP Process," and imposing sanctions against the CWA. *Id.* at Doc. 679 ¶ 28. The bankruptcy court, after an emergency hearing, and without taking evidence or testimony, concluded both that the City holds a contingent interest in the CWA's assets and that the CWA's requests would chill bidding. The bankruptcy court entered a sanctions order requiring the CWA to withdraw any "RTKL requests referring to, relating to or in any way touching upon the … RFP Process" within 24 hours, *id.* at Doc. 692 ¶ 2, and further enjoining the CWA "from issuing any RTKL request to any entity that in any way refers to, or relates to, or touches upon the RFP Process," *id.* ¶4. The bankruptcy court later clarified that it was requiring only the withdrawal of existing cover letter requests, but it further enjoined the CWA "from issuing any RTKL request to any entity that in any way refers to or relates to the RFP Process." *Id.* at Doc. 713 ¶4. The bankruptcy court also imposed burdensome discovery requirements on the CWA.

On appeal, the CWA has argued that the bankruptcy court's orders were erroneous for several reasons, including for violating the CWA's basic constitutional rights. In that regard, the bankruptcy court's orders violate the CWA's First Amendment rights because they constitute a prior restraint on political speech. Prior restraints are presumptively unconstitutional. The bankruptcy court entered its orders because it disliked both the tone the CWA used and the content of its requests, a clear violation of the First Amendment. The bankruptcy court orders also violate state sovereignty and the Tenth Amendment by interfering with the CWA's ability to comply with its obligations under state law, in derogation of the powers reserved to the states under the Tenth Amendment. The bankruptcy court's orders also prevent the CWA from complying with its fiduciary obligations to both bondholders and members of the public, who rely on the public drinking water it supplies. Those obligations are reflected in Pennsylvania law. For instance, the Environmental Rights Amendment to the Pennsylvania Constitution states that the people have a right to "pure water" and that "the Commonwealth" is "trustee" of "Pennsylvania's public natural resources." Pa. Const. art. I, § 27. Accordingly, the CWA has a fiduciary obligation to the citizens for the public natural resources that form the corpus of the environmental trust.

[133] *See* Oct. 14, 2025 MFRAC Meeting at minute mark 19:10, available at https://www.youtube.com/watch?v=0WSCytQtSWg

[134] *See* Memorandum and Order in *Siger (formerly Davin) v. City of Chester*, No. 336 MD 2020 (Pa. Cmwlth. Dec. 23, 2025), available at https://savecwa.org/wp-content/uploads/2026/01/2025-12-23-Memorandum-and-order.pdf

[135] *See* Donlin Recano, docket for *In re: City of Chester, Pennsylvania*, No. 22-13032 (Bankr. E.D.Pa.), available at https://bankruptcy.angeiongroup.com/Clients/ccp/Dockets

[136] *See* Pa. Supreme Court majority opinion, available at https://savecwa.org/wp-content/uploads/2026/01/Majority-Opinion.pdf

[137] Cooper, Kenny, "Pa. Supreme Court rules Chester does not have unilateral power to seize Chester Water Authority," WHYY (Jan. 22, 2026), available at https://whyy.org/articles/pennsylvania-supreme-court-chester-water-authority/

[138] *See* https://www.legis.state.pa.us//cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=H&SPick=20210&cosponId=33595

[139] *Id.*

[140] *See* https://www.legis.state.pa.us//cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=H&SPick=20210&cosponId=32827

[141] *Id.*

[142] *See* https://www.legis.state.pa.us//cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34787

[143] *See* Pennsylvania Municipal Authorities Association's letter to Bucks County municipal and community leaders (May 31, 2022), available at https://chesterwaterfacts.com/wp-content/uploads/2022/06/2022-May-31-Letter-to-Bucks-Municipalities.pdf

[144] *See* 66 Pa.C.S. § 1329(c) ("Valuation of acquired water and wastewater systems").

[145] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/02/2020-117-Redacted-000001I-001600I.pdf at 001545I – 001558I (especially 001557I therein).

