



February 7, 2017

By Hand Delivery:

Ms. Tangel U. Innis, CPPB, MBA, VCCO, VCO, VCA  
Operations, Budget and Purchasing Manager  
City of Petersburg  
135 N. Union Street  
Petersburg, VA 23803  
Email: tinnis@petersburg-va.org

Re: Addendum to PPEA Proposal - Petersburg Water and Wastewater Systems  
PPEA #17-0008

Dear Ms. Innis:

Aqua Virginia, Inc., a Virginia public service corporation that is a wholly-owned subsidiary of Aqua America, Inc., a publicly-traded company whose shares are listed on the New York Stock Exchange under the ticker symbol "WTR" (together, "Aqua"), is pleased to submit ten (10) copies of this Addendum to its unsolicited PPEA proposal dated December 7, 2016, ("Proposal") to you as permitted by Addendums #1 & #2. A portion of this information will clarify, enhance, or replace information contained in our previously submitted Proposal.

Aqua is requesting that the City protect certain materials as confidential, proprietary and trade secret information, as permitted pursuant to City's PPEA Guidelines and VA Code Sections 2.2-3705.6(11)(b), 2.2-3705.6(22) and 59.1-336. Specifically we are requesting that Volume II of our proposal in its entirety be treated as proprietary and confidential. This Volume contains not only information regarding the proposed purchase price, additional financial and community benefits, but also trade secrets which include our critical path to conclude this transaction, which if made available to the public would adversely impact negotiation positions of the public and private entities.

We have previously paid the required \$15,000.00 review fee, in two parts, \$5,000.00 with the submittal on December 7, 2016, and \$10,000, after its acceptance on December 13, 2016, consistent with your Guidelines.

Addendum #1 Responses:

A. Evaluation Criteria for Evaluating Proposals

*Aqua hereby acknowledges receipt of Addendum #1 to PPEA #17-0008 setting forth the City's proposed evaluation criteria. Aqua is providing a detailed a response to each criteria, within this document.*

B. Site Visits

*Aqua participated in the site visit on Tuesday, January 10. Thank you.*

C. Requests for documents/questions and responses

*Questions and responses posted by the City as "a" through "x" are duly noted and acknowledged by Aqua.*

Addendum #2 Responses:

A. Due Date

*Aqua hereby acknowledges receipt of Addendum #2 to PPEA #17-0008 regarding the date extension for submissions of proposals and addenda to proposals previously submitted.*

B. Clarification Response

*Aqua acknowledges the City will determine whether or not to proceed to a detailed proposal stage or to competitive negotiation.*

C. Request for Documents/Questions and Responses

*Questions and responses posted by the City as "1" through "45" are duly noted and acknowledged by Aqua.*

We look forward to the City's review of our Proposal and would very much like to work with the City to own and operate the Systems, invest capital in utility infrastructure, assume responsibility for all related utility billing and collection, and provide the City with both a lump sum payment at closing and future revenue streams. The result will be improved water quality, management of the Systems by environmental engineers, accurate water bills, tens of millions of dollars of capital expended on infrastructure, reduction in City payroll, payoff or assumption of all City indebtedness related to these assets, and cash that can be used to pay other unrelated City debt.

Should you have any questions or need to reach me, please call (804) 749-8868 x 54411 or [JJAulbach@AquaAmerica.com](mailto:JJAulbach@AquaAmerica.com) or to reach our Director of Business Development, Clifton Parker, at [CLParkerIV@AquaAmerica.com](mailto:CLParkerIV@AquaAmerica.com).

Respectfully submitted,

John J. Aulbach, II, PE  
President, Aqua Virginia, Inc.

Enclosures

cc: Clifton L. Parker, IV, PE  
Alexander C. Graham, Jr., Esq.



**ADDENDUM TO PPEA PROPOSAL  
TO ACQUIRE THE WATER AND WASTEWATER UTILITY  
SYSTEMS OF THE CITY OF PETERSBURG  
(VOLUME I)**



**AQUA VIRGINIA, INC.  
2414 GRANITE RIDGE ROAD  
ROCKVILLE, VIRGINIA 23146  
PHONE: (804) 749-8868 & FAX: (804) 749-8002**

**Original Submission: DECEMBER 7, 2016  
Addendum: FEBRUARY 7, 2017**

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**CONFIDENTIAL VOLUME II ADDENDUM – ATTACHED SEPARATELY**

## **VOLUME I ADDENDUM:**

The following are the evaluation criteria that the City has stated that it will be using to evaluate proposals submitted in response to PPEA #17-0008, and the response by Aqua as to how it meets each of these evaluation criteria:

a) **The proposer's past experience on similar projects; 15 Pts.**

Aqua's past experience on similar projects is detailed in pages 5 through 15 of its initial unsolicited PPEA Proposal. Aqua has outstanding experience acquiring and operating large water and wastewater systems throughout Virginia and other states.

