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May 24, 2024

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

Re: Petition of the City of Lock Haven Water Department For Authorization to Implement a PENNVEST Surcharge - Docket No. P-2024-

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the City of Lock Haven Water Department's Petition for Authorization to Implement a PENNVEST Surcharge ("Petition"). The City is simultaneously filing a proposed base rate increase and Motion to Consolidate the rate case with the Petition.

The City respectfully requests that the Office of Administrative Law Judge assign the Petition and rate case to the Mediation Unit for mediator-assisted settlement discussions.

Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

Sarah C. Stoner

Sarah C. Stoner

SCS/lww

Enclosure

cc: Certificate of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the City of Lock Haven's Petition for Authorization to Implement a PENNVEST Surcharge upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email Only

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Dated: May 24, 2024

Sarah C. Stoner

Sarah C. Stoner, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF THE CITY OF LOCK HAVEN WATER DEPARTMENT FOR AUTHORIZATION TO IMPLEMENT A PENNVEST SURCHARGE :
: Docket No. P-2024-_____

**PETITION OF THE CITY OF LOCK HAVEN WATER DEPARTMENT
FOR AUTHORIZATION TO IMPLEMENT A PENNVEST SURCHARGE**

Pursuant to Section 1307 of the Public Utility Code, 66 Pa. C.S. § 1307, and Sections 5.41 and 69.361-69.364 of the Regulations of the Pennsylvania Public Utility Commission (the “Commission” or “PUC”), 52 Pa. Code §§ 5.41, 69.361 – 69.364, the City of Lock Haven Water Department (“Lock Haven” or “the City”) respectfully submits this Petition requesting that the Commission authorize Lock Haven to implement a reconcilable PENNVEST Surcharge (“PVS”). As discussed herein, the purpose of the PVS is to timely recover the interest and principal charges associated with PENNVEST loans that Lock Haven was awarded since its last rate case and going forward, including a PENNVEST loan from 2022 and loans for projects Lock Haven anticipates it will construct starting in 2024 and 2025. In particular, the loans will be needed to finance some \$28 million in construction in the 2022-2027 timeframe, to fund projects most of which have been mandated by the Pennsylvania Department of Environmental Protection (“DEP”) and all of which are absolutely necessary to maintain the safety and reliability of Lock Haven’s water system. Without the surcharge, Lock Haven would be forced to file multiple general rate increases in order to set rates at levels sufficient to cover interest and principal payments on the PENNVEST loans. The proposed PVS – which Lock Haven will implement for customers both within the City (PUC non-jurisdictional) and outside of the City (PUC jurisdictional) will ensure that the costs of these essential projects are timely recovered and

will relieve Lock Haven and its customers from the significant burden of rate case expense that would have to be incurred for each base rate filing. In addition, because Lock Haven is proposing that the PVS be reconcilable, ratepayers are assured that they will be charged only the amount necessary to service the PENNVEST loans – no more and no less. In support of this Petition, Lock Haven states as follows:

I. BACKGROUND

1. Lock Haven, Pennsylvania is a City of the Third Class under the Clark Act of June 27, 1913, P.L. 568, which Act granted the City the exclusive right to supply the public with water within its corporate limits.

2. The City of Lock Haven Water Department serves residents and occupants of the City as well as surrounding communities, including portions of Allison Township, Castanea Township, and Wayne Township. Of the total 3,257 customers, 2,181 are located in the City of Lock Haven and 1,076 are located in Wayne (528), Castanea (524) and Allison (24) Townships. The estimated service area population is 9,750. Only the rates and service provided to customers outside the city limits of Lock Haven are subject to the review and approval of the PUC.

3. The Lock Haven Water Department owns and operates two water supply reservoirs that constitute the principal water sources for the system. Both reservoirs are located on McElhattan Creek with the Boyd H. Keller reservoir in Wayne Township and the upstream Warren H. Ohl reservoir in Greene Township. The total water supply capacity is 664 million gallons. An independently operated treatment plant provides potable water to City customers. The Lock Haven water distribution and transmission system includes 57.5 miles of transmission and distribution piping, ranging in size from 4-inch through 18-inch.

II. PETITION FOR AUTHORIZATION TO IMPLEMENT A PENNVEST SURCHARGE

4. Consistent with the Commission’s existing Policy Statement, Lock Haven hereby requests approval for the implementation of a “PENNVEST Surcharge” that would authorize the City to implement a surcharge to recover the debt service (interest expense and principal) associated with its existing 2022 PENNVEST loan and anticipated PENNVEST loans. None of these has been previously included in Lock Haven’s prior revenue requirement claims, and also are not included in the proposed base rate increase that Lock Haven is filing simultaneously with this Petition.