[146] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/02/2020-117-Redacted-000001I-001600I.pdf at 000841I – 000854I (especially 000852I therein).

[147] *See* https://www.chesterreceivership.com/s/Chester-Receiver-Recovery-Plan_FINAL_20200820.pdf (section 1.3 at pg. 8)

[148] *See* https://www.chesterreceivership.com/s/Chester-Receiver-Recovery-Plan_FINAL_20200820.pdf (section 1.3 at pg. 8).

[149] *See* https://www.chesterreceivership.com/s/Chester-Receiver-Recovery-

Plan_FINAL_20200820.pdf (section 1.3 at pg. 8, n.4).

[150] *See* https://www.chesterreceivership.com/s/Chester-Receiver-Recovery-Plan_FINAL_20200820.pdf (section 6.3 at pg. 56).

[151] *See* https://www.chesterreceivership.com/s/Receiver-Status-Report_20201103.PDF at pg. 6.

[152] *See* Representative Lawrence's letter is posted on his website at http://www.replawrence.com/Display/SiteFiles/420/OtherDocuments/IssueCorrespondence/Lawrence%20Cutler%20CWA%20DCED%20Letter.pdf

[153] Secretary Davin's response to Representative Lawrence's letter is posted at http://www.replawrence.com/Display/SiteFiles/420/OtherDocuments/2021/Letter%20from%20DCED%20re.%20Chester%20Water%20Authority%204.27.20.pdf

[154] Watch a video of that exchange at http://www.replawrence.com/video/latestvideo (first video dated Feb. 22, 2021).

[155] *See* March 8, 2021 letter from Davin to legislators, available at https://www.replawrence.com/Display/SiteFiles/420/OtherDocuments/2021/DCED%20Response.pdf

[156] In addition, as previously noted, the City's financial statements have always stated that the CWA is not an asset of the City, and it is not included in the City's financial reporting. As also previously noted, in a private letter, Secretary Davin confirmed this, stating "the water system is owned by the Chester Water Authority." *See* 2020 Letter of Dennis M. Davin responding to questions raised by Chester County Commissioners, available at: https://chesterwaterfacts.com/wp-content/uploads/2024/12/DAVIN-DCED-LTR-CHESTER-COUNTY.pdf. **Despite this, the DCED's handpicked Receiver has stated that given "the City's dire financial Condition," the City should nonetheless treat the CWA as a "business-type asset," seize it, and sell it, potentially to a for-profit water company, to raise money.** *See* Receiver's Recovery Plan for City of Chester, pg. 8: https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469

[157] *See* Dec. 3, 2024 letter from CWA Solicitor to DCED Secretary Rick Siger, available at https://chesterwaterfacts.com/wp-content/uploads/2024/12/2024.12.3-Ltr-to-Rick-Siger-with-attachment.pdf

[158] *See* https://www.sec.gov/Archives/edgar/data/78128/000155278119000214/e19253_ex5-2.htm

[159] *See* https://www.essential.co/static-files/d2c944b1-f558-4ae0-9859-24800385b38e

[160] *See* https://fintel.io/doc/sec-wtr-aqua-america-s4-2015-february-27-18424-76

[161] https://www.ballardspahr.com/services/initiatives/environmental-social-and-governance-esg

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[162] *City of Chester, Appellant v. Chester Water Authority*, pending in the Commonwealth Court of Pennsylvania, case number 514 CD 2020 (consolidated with 489 CD 2020, 504 CD 2020, 685 CD 2020. *See* Docket Sheet at https://ujsportal.pacourts.us/Report/PacDocketSheet?docketNumber=514%20CD%202020&dnh=ypLQOYyJgwNJ7GqxNYc4AQ%3D%3D

[163] *See* https://savecwa.org/receiver/

[164] *See e.g., In Re: Petition for Approval of Declaration of Trust*, Commonwealth Court of Pennsylvania, 504 CD 2020, https://ujsportal.pacourts.us/Report/PacDocketSheet?docketNumber=504%20CD%202020&dnh=wkgtbqXTCIgVIllnZrTIHw%3D%3D

[165] *See* City of Chester Check Register: https://chesterwaterfacts.com/wp-content/uploads/2021/02/City-Check-Register.pdf

[166] *See* August 13, 2020 letter, available at https://chesterwaterfacts.com/wp-content/uploads/2021/09/Smoking-Gun-3.pdf

[167] *Id.* at pg. 2.