Nationally, Aqua operates more than 1,700 water and sewer systems having different regulatory requirements. Since 1995, Aqua has successfully completed the purchase of over 300 water or wastewater utility systems, adding over 700,000 customers. Aqua's largest system serves 1.2 million people. Aqua's extended capital improvement plan includes more than \$300 million in annual spending on utility upgrades, about half of which is in water main replacements. Aqua has demonstrated expertise in the methodical replacement and upgrade of utility infrastructure since 1886.

Aqua has completed more transactions in Virginia than any regulated utility company in Virginia history. Aqua Virginia has acquired 70 water and wastewater systems in 26 separate transactions since 2006. Many of these were troubled systems requiring the infusion of large amounts of capital to bring the systems into regulatory compliance. Aqua has worked with the SCC, VDH and DEQ during these acquisitions and these agencies are both familiar with and have been supportive of our efforts with regard to these systems. Aqua has closed 100% of the transactions that we have pursued in Virginia. More importantly, we completed the promised plans for each acquisition by making the promised investments and bringing the systems into compliance with applicable regulations on a timely basis.

Aqua's experience within the Commonwealth of Virginia is directly relevant. In 2003 Aqua acquired approximately 111 systems serving 24,500 customers within the state from a company known as AquaSource. The acquisition of these systems immediately established Aqua as one of the state's largest regulated water and wastewater utilities. A number of these systems required significant capital infusions to make required regulatory upgrades. Aqua met that challenge and spent approximately \$42 million over a five year period after the acquisition.

The experience other sellers have had with Aqua in other acquisitions within the Commonwealth of Virginia is relevant to Petersburg's consideration. Aqua purchased the Manakin Farms sewer system in August, 2011, and immediately began investing approximately \$2,000,000 replacing a failing wastewater plant. The selling entity's representative, Mark Claude, indicates:

*“Aqua’s team was most helpful and managed the transaction confidentially. They met with the community, held several meetings, met the county leadership, and worked with environmental regulators to upgrade the plant and provide state-of-the-art treatment with minimal site work in an expedited time frame. They did the work to get the deal, and delivered on the new plant for the community. Aqua was professional and their legal team was experienced and easy to work with.” – Mark Claude, President and CEO, mclaud@commonwealthcommercial.com*

In 2012 Aqua purchased approximately 40 water systems in Virginia and North Carolina from the Fox Run Water Co., Inc. Since closing on the acquisition Aqua has invested over two million dollars improving pressure, upgrading water quality, installing meters, and adding source supply. The consultant who handled the sale for the seller, Anne Hartley, notes:

*“Aqua’s acquisitions team worked with Fox Run Water Co, Inc. to purchase approximately 40 waterworks in Virginia and North Carolina. Despite the complexity of the deal and regulatory issues that had to be managed during the due diligence and approval process, Aqua’s team was great to work with, and provided on going operational assistance throughout the transactional process. They also began investing capital before closing to satisfy special customer and regulatory needs. Aqua customized their solution and managed the heavy lifting through the regulatory approval process. They were great to work with.” – Anne Hartley, Consultant, ahartley@nc.rr.com*

The City of Petersburg is invited to contact these references for further information.

Aqua has seamlessly transitioned operations after each of these acquisitions because we have an experienced team that can readily process acquisitions through all the regulatory and legal requirements leading to operating the systems. These steps are critical to the transaction’s success. Aqua’s diligence throughout these transactions is reflected in the fact that the State’s regulatory agencies have never withheld approval of an acquisition by Aqua over concerns about the impact on customers or Aqua’s ability to deliver upon its promises to those agencies.

Aqua’s safety and operational experience will also benefit the utility systems. These systems will be integrated into Aqua’s statewide operations systems, including safety meetings and training. Aqua has a distinguished operating record and leads the industry in operating efficiency.