5. The names, addresses and telephone number of Lock Haven’s counsel are:

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A. Legal Authority

6. Section 1307(a) of the Public Utility Code, 66 Pa. C.S. § 1307(a) authorizes the Commission to “specifically allow an automatic adjustment of rates outside of the rate-making

procedures” and provides for “procedures to determine the reasonableness of the charges outside of a base rate case.”¹

7. 66 Pa. C.S. § 1307(a)² allows for utilities to establish a sliding scale of rates or other automatic adjustments of rates, so long as they are subject to reconciliation and refund or recoupment of the difference between actual revenues and costs.³

8. Pennsylvania appellate courts have explained that 66 Pa. C.S. § 1307(a) permits utilities to establish a reconcilable rider to recover costs: (1) where expressly authorized by the General Assembly; or (2) where an expense is easily identifiable and beyond the utility’s control.⁴

9. The PUC has issued a Policy Statement specifically encouraging water and wastewater companies to utilize a Section 1307(a) automatic adjustment clause mechanism to recover PENNVEST loan costs in lieu of a base rate increase:

¹ *Pa. Indus. Energy Coalition v. Pa. PUC*, 653 A.2d 1336, 1350 (Pa. Cmwlth 1995), *aff’d*, 670 A.2d 1152 (Pa. 1996).

² 66 Pa. C.S. § 1307(a) provides: “Any public utility... may establish a sliding scale of rates or such other method for the automatic adjustment of the rates of the public utility as shall provide a just and reasonable return on the rate base of such public utility, to be determined upon such equitable or reasonable basis as shall provide such fair return. A tariff showing the scale of rates under such arrangement shall first be filed with the commission, and such tariff, and each rate set out therein, approved by it. The commission may revoke its approval at any time and fix other rates for any such public utility if, after notice and hearing, the commission finds the existing rates unjust or unreasonable.”

³ 66 Pa. C.S. § 1307(e).

⁴ *See Popowsky v. Pa. PUC*, 13 A.3d 583, 591 (Pa. Cmwlth. 2011) (holding that “the PUC has authority under Section 1307(a) of the Code to allow NAWC to implement the [Purchased Water Adjustment Clause].”); *see also Popowsky v. Pa. PUC*, 869 A.2d 1144, 1160 (Pa. Cmwlth. 2005), *appeal denied*, 895 A.2d 552 (Pa. 2006) (stating “a Section 1307(a) automatic rate adjustment is appropriate where expressly authorized...or for easily identifiable expenses that are beyond a utility’s control.”); *Pa. Indus. Energy Coalition v. Pa. PUC*, 653 A.2d 1336, 1349 (Pa. Cmwlth 1995), *aff’d*, 670 A.2d 1152 (Pa. 1996)(holding in part that “Section 1307 gives the PUC the discretion to establish by regulations or order in the manner in which automatic adjustment recover” and “the surcharge method is permitted”); *Masthope Rapids Property Owners Council v. Public Utility Commission*, 581 A.2d 994, 1000 (Pa. Cmwlth. 1990) (explaining that “the very function of the typical automatic adjustment clause is to permit rapid recovery of a specific, identifiable expense item.”).

Companies with outstanding PENNVEST loans not currently reflected in rates and companies that will receive PENNVEST loans in the future are encouraged to establish under 66 Pa.C.S. § 1307(a) (relating to sliding scale of rates; adjustments) and subject to Commission approval, an automatic adjustment by means of a sliding scale of rates limited solely to the recovery of PENNVEST principal and interest obligations, instead of seeking recovery of these amounts under 66 Pa.C.S. § 1308 (relating to voluntary changes in rates) base rate filing.

52 Pa. Code § 69.361.

10. The necessary elements of a proposed PENNVEST surcharge are set out in

Section 69.363:

(a) Water and wastewater companies with outstanding PENNVEST obligations that have not been reflected in rates or future PENNVEST obligations, may establish under 66 Pa.C.S. § 1307(a) (relating to sliding scale of rates; adjustments) an automatic adjustment by means of a sliding scale of rates or other method limited solely to recovery of the company's PENNVEST principal and interest obligations.

(b) Filings for relief under 66 Pa.C.S. § 1307(a), may occur prior to DER inspection and should be submitted to the Commission 60-90 days prior to the first anticipated principal and interest payment.

(c) Companies are encouraged to provide notice to customers of the request for a PENNVEST increase by means of a sliding scale of rates or other method for the automatic adjustment of rates by bill insert to begin no less than 60 days prior to the effective date.

(d) Rate recovery under a 66 Pa.C.S. § 1307(a) PENNVEST automatic adjustment by means of a sliding scale of rates or other method may be approved only after the receipt of the following:

(i) DEP inspection.

(ii) Final PENNVEST amortization schedule.