[168] *See* Mayor Linder's February 8, 2012 Letter, at https://chesterwaterfacts.com/wp-content/uploads/2021/02/Linder-ltr-2-8-2012.pdf

[169] *See* Chester Recovery Plan, available at https://static1.squarespace.com/static/5f721f5325ced83982f1d194/t/5f7b580145b2d750b4c1debc/1601918983266/Chester-Receiver-Recovery-Plan_FINAL_20200820.pdf

[170] *See* Receiver's Preliminary Status Report filed and signed by John P. McLaughlin and Campbell Durant PC, available at https://static1.squarespace.com/static/5f721f5325ced83982f1d194/t/5fa32fcd6d80950fe31aba35/1604530154263/Receiver+Status+Report_20201103.PDF

[171] *See* https://savecwa.org/receiver/

[172] *See* City of Chester Check Register (obtained through Right-to-Know Law requests), showing payments from the City to Campbell Durant for matters that pre-date the Receiver (pgs. 1, 10, 27), and payments since the Receiver's appointment through the end of 2020 (pgs. 34, 40, 43, 47, 51, 54, 57, 59, 63, 66, 70), available at https://chesterwaterfacts.com/wp-content/uploads/2021/02/City-Check-Register-1-1.pdf

[173] *See* Receiver's December 2, 2020 Status Report at pg. 2, n.2, available at https://chesterwaterfacts.com/wp-content/uploads/2020/12/CWA-report-12-22-20.pdf

[174] More information in this regard can be found at https://chesterwaterfacts.com/is-aquas-12-million-payment-offer-to-chester-legal/

[175] Essential/Aqua appears to be pursuing a similar tactic with regard to the Delaware County Regional Water Quality Control Authority (DELCORA), proposing to pay Delaware County the sum of $125 million for DELCORA if the Delaware County Council approves the deal. *See* https://www.delcotimes.com/2024/12/04/not-a-happy-time-delaware-county-weighs-23-8-tax-increase/; *see also* Save CWA Facebook post, dated Dec. 4, 2024, available at https://www.facebook.com/SaveChesterWaterAuthority/

[176] *See* https://chesterwaterfacts.com/wp-content/uploads/2021/09/Smoking-Gun-4.pdf

[177] *See* https://delawarevalleyjournal.com/vote-on-embattled-aqua-delcora-deal-pulled-at-puc/

[178] *Id.* at pgs. 3-4.

[179] *See* https://chesterwaterfacts.com/questions-surround-legal-bills-listed-in-chesters-bankruptcy-receiver-has-no-answers/

[180] *See* https://chesterwaterfacts.com/expert-report-shows-that-aqua-rates-are-significantly-higher-than-cwas/

[181] *See, e.g.*, https://www.post-gazette.com/business/powersource/2020/06/16/Mike-Turzai-works-for-Peoples-Natural-Gas-house-speaker-pennsylvania/stories/202006160086 (describing Pennsylvania House Speaker Mike Turzai's decision to leave the House seat he held for nearly two decades in order to work as General Counsel for an Essential subsidiary following a "pitch" from his "longtime friend," Essential/Aqua CEO, Chris Franklin).

[182] Municipalities served by the CWA are listed at https://chesterwater.com/resources/links-and-information/

[183] Mr. Woods' report is available at https://chesterwaterfacts.com/expert-report-shows-that-aqua-rates-are-significantly-higher-than-cwas/

[184] Graham, Michael, "Is Aqua's 'No Rate Hike' Pledge a Hollow Promise?" *Delaware Valley Journal* (Oct. 27, 2021), available at https://delawarevalleyjournal.com/is-aquas-no-rate-hike-pledge-a-hollow-promise/