We are pleased to provide supplementary references, in addition to those in our PPEA Proposal, from two municipalities whose utility systems were acquired by Aqua companies:

**City of Danville, Illinois:**

Aqua Illinois acquired the water utility system from the City of Danville, Illinois. The system contains approximately 300 miles of distribution mains and has 19,973 connections. Much of Danville’s water infrastructure was aging and Aqua has steadily and consistently replaced it. Our reference is Mayor Scott Eisenhauer, whose contact information is as follows:

Mayor Scott Eisenhauer,  
City of Danville, Illinois  
17 W. Main Street  
Danville, IL 61832  
Phone: (217) 431-2200

**Township of Bensalem, Pennsylvania:**

Aqua Pennsylvania purchased the Township of Bensalem’s water system in December, 1999. This system included more than 175 miles of water main and serves 15,400 metered connections. The customer base is made up of 1,800 industrial and commercial facilities, including 45 large apartment complexes and a population of 60,000 residents. This system is now part of Aqua Pennsylvania’s southeastern regional water system, which serves approximately 1.2 million people. Our reference is Mayor Joseph “Joe” DiGirolamo, whose contact information is as follows:

Mayor Joseph “Joe” DiGirolamo  
Bensalem Township  
2400 Byberry Road  
Bensalem, PA 19020  
Phone: (215) 633-3603

We believe that there is no company as experienced, efficient, and prepared to work with Petersburg and close this transaction as Aqua.

- b) **The proposer's ability to bring the project on-line within schedule and at the lowest reasonable cost, including without limitation, the proposer's past performance, its claims history, and its litigation history; 15Pts.**

*Past Performance:* Aqua has a long history of completing acquisitions within the time parameters desired by sellers. We work to complete the transaction quickly and have completed 100% of the transactions we have pursued in Virginia. We have completed more transactions in Virginia than any regulated utility company in Virginia history, and have acquired 70 water and wastewater systems in 26 transactions since 2006. Aqua is ready and able to complete this transaction according to the PPEA schedule to provide maximum financial benefit to the City and begin the critical job of upgrading infrastructure, as evidenced by the large number of acquisitions Aqua has completed in

Virginia and nationally. Aqua’s Proposal is not contingent upon obtaining financing. The acquisitions noted in Section (a) of this Addendum demonstrate Aqua’s legal and executive team has the experience and knowledge to promptly construct the necessary agreements and obtain the key regulatory and other approvals needed to close this transaction on a timely basis. Furthermore, Aqua will prepare all documents for the transaction. The City’s administrative staff will, of course, need to review the legal and financial documents and provide needed support, but largely, Aqua will assemble, at its expense, the working pieces required to consummate the transaction. If Aqua is selected, it will provide certain non-refundable payments to the City to enable it to hire professionals to assist in the City’s evaluation of the legal and financial aspects of the transaction.

Claims History: Our PPEA Proposal details that the employees will have access to Aqua’s training and safety programs and the City will no longer be responsible for maintaining a professionally skilled and licensed utility workforce. The utility business is full of dangerous working hazards such as excavations, night work, electrical hazards, machinery hazards, confined space manholes and wetwells, hydraulic pressures, and entry into tanks or climbing. Aqua has a Safety Resource Center for employees as part of our “Nobody Gets Hurt Today” commitment to safety. Aqua employees have access to training courses on line, including the “Safety Resource Center” all of which are designed to help Aqua employees work safely, adopt uniform work practices and comply with OSHA’s regulatory requirements.

Aqua reports an exceptional safety record in Virginia for the past five years:

	Safety Record in Virginia (2013-2017)		
Number of Lost Time Injuries (LTI)	0	0	0
Number of Days Away from Work (DAW)	0	0	0
Number of Recordable Incidents (RI)	0	0	0
Number of Property Damage Incidents (PDI)	0	0	0
Number of Safety Citations	0	0	0
Number of Lost Time Injuries (LTI) per 100,000 Hours Worked	0.00	0.00	0.00
Number of Days Away from Work (DAW) per 100,000 Hours Worked	0.00	0.00	0.00
Number of Recordable Incidents (RI) per 100,000 Hours Worked	0.00	0.00	0.00
Number of Property Damage Incidents (PDI) per 100,000 Hours Worked	0.00	0.00	0.00
Number of Safety Citations per 100,000 Hours Worked	0.00	0.00	0.00