(e) When approved by the Commission, the PENNVEST obligations should be listed on customers' bills as a separate line item. Amounts collected under the Section 1307(a) PENNVEST automatic adjustment by means of a sliding scale of rates or other method are subject to reconciliation and refund. Revenues should be listed in a separate account dedicated for PENNVEST repayment only. Commingling of funds is discouraged.

52 Pa. Code § 69.363.

B. Lock Haven's Request for Authorization pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code §§ 69.361-69.364.

11. Through this Petition, Lock Haven is requesting that the Commission authorize the City to implement a PVS because it needs an efficient recovery mechanism for a significant PENNVEST loan it received in 2022, the interest being paid in 2024 on a PENNVEST loan and to recover the principal and interest payments for several additional PENNVEST loans it anticipates receiving in the coming years (“the Surcharge Loans”). These loans are financing modifications to Lock Haven’s water supply system that are either mandated or crucially necessary in order to be able to continue to provide safe, adequate and reliable water service to its customers.

12. Lock Haven’s most recent base rate proceeding was filed in 2010 and rates went into effect as of January 1, 2011. As such, none of the Surcharge Loans are reflected in Lock Haven’s current base rates. They also are not reflected in the proposed base rate increase filed simultaneously with this Petition.

13. The following Table 1 shows project funding from prior to FY 2024 through FY 2028:

PROJECT FUNDING	Prior to FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
PENNVEST - Ohl Dam Modifications	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
PENNVEST - Pipeline and Wellfield	\$ -	\$ 350,000	\$ 2,800,000	\$ 1,820,145	\$ 250,000	\$ 500,000
Future PENNVEST Loan(s) - Phase II of Keller and Ohl Dam Project	\$ -	\$ -	\$ 500,000	\$ 200,000	\$ 100,000	\$4,800,000
Future PENNVEST Loan(s) - Raw Water Main Replacement	\$ -	\$ -	\$ -	\$ -	\$ 5,175,000	\$ -

14. The projects that Lock Haven has committed to are as follows:

a. Ohl Dam Modifications

15. The Ohl Dam requires significant upgrades and is part of an ongoing two-phase repair project. Because of the potential for downstream loss of life and extensive property damage during a dam breach, Ohl Dam is classified by DEP as a “High Hazard” structure and subject to passing the maximum flood event known as the “Probable Maximum Flood (PMF).” Engineering studies have revealed that the existing dam has inadequate spillway capacity, passing only 68% of the PMF. The DEP designated Ohl Dam as having a “significant deficiency in spillway capacity” and has directed the City to upgrade the spillway to current standards.

16. The project to alleviate these conditions includes a “dam raise” using a crest parapet wall to increase flow over the spillway and thus achieve full passage of the PMF.

17. Phase I of this project has been completed. This was funded by a \$5 million PENNVEST loan. As of April 2024, Lock Haven has begun to repay the principal and interest

on the loan. This loan is not reflected in the City's current base rates and is not included in the base rate increase request being submitting simultaneously with this Petition.

18. Additional improvements to Ohl Dam will be completed as Phase II of this project, and it is anticipated that this work will also be completed with funding provided by a PENNVEST loan. Phase II will include concrete spillway rehabilitation, intake tower mechanical work, control building and access bridge. The estimated cost of these needed improvements total \$4,000,000.

19. Because of limited reservoir recharge, associated pass-by flow and documented loss of shortage, Ohl Reservoir is not considered a reliable water supply during long-term drought events. This is a major vulnerability of the City water supply and is not sustainable if the reservoir is artificially lowered for dam rehabilitation and construction purposes. Therefore, as will be discussed below, the City needs to develop a supplemental water source before beginning Phase II of the required Ohl Dam improvements and associated Keller Dam modifications in order to ensure an adequate water supply during construction.

b. Keller Dam Modifications

20. Because of the potential for downstream loss of life and extensive property damage during a dam breach, Keller Dam is also classified by the PADEP as a "High Hazard" structure and subject to passing the PMF. Engineering studies have revealed that the existing spillway can only pass 68% of the PMF. PADEP has designated Keller Dam as having a "substantial deficiency in spillway capacity" and has directed the City to upgrade the spillway to current standards.

21. The project design, consisting of a 5-cycle labyrinth weir, side-channel spillway, chute discharge and terminal structure (flip bucket), will achieve full passage of the PMF.

Additional improvements include drilling and grouting of the left abutment to control abutment/reservoir leakage, a new downstream drainage blanket, filter drain, and seepage collection and conveyance control system, outlet valve control vault, new upstream reservoir diversion structure, intake tower mechanical piping renewal and renewal of the Zindel intake and temporary raw water feed to the water treatment plant.