[185] *See* Genova, Ryan, "Aqua PA requests rate hikes with Public Utility Commission, customer changes begin in July if accepted," *Glenside Local* (May 25, 2024), available at https://glensidelocal.com/aqua-pa-requests-rate-hikes-with-public-utility-commission-customer-changes-begin-in-july-if-accepted/; *see also* Grubola, Heather, et al., "Aqua Pennsylvania proposes rate increase: Here's what we're learning," 6abc.com (June 4, 2024), available at https://6abc.com/post/aqua-pa-proposes-rate-increase-pennsylvania-public-utility/14910976/

[186] Krawczeniuk, Borys, "Aqua Pennsylvania water and sewage disposal rates set to increase on Feb. 22," WVIA News (Feb. 12, 2025), available at: https://www.wvia.org/news/local/2025-02-12/aqua-pennsylvania-water-and-sewage-disposal-rates-set-to-increase-on-feb-22

[187] *See* https://www.census.gov/quickfacts/fact/table/chestercitypennsylvania,PA/PST045217 (US Census Bureau data showing the Median Household Income in the City (2018-2022) is $39,193).

[188] Food & Water Watch, "National Organization Backs Appeal of Chester Water Authority 'Hostile Takeover'," (Nov. 2, 2021) (emphasis added), available at https://www.foodandwaterwatch.org/2021/11/02/national-organization-backs-appeal-of-chester-water-authority-hostile-takeover/

[189] NAACP Legal Defense and Educational Fund, Inc. and Thurgood Marshall Institute, "WATER/COLOR - A Study of Race and the Water Affordability Crisis in America's Cities" (2019), at pg. 1, available at https://www.naacpldf.org/wp-content/uploads/Water_Report_FULL_5_31_19_FINAL_OPT.pdf

[190] *Id.* at 28.

[191] *Id.* at 28-29.

[192] *See* https://chesterwaterfacts.com/chester-water-authority-petitions-the-environmental-justice-advisory-board-to-hold-public-hearings-on-water-affordability/; *see also* https://chesterwaterfacts.com/board-members-of-the-chester-water-authority-push-for-access-to-affordable-water-for-all-pennsylvanians/

[193] *See* https://chesterwaterfacts.com/shortcomings-of-the-current-puc-customer-assistance-program-for-water-wastewater/

[194] Moody's recently gave the CWA a credit rating of "Aa3." According to Moody's: "Obligations rated Aa are judged to be of high quality and are subject to very low credit risk." *See* Moody's Rating Scale and Definitions, available at https://www.moodys.com/sites/products/productattachments/ap075378_1_1408_ki.pdf

[195] *See* "Essential Utilities, Inc.'s (NYSE:WTRG) CEO Compensation Is Looking A Bit Stretched At The Moment" (Apr. 29, 2021), available at https://simplywall.st/stocks/us/utilities/nyse-wtrg/essential-utilities/news/essential-utilities-incs-nysewtrg-ceo-compensation-is-lookin

[196] *Id.*

[197] *See* Essential Utilities Earning Call, Full Year 2021, available at https://www.essential.co/static-files/583f272a-1a78-4a4f-911a-fc058e7820fc

[198] *See* "Essential Utilities Reports Financial Results for Full-Year 2023 and Announces Guidance," available at https://www.essential.co/news-releases/news-release-details/essential-

utilities-reports-financial-results-full-year-2023-and; *see also* Essential Utilities, Inc. Form 10-K, filed Feb. 27, 2025, at p. 127, available at https://www.essential.co/static-files/ee8bace1-4fd7-487b-a9c7-d30d65228af1

199 *See* Essential Utilities, Inc. 2025 Proxy Statement, at p. 68, available at https://www.essential.co/static-files/ca3034b3-549c-4e54-9673-113cd2fd6668

200 *See* https://www.marketscreener.com/quote/stock/ESSENTIAL-UTILITIES-INC-14921/company/

201 *See* "Why Michael Burry of 'The Big Short' is Investing in Water," available at https://killik.com/articles/why-michael-burry-of-the-big-short-is-investing-in-water/

202 *See* "Aqua parent company announces $63B merger," available at https://www.wfmj.com/story/53199801/aqua-parent-company-announces-dollar63b-merger

203 *See* American Water, "About Us," available at https://www.amwater.com/corp/About-Us/

204 *See* Franklin, Christopher H., "Security issues behind reservoir's fishing limits," *The Philadelphia Inquirer* at p. B02 (June 14, 2004).