Litigation History: Aqua currently has no material lawsuits or settlements in Virginia. We pride ourselves on being business friendly with our vendors and partners, and easy to work with. The following is a list of litigation for the last five years:

Case Name	Case No.	Case Description	Case Status	Case Outcome
Case 1	1234	Description of Case 1	Settled	Settlement reached
Case 2	5678	Description of Case 2	Settled	Settlement reached
Case 3	9012	Description of Case 3	Settled	Settlement reached

c) **The price and the reasonableness of the net cost and benefit to the City after considering all of the City's utility assets; 15 Pts.**

See confidential Volume II to this Addendum.

d) **The proposer's ability to create and obtain a financing package in order to meet the financial goals of the City; 10 Pts.**

Aqua requires no financing contingencies for this acquisition and will pay for the transaction in cash, to be wired upon closing.

e) **The qualifications of proposer's team; 15 Pts.**

Aqua America, Inc. is led by its Chief Executive Officer, Chris Franklin, named CEO in July, 2015, and who has been a senior manager with the company for over 20 years.

Aqua Virginia is led by its President, John Aulbach, PE, who previously served as the Director of the Virginia Department of Health's Office of Water Programs. Additional details are provided in our PPEA Proposal, Vol.1, page 5.

We have included an updated copy of our corporate biography with qualifications reflecting two recent hires serving our Virginia operations and an updated organizational chart. These documents replace Exhibits A and B, previously submitted as part of the original PPEA Proposal.

Locally, Aqua has retained Alexander “Sandy” C. Graham, Jr., of Williams Mullen to head legal issues and contract preparations. Mr. Graham is familiar with Petersburg and is experienced in mergers and acquisitions as well as real estate transactions. Additionally, Joanne Williams of Williams Media, LLC is working to assist with communications and serves as our local community relations advisor. Joanne has previously been employed as the City’s communications officer served the regional tourism industry, Chamber of Commerce, and other local entities so she has broad knowledge of the area.

Aqua’s internal communications team is developing a website exclusively for use in communicating information about this acquisition to Petersburg residents. It will be launched with URL: [www.waterforpetersburg.com](http://www.waterforpetersburg.com).

With over 1,600 employees proudly serving customers across eight states, Aqua’s team has talent, experience, and focus to apply to our award winning operations. Aqua currently has on its staff licensed professional engineers, process wastewater experts, hydro-geologists, wastewater plant operators, water plant operators, and a host of utility-related skilled trades and utility professionals. The immense talents of this team can be brought to bear in Petersburg. Aqua is licensed, bonded, and insured in Virginia. If we are selected, the City’s utility employees will become the newest members of the Aqua team and receive training needed to obtain licensure and career enhancing skills. Please see our Exhibit C containing an employee testimonial from Dave Marozzi.

f) **The proposer's ability to work with public bodies having review and regulatory jurisdiction over the project; 10 Pts.**

As indicated in our original PPEA Proposal, Aqua has strong working relationships with the Virginia regulatory authorities and experience with the Virginia State Corporation Commission processes and staff. We are ready and able to act quickly to obtain all the regulatory approvals needed and to migrate the City’s system to a regulated utility status. Once the critical step of an approved Comprehensive Agreement is achieved, our experienced team will be ready to navigate through all the regulatory and legal requirements to closing. The SCC is just one of the approvals needed. Approvals from the ARWA and the SCWA are also needed. Aqua has already met with the authorities and has worked to build relationships with the neighboring jurisdictions. We are well prepared and anxious to begin these critical negotiations. Aqua also has deep relationships with DEQ, VDH, and other state agencies. Our President, John Aulbach, was the Director of the VDH Office of Drinking Water. Our Director of Business Development, Clifton Parker, PE, has led Aqua’s numerous transactions through the Virginia SCC, previously worked at DEQ, and has worked VDH staff for over 20 years. Without question, Aqua’s team understands and values the importance of personal relationships with public bodies. It is our strongest desire to benefit Petersburg and the region by using our entire team and network of vendors to pull together the support needed to complete the transaction quickly and obtain the SCC’s “Final Order” and close the transaction in 2017.

g) **The proposer's accommodation of the City's preferences expressed in this Solicitation or the invitation for detailed-phase proposals, as applicable; 10 Pts**

See confidential Volume II to this Addendum

h) **The public interest and public input; 5 Pts**

Aqua has outlined its public outreach plans in Section IV B and C. of the PPEA Proposal. Aqua stands ready to educate and inform actively in this process from selection through closing and beyond.