22. Keller's associated reservoir has a low reservoir capacity, a high conservation release and suspected reservoir leakage, all of which combine to deplete Keller Reservoir even when it is supplemented by releases from Ohl Reservoir. This condition has resulted in the water emergencies caused by the extended droughts in 2007, 2020 and 2023. Increasing reservoir storage by expanding Keller Dam is not a cost-effective option. The topography of the dam site is not conducive to providing additional storage without a major capital investment (\$15 - \$20 million) in addition to required spillway modifications. Further, draining the Keller Reservoir for mandated dam repairs and relying only on Ohl Reservoir and McElhattan Creek streamflow as the main water supply entails too much risk for the City over a two-year construction cycle. Therefore, as discussed below, DEP has mandated dam safety improvements cannot be undertaken at Keller Dam or for Phase II work at Ohl Dam until a supplemental water source is permitted and constructed. Integrating the supplemental water source into the overall dam upgrade project is necessary to insure a reliable water supply during construction.

23. The Keller Dam modifications are anticipated to be funded by PENNVEST loans and are critical to ensuring Lock Haven can maintain adequate water supply. The PENNVEST loans necessary to fund the Keller Dam modifications total \$18,000,000 and are expected to be awarded in 2027. Because of the necessity to perform work after a supplemental source is online, the Ohl Dam Modifications – Phase II work must also be performed concurrently with the Keller

Dam modifications project. PENNVEST loans are necessary to perform the Ohl Dam Modifications – Phase II which total \$4,000,000 and are also expected to be awarded in 2027. Therefore, the combined PENNVEST loan expected in 2027 is \$22,000,000.

c. Youngdale Well Field Development

24. Lock Haven has successfully explored, drilled and tested a groundwater source along McKinney Road in Youngdale, Wayne Township, Clinton County, PA as a supplemental water source. The reasons are two-fold. First, as documented above, the reservoirs are vulnerable during periods of extreme drought which puts their ability to supply ordinary system demand in jeopardy. Secondly, lowering either Ohl or Keller reservoir(s) for construction is an unnecessary risk, because it would make the system more vulnerable in water emergencies, such as those that have occurred in the past. As such, a supplemental water source must be developed before Lock Haven can proceed with the DEP-mandated dam projects discussed above (other than Ohl Dam Phase I, which has already been completed).

25. Two production wells, Matz Production Well and Quaker Hills Production Well, have been drilled and pump tested in the Ridgeley Sandstone at a minimum yield of 500 gallons per minute (gpm) each (1.44 MGD total). Although the water quality is good, the source will require filtration. The estimated project cost to develop the wells and install a pipeline to the Central Clinton County Water Filtration Plant (“CCCWFP”) for treatment is \$6 million.

26. This wellfield development project is currently funded by a bridge loan on which debt service is currently being deferred; however, it is anticipated that this project will ultimately be funded by PENNVEST loans which will pay back the bridge loan and fund the remaining work. This project is critical to ensuring Lock Haven can maintain adequate water supply while

also completing the required dam improvement projects. The award of the full PENNVEST loans for the Youngdale Well Field Development project is planned for 2025.

C. Justification for Surcharge

27. As can be readily seen from the above descriptions, Lock Haven will be required to undertake a substantial number of projects in the next three to five years in order to maintain safe and reliable water service to its customers, the total cost of which is projected to be some \$28 million. As a result, the City plans to obtain low interest loans from PENNVEST to finance these capital improvements. This, in turn, means that Lock Haven will have substantial additional debt service costs that will grow each year for the next several years.

28. The establishment of a PVS for Lock Haven in these circumstances is just, reasonable and in the public interest for the following reasons:

- a. As set forth above, Lock Haven will be required to undertake a number of capital improvement projects in order to be able to continue to provide safe, reliable and reasonable water service.
- b. At the present time, it is anticipated that the majority of these projects will be financed via PENNVEST loans.
- c. Without the PVS, Lock Haven will be forced to file for base rate increases in several successive years – likely every year – which would result in the imposition of significant additional costs on the customers of this small system. Moreover, PENNVEST has informed Lock Haven that it will not issue the 2025 loan until the PUC approves recovery of the principal and interest in Lock Haven rates. Implementing the PVC will give PENNVEST the regulatory assurances that it requires.