205 Quoted language is from the now-deleted "History" section of the Springton Lake Village website. For supporting documents and links, as well as additional information regarding Aqua's effect on the Springton Reservoir, *see* Chester Water Facts, "Case Study of Springton Reservoir" (Aug. 20, 2020), available at https://chesterwaterfacts.com/case-study-of-springton-reservoir/

206 U.S. Environmental Protection Agency, "Healthy Watersheds Protection; Basic Information and Answers to Frequent Questions," available at https://www.epa.gov/hwp/basic-information-and-answers-frequent-questions

207 Hemphill, Ken, "It's Not Just about Water Rates, Aqua Is Coming for the Octoraro Watershed" (Oct. 13, 2021), *MyChesCo*, available at https://www.mychesco.com/a/opinion/columnists/its-not-just-about-water-rates-aqua-is-coming-for-the-octoraro-watershed/

208 Save CWA, "It's Official Chester Water Authority Has the Best Tasting Water In Pennsylvania," (May 18, 2023), *MyChesCo*, available at https://www.mychesco.com/a/news/pennsylvania/its-official-chester-water-authority-has-the-best-tasting-water-in-pennsylvania/

209 The CWA was also awarded the PA AWWA 10-year President's Award, as well as the Tear Drop Award for the 10 Year Phase IV Excellence Award Treatment Program for the Octoraro Treatment Plant maintaining Phase IV, the highest level attainable in the Partnership for Safe Water. *See id.* "CWA is one of only two systems in the entire state of Pennsylvania that have been able to achieve Phase IV." *Id.*

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[210] *See* "Marple to stay zoning for property," *The Delaware County Daily and Sunday Times* (Mar. 16, 2011), available at https://www.delcotimes.com/2011/03/16/marple-to-stay-zoning-for-property/; *see also* Chester Water Facts, "Case Study of Springton Reservoir" (Aug. 20, 2020), available at https://chesterwaterfacts.com/case-study-of-springton-reservoir/

[211] *See id.*

[212] *See* proposed "ASSET PURCHASE AGREEMENT By and Among The City of Chester, Pennsylvania, As Seller and Aqua Pennsylvania, Inc., As Buyer" (July 23, 2020), available at https://chesterwaterfacts.com/wp-content/uploads/2022/02/Promises-What-Promises-7.2020.pdf

[213] Pa. Const. art. I, § 27.

[214] *See* https://www.chestercity.com/wp-content/uploads/2023/05/ARPA-Frequently-Asked-Questions-5.23.23.pdf

[215] *See* https://www.chestercity.com/wp-content/uploads/2023/07/Community-Meeting_071323_ARPA-Update.pdf

[216] *See* https://chesterwaterfacts.com/why-are-city-of-chester-sewer-assets-worth-up-to-70-million-going-unclaimed-by-the-receiver/

[217] *See* Plan for the Adjustment of Debts of the City of Chester, at pg. 30, available at https://chesterwaterfacts.com/wp-content/uploads/2024/11/CWA-Chapter_9_Plan_of_Adjustment.pdf

[218] *See* http://www.replawrence.com/video/latestvideo (second video dated February 22, 2021).

[219] *See* https://www.facebook.com/cityofchester/videos/2775265249414502/ (beginning at approximately 59:28); *see also* https://chesterwaterfacts.com/another-harrisburg-broken-promise-to-chester/

[220] *See In re: City of Chester, Pennsylvania*, No. 22-13032 (Bankr. E.D.Pa.), *Emergency Motion of Debtor for an Order Authorizing Debtor to Obtain a Grant from the Economic Development Administration and Request for an Expedited Hearing* (Dkt. No. 644, Dec. 20, 2024) and Order granting same (Dkt. No. 658, Dec. 27, 2024).