On Aqua America's website, [AquaAmerica.com](http://AquaAmerica.com), customers can take advantage of helpful resources like:

- WaterSmart e-Billing: save on postage, reduce clutter and pay online for free.
- WaterSmart alerts: receive quick, convenient notifications about water service emergencies via phone, email and text messages.
- WaterSmart tips: learn how to conserve Earth's most essential resource, and how Aqua provides it to you.
- Aqua Blog – water-related tips, tools and information like preventing frozen pipes and costly fat, oil and grease-related clogs

Aqua proposes to create a standing committee with City officials, residents and Aqua senior management, engineers, and compliance personnel. The committee will meet quarterly and as needed. Aqua will not only communicate planning and upgrade needs, but will work with the City to promote economic development (See Exhibit E - Improvements for Economic Development)

This is a highly regulated and complex industry. The more residential, commercial and industrial customers know about water and wastewater services, the more comfortable they will be with changes as they occur. Communication and education are needed to raise the level of public awareness about these technical but important issues.

i) **The proposer's ability to leverage and integrate existing City and other available resources; 5 Pts.**

See confidential Volume II to this Addendum.

## **PPEA PROPOSAL SUBMISSION CERTIFICATION**

The undersigned certifies that the signatory below has the authority to submit this two part Addendum to PPEA Proposal and that this Addendum is made pursuant to the City of Petersburg's Guidelines regarding requests made pursuant to the Public-Private Education Facilities and Infrastructure Act of 2002 (Guidelines), agreeing to the terms of the Guidelines. The undersigned also certifies that the information contained in its Proposal, as amended by this Addendum, is accurate and complete and confirms that it has tendered to the City of Petersburg cashier's checks in the amount required by the Guidelines.

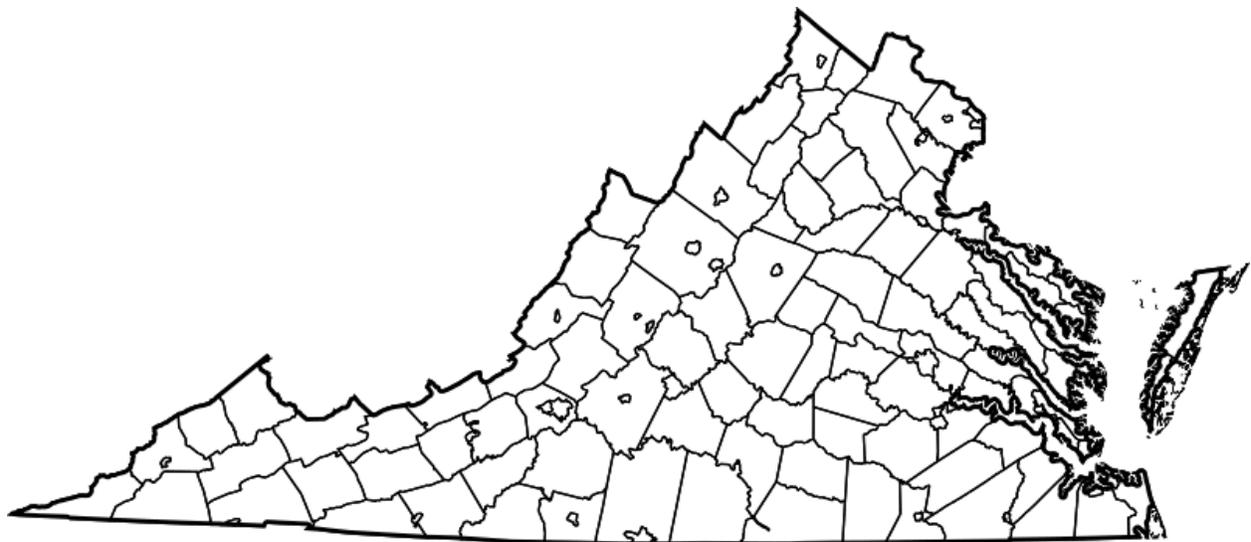
**AQUA VIRGINIA, INC.**, a Virginia corporation

By: \_\_\_\_\_  
Name: John J. Aulbach, II, PE  
Title: President  
Date: February 7, 2017



# CORPORATE PROFILE – VIRGINIA

AQUA VIRGINIA, INC.  
AN OPERATING SUBSIDIARY OF AQUA AMERICA, INC.