- d. The PVS will also provide greater certainty, transparency and predictability to customers which will serve to help maintain Lock Haven’s present bond credit rating.
- e. The PVS will also ensure that Lock Haven ratepayers will pay only the actual debt service (principal and interest) that Lock Haven incurs. Any overcollections will be returned to customers. Any undercollections will be recovered from customers in the following year.
- f. The PVS is also consistent with the Commission’s policy statement which encourages entities like Lock Haven with: (1) outstanding PENNVEST loans that are not currently reflected in rates; and (2) PENNVEST loans that it anticipates receiving in the future, to recover such principal and interest amounts through this type of mechanism rather than through base rates.⁵

III. PROPOSED PROCEDURE

29. Lock Haven proposes that the PVS be established, approved and implemented in the following manner. This proposed procedure is modeled on the procedure recently approved by the Commission in The Pittsburgh Water and Sewer Authority’s base rate proceeding.⁶

- a. The PUC should approve Lock Haven’s proposed Tariff Pages (Lock Haven Supplement No. 19 to Tariff Water – Pa. P.U.C. No. 1, Page Nos. 25D, 25E and 25F) authorizing the PVS. The applicable Tariff Pages are attached to this Petition.

⁵ 52 Pa. Code §§ 69.361, 69.363.

⁶ *Pa. PUC v. The Pittsburgh Water and Sewer Authority*, Docket Nos. R-2023-3039919 (stormwater), R-2023-3039920 (water), R-2023-3039921 (wastewater), Recommended Decision dated Nov. 28, 2023 (adopted without modification by the Order entered Jan. 18, 2024).

b. The proposed Tariff includes the following elements:

- (1) Language stating the PENNVEST surcharge is “Subject to audit and review.”
- (2) Definition of the rate computational period (i.e., the 12-month period the rate is effective).
- (3) Definition of the reconciliation period (i.e., the 12-month period for the reconciliation statement required by 66 Pa. C.S. § 1307(e)). (The initial reconciliation period may be less than a 12-month period to account for the customary lag between the reconciliation and computational periods, and should also be defined.)
- (4) Definition of the time period when the reconciliation statement will be filed (e.g., within thirty days following the end of the reconciliation period).
- (5) Statement that no interest is to be applied to over or under collections.
- (6) Inclusion of an accurate formula that shows the major rate components (i.e., cost, EDUs, and over/under collection components), with each component defined.
- (7) Statement that the surcharge shall be listed as a separate line item on the customer's water bill.

c. When Lock Haven seeks to begin to recover the debt service on a new

PENNVEST loan it shall use the following procedure:

- (1) Any tariff or tariff supplement filing to incorporate a PENNVEST loan into Lock Haven's PVS shall be filed with the Commission upon at least sixty (60) days' notice.
- (2) Unless unavailable (in which case Lock Haven will request a waiver of the provision), the filing shall include:
 - (a) Final and red-lined copies of the proposed tariff or tariff supplement to incorporate the loan into the PVS.
 - (b) A summary of the terms of the loan, including the loan date, amount, interest rates, term of loan, annual principal and interest payments, and security certificate docket number. The date of each expected interest rate or annual principal and interest payment change shall also be identified for each loan.
 - (c) Copies of executed loan agreement documents and final amortization schedules.

- (d) A statement that the project funded by the loan is used and useful.
- (e) A copy of a proof of revenues and supporting calculations for the affected type of service reflecting PVS revenues under present and proposed rates.
- (f) Copies of any supporting documentation used to determine the PVS, including electronic working papers.
- (g) A copy of Lock Haven's customer notice that it issued in accordance with 52 Pa. Code § 53.45(g).
- (h) A copy of Lock Haven's affidavit of customer notice confirming that notice requirements have been met in accordance with 52 Pa. Code § 53.45(h).
- (i) A copy of a signed verification statement for the information being provided in accordance with 52 Pa. Code § 1.38.

d. Pursuant to 52 Pa. Code § 69.363, rate recovery under the PVS shall only begin after the receipt of the following (unless special circumstances exist):

- (1) DEP inspection of the capital addition(s) being financed by the loan at issue.
- (2) Final PENNVEST amortization schedule of the loan.

e. The Tariff Supplement reflecting the PVS incorporating the new loan shall be placed into effect on the proposed effective date unless the Commission orders a revision of that amount. Lock Haven proposes that if a complaint is filed by any party the revised PVS shall go into effect subject to the outcome of that complaint.

30. As detailed above, Lock Haven proposes to begin recovering the debt service and interest associated with an existing PENNVEST loan that was awarded in 2022 for Ohl Dam Phase I. With respect to the 2022 loans, the following information is provided:

- a. A summary of the terms of the loan, including the loan date, amount, interest rates, term of loan, and principal and interest payments, is included as Exhibit

1. The date of each expected interest rate or annual principal and interest payment change is identified in Exhibit 1.
- b. A copy of the executed loan agreement documents and final amortization schedules are also included in Exhibit 1 to this Petition.
- c. The project(s) funded by the 2022 PENNVEST loan are DEP-mandated modifications to the Ohl Dam (Phase I). These modifications are expected to be completed by June 2024. Therefore, on the effective date of the PVS, the Ohl Dam Phase I modifications will be currently serving customers and the project funded by the loan will be used and useful.
- d. Proof of DEP inspection of the capital addition(s) being financed by the loan at issue will be provided once the inspection is completed.
- e. A proof of revenues and supporting calculations for each class of service affected by the PVS, showing revenues at the proposed rates, is provided in Exhibit 2.
- f. All supporting documentation used to determine the PVS, including electronic working papers are also included in Exhibit 2.
- g. A copy of Lock Haven's customer notice that it issued in accordance with 52 Pa. Code § 53.45(g) is included as Exhibit 3.
- h. A copy of Lock Haven's affidavit of customer notice confirming that notice requirements have been met in accordance with 52 Pa. Code § 53.45(h) shall be provided subsequent to filing this Petition.
- i. The Tariff Supplement reflecting the PVS and reflecting the recovery of the 2022 PENNVEST loan discussed above is attached to this Petition as Exhibit 4

as well as in the Tariff Supplement accompanying Lock Haven's proposed base rate increase (Lock Haven Supplement No. 19 to Tariff Water – Pa. P.U.C. No. 1, Page Nos. 25D, 25E and 25F). The proposed effective date is 60 days after the filing of the Tariff Supplement. Lock Haven proposes that the PVS, set to start to recover the 2022 PENNVEST loan, be put into effect at the same time that Lock Haven's authorized base rate increase goes into effect. As stated in the proposed Tariff, the surcharge is solely designed to begin timely recovery of PENNVEST principal and interest loan obligations(s). All amounts charged pursuant to the surcharge are subject to audit and review by the Commission and/or in a complaint proceeding.

- j. The Company will segregate all revenues dedicated for PENNVEST repayment so long as the surcharge remains in effect.

31. Lock Haven proposes that the PVS be billed on an "equivalent residential meter size" ("ERMS") basis and will be uniformly applied to all classes (with the exception of public fire protection customers). The ERMS is the same measurement that is used for the Service Charge (Tariff Page No. 25). It uses the maximum volume of the typical 5/8 inch meter as the baseline and then determines the surcharge amount based on how the customer's meter compares to the 5/8 inch meter. So, for example, if a larger meter has 4 times the maximum volume then that customer being served by such a meter would be charged a PVS four times higher than the charge for a customer served by a 5/8th inch meter. The per ERMS surcharge will be calculated to recover the total principal and interest amounts payable pursuant to the final PENNVEST amortization schedule for the Water Department's PENNVEST loan obligations.

32. The following table reflects the amounts that Lock Haven projects that it will recover through the PVS, if permitted to implement the automatic adjustment clause starting with the implementation of Tariff Supplement No. 19:

	Residential	Commercial / Industrial	Education	Public Health	Total
Inside City Customers	\$168,875	\$39,928	\$11,978	\$7,566	\$228,348
Outside City Customers	\$79,556	\$19,165	--	\$7,327	\$106,048
Total	\$248,431	\$59,093	\$11,978	\$14,893	\$334,396

33. The Water Department will recalculate the prospective surcharge amount in a Section 1308(a) filing made: (i) annually; (ii) with 60 days' notice of a material change⁷ to PI or ERMSs; or (iii) at the time of a general rate case filing under Section 1308(d) of the Public Utility Code.

- a. In the annual filing, the Water Department shall include a reconciliation pursuant to 66 Pa. C.S. § 1307(e). The annual filing shall be filed within thirty (30) days following the end of the reconciliation period. The reconciliation or "e" factor shall be designed to recover or to credit customers for any amounts under or overbilled in the prior 12 months (compared to the total PI to be recovered). No interest is to be applied to any over or under collections.

34. As future PENNVEST loans are awarded, and the projects financed by those loans are put into service, Lock Haven will file an application with the PUC to include the principal and interest associated with the new loan into the charge. It will provide at least 60

⁷ For purposes of this recalculation, a material change is a change that would result in a cumulative increase or decrease in the currently approved PVS of 1.5% or more.

days notice to customers and submit the same information that is set forth in Paragraph 31 above. Lock Haven will also commit to making a filing if the interest rate changes on an existing loan, or the portions of the loan Lock Haven is required to pay (principal and interest as opposed to interest only) changes.

IV. CONCLUSION

WHEREFORE, the City of Lock Haven respectfully requests that the Commission: 1) authorize Lock Haven to implement its proposed PENNVEST Surcharge pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code §§ 69.361-69.354; 2) approve the proposed Tariff pages setting forth the Surcharge that is included as part of Lock Haven’s proposed base rate increase at the above docket; and 3) grant any other relief the Commission determines would be in the public interest.

Respectfully submitted,

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Dated: May 24, 2024

Counsel for
The City of Lock Haven

VERIFICATION

I, Gregory J. Wilson, hereby state that: (1) I am Manager for the City of Lock Haven; (2) the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief; and (3) I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

May 21, 2024

Dated



Gregory J. Wilson, Manager
The City of Lock Haven

Exhibit 1

Summary of Lock Haven 2022 PENNVEST Loan Terms

Loan Date: April 20, 2022

Loan Amount: \$5.0 million

Interest Rate: 1% for years 1-5; 1.743% for years 5+

Term of Loan: 20 years

Principal and Interest Payments: As of May 1, 2024, monthly payments are \$22,994.72

FUNDING AGREEMENT

City of Lock Haven
12784
09/22/2022

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FUNDING AGREEMENT

This AGREEMENT is made this 22nd day of September, 2022, by and between the City of Lock Haven, organized and existing under the laws of the Commonwealth of Pennsylvania or duly authorized to do business in the Commonwealth of Pennsylvania, with an address of 20 East Church Street, Lock Haven, PA-17745-2527 (the “Funding Recipient”), and the Pennsylvania Infrastructure Investment Authority, a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania, with an office at 333 Market Street, 18th Floor, Harrisburg, Pennsylvania 17101-2210 (the “Authority”).

WHEREAS, the Funding Recipient has applied for funds from the Authority for a project eligible for financing by the Authority;

WHEREAS, the Authority has approved funding for Funding Recipient’s project; and

NOW, THEREFORE, the Authority and the Funding Recipient, with the intention of being legally bound, hereby agree as follows:

A. DEFINITIONS

The following words and phrases shall have the meanings given to them in this Section when used in this Agreement. Certain terms are defined elsewhere in the Agreement.

“ACT” shall mean the Pennsylvania Infrastructure Investment Authority Act, act of March 1, 1988, P.L. 82, No. 16, as amended (35 P.S. § 751.1 et seq.).

“ATTORNEY” shall mean an attorney, licensed to practice law in the Commonwealth, retained by the Funding Recipient to provide legal assistance and advice with regard to the Funding Offer and Project Funding and to provide the requisite opinions of counsel at Settlement.

“AUTHORITY REGULATIONS” shall mean all regulations of the Authority, including 25 Pa. Code §§963 and 965, as may be amended or supplemented from time to time.

“BOARD” shall mean the Authority Board of Directors.

“BOARD APPROVAL DATE” shall mean the date that the Board approved the funding request application for the Project.

“COMMONWEALTH” shall mean the Commonwealth of Pennsylvania.

“COMPLETION DATE” shall mean the date when the Project is expected to be completed as set forth in the Project Management Plan for the Project, attached hereto as Exhibit E.

“CONTRACTORS” shall mean the Persons retained by the Funding Recipient to provide the services or materials required to complete the Project in accordance with Project Plans, including any subcontractors, materialmen, or other parties employed by the Contractors to fulfill their obligations to the Funding Recipient.

“COST SHEETS AND BREAKDOWN” shall mean the summary of total Project costs as of the Settlement Date, broken down by cost category, as established by the Funding Recipient under the Authority’s Funds Disbursement Website and appearing as a portion of the Project Cost Sheets/Breakdown, attached hereto as Exhibit I.

“DEBT OBLIGATION” shall mean the form of the obligation for the indebtedness of the Funding Recipient to the Authority under this Funding Agreement, issued by the Funding Recipient in an amount approved by the Authority, all as more specifically identified in the Project Specific Terms, attached hereto as Exhibit A.

“DEP” shall mean the Pennsylvania Department of Environmental Protection.

“EASEMENTS” shall mean all easements, rights-of-way or similar interests in real property, other than fee simple ownership interests or leasehold interests, which are required to construct, operate and/or maintain the Project.

“ELIGIBLE COSTS” shall mean the Project costs which the Authority has determined can be paid using the proceeds of the Project Funding in accordance with the Act and the Authority Regulations.

“ENGINEER” shall mean the professional engineer(s) and/or geologist(s) licensed to provide engineering or geological services in the Commonwealth, or such other qualified technical person as may be approved by the Authority, or the firm employing such persons, retained by the Funding Recipient under the Engineer’s Agreement to plan, design, implement and/or oversee the Project.

“ENGINEER’S AGREEMENT” shall mean the professional services agreement for the Project entered into by the Funding Recipient with the Engineer.

“EVENT OF DEFAULT” shall mean any of the events set forth in Paragraph J.1. herein.

“FUNDING DOCUMENTS” shall mean the Funding Offer, this Agreement, together with all other documents, certifications and other instruments executed and delivered to the Authority by the Funding Recipient, any of its professionals, any Guarantor, or any other entity involved in the transaction, pursuant to this Agreement.

“FUNDING OFFER” shall mean the memorialized commitment for funding issued by the Authority issued upon the approval of the award by the Board.

“FUNDS DISBURSEMENT” shall mean the Authority’s Funds Disbursement Website, which can be found at <https://www.pvportal.state.pa.us/pvloginportal/login.aspx>, through which the Funding Recipient will submit all requests for payment and change orders, and track and manage the Project’s budget.

“GUARANTOR” shall mean the Person providing a guaranty as collateral to secure financing provided by the Authority for the Project pursuant to this Agreement, as set forth in the Project Specific Terms, attached hereto as Exhibit A.

“LEASES” shall mean all leases, subleases, lettings, occupancy agreements, tenancies and licenses, or other similar agreements, now or hereafter entered into by the Funding Recipient which relate to the System, the Project Collateral or the Real Property, or any part thereof.

“ORGANIZATIONAL DOCUMENTS” shall mean all documents which provide evidence of the organizational status of the Funding Recipient (e.g., articles of incorporation, bylaws, operating agreements, partnership agreements, etc.)

“OTHER FUNDING” shall mean any loan, or the proceeds of any other form of debt, or grant, other than the Project Funding, which the Funding Recipient intends to use to finance a portion of the cost of the Project.

“PERSON” shall mean a municipality, municipal authority, or other form of government, including a governmental subdivision, agency or other instrumentality, an individual, any form of corporation or partnership, a business trust, an estate, a trust, a cooperative, an association, two or more individuals or entities having a joint or common interest, or any other legal or commercial entity.

“PROJECT” shall mean the design, acquisition, construction, improvement, expansion, extension, remediation, repair or rehabilitation of all or part of the System as further described in the Description of System/Project, attached hereto as Exhibit C.

“PROJECT COLLATERAL” shall mean the collateral provided by the Funding Recipient to the Authority to secure the Debt Obligation, as more particularly set forth in Section E hereof and the Project Specific Terms, attached hereto as Exhibit A.

“PROJECT CONTRACTS” shall mean the agreements executed by the Funding Recipient and the Contractors for the performance of the work required to complete the Project.

“PROJECT COST SHEETS” shall mean the description of contract line items and invoice amounts that will be submitted to the Authority for reimbursement, as built by the Funding Recipient in the Authority’s Funds Disbursement Website and appearing as a portion of the Project Cost Sheets/Breakdown, attached hereto as Exhibit I.

“PROJECT FUNDING” shall mean any repayment and/or non-repayment amount, if applicable, provided by the Authority to the Funding Recipient through this Agreement to finance Eligible Costs associated with the Project, in an amount not to exceed the repayment and/or non-repayment amounts set forth in the Project Specific Terms, attached hereto as Exhibit A.

“PROJECT MANAGEMENT PLAN” shall mean the document prepared by or on behalf of the Funding Recipient identifying all major tasks necessary to complete the Project, including, but not limited to, obtaining all required permits and approvals, awarding contracts, starting and completing construction, the person(s) responsible for each task, and the date upon which each task is expected to be commenced and completed, as more particularly identified in the Project Management Plan, attached hereto as Exhibit E.

“PROJECT PLANS” shall mean the plans, scope of work, designs, specifications, Act 2 Clean-up Plan or other similar documents, as may be applicable, reviewed and approved by the Pennsylvania Department of Environmental Protection that describe the work to be performed to complete the Project.

“PUC” shall mean the Pennsylvania Public Utility Commission.

“REAL PROPERTY” shall mean all interests in real property, including, but not limited to, fee simple interests, leasehold interests and the Easements, required to lawfully construct, operate and maintain the Project.

“REIMBURSEMENT REGULATIONS” shall mean Section 1.150-2 of the United States Treasury Regulations, 26 C.F.R. § 1.150-2.

“REQUIRED EQUITY CONTRIBUTION” shall mean (1) the difference between the total cost of the Project and the Project Funding and the amount funded by any Other Funding, or (2) at any particular time in the future, the difference between the amount necessary to complete the Project and the amount of the Project Funding remaining to be advanced to the Funding Recipient by the Authority hereunder and the amount remaining to be advanced to the Funding Recipient by any third party providing any Other Funding.

“SCHEDULED AMORTIZATION DATE” shall mean the date upon which the Funding Recipient shall initiate principal and interest payments as set forth in the Project Management Plan, attached hereto as Exhibit E.

“SETTLEMENT” shall mean the closing of the funding transaction between the Funding Recipient and the Authority, including execution of the Funding Documents.

“SETTLEMENT DATE” shall mean the effective date of this Agreement.

“SYSTEM” shall mean the public drinking water, sanitary sewage disposal or storm water management system; acid mine drainage