Updated February, 2017

CONTACT INFORMATION  
DISTRIBUTION CENTER DATES  
AQUA VIRGINIA  
1000 N. RIVERVIEW DRIVE  
FARMERSVILLE, VA 22434  
COURTESY OF FARMERSVILLE  
[www.AquaCanHelp.com](http://www.AquaCanHelp.com)



# AQUA<sup>SM</sup>

The groundwork for a better tomorrow.



## DAVE MAROZZI PA, PICKERING SUPERINTENDENT

I had worked for the Bristol Borough Water Authority for 19 years as a union employee when I learned it was going to be sold. Needless to say, I was afraid of what a sale would mean for my job as a foreman. Aqua Pennsylvania was one of the companies bidding for the sale. I knew they had a good reputation, but I didn't know how things would change after the sale.

Aqua's president and their CEO came to talk to the union and told us what we could expect after the sale. They told us what our jobs would be, what benefits we would have and all that. But I still wasn't sure. To my surprise, after Aqua bought the system, everything they promised turned out to be the truth. They did exactly what they said would do. We all got the jobs and the benefits they said we would have. That was 19 years ago. Since then, the opportunities I've had to move around and work at different plants, and take additional courses that Aqua paid for, qualified me for my promotion to plant superintendent in 2008. I wouldn't have had these opportunities at the Bristol Authority because the system was much smaller, so there was no room for advancement.

I've been at Aqua 13 years now. As a former Authority union employee, as a current Aqua employee, and as an Aqua customer, I honestly couldn't be happier.





## Aqua Improvements

- Invested \$2.5 million to construct pumping and control facilities
- Invested \$278,000 to build 2,300 feet of 12-inch water main east of Route 50
- Invested more than \$185,000 to repair water mains, replace hydrants and valves, and on other capital projects
- Replaced more than 4,200 feet of old and undersized water mains
- Installed 11 new hydrants
- Partnered with fire department to install hydrant flags
- Total investment of \$847,000 to improve fire protection and system reliability
- Total investment of more than \$3.8 million for projects related to improved fire protection since acquiring the water system in 2007

## The Impact

“Aqua Illinois’ investment in Manteno’s fire protection throughout the years continues to be shown through our improving public protection classification (PPC) number. This past year, the Insurance Services Office (ISO) surveyed Manteno’s public fire-protection efforts and improved our score by two points from 5 to 3, which placed the Village in the top 9 percent of all fire departments in Illinois and in the top 6 percent nationally. The improved PPC rating demonstrates not only the improvements the Village has made to their communication system and fire department, but also Aqua’s continuing investment in the water supply system, which accounts for 40 percent of the ISO rating. Aqua scored 85 percent for their portion of the survey. Their score for water supply was very good and is an example of Aqua’s continued commitment to our community and fire protection.”

**Fire Chief Scott O’Brien**, Manteno Community Fire Protection District

“ We appreciate the cooperation of Aqua working directly with the Village and fire department to improve fire protection. Having all the pieces of the puzzle come together takes a complete team effort, and we are very proud of our ISO re-classification to 3. ”

Mayor Timothy Nugent , Village of Manteno



## Aqua Improvements

- \$10 million total investment
- \$5.6 million to improve wastewater system, expanding existing treatment to 2.4 million gallons a day at a cost of \$4 million
- Upgraded and replaced water mains
- Installed water lines and fire hydrants
- Constructed new well to add capacity for residential, commercial and industrial growth
- Enhanced water disinfection system
- Rehabilitated pump station

## The Impact

“Businesses and developers want to be assured that there are adequate water and sewers to support their operations. Nearly 20 years ago, there were just three businesses in our industrial park, partly because we didn’t have enough water and wastewater infrastructure to support the businesses.

“Today, more than 70 companies provide employment opportunities. During that time, Aqua invested more than \$10 million in water and wastewater system infrastructure improvements. As a growing municipality in the Chicago Southland, having adequate water and wastewater service in place has proved critical to enable continued economic development.”

**Mayor Vivian Covington**, Village of University Park

“ While much has been accomplished, there is still work to do. The Village of University Park and Aqua continue efforts to improve the quality of our water supply. ”

**Mayor Vivian Covington**  
Village of University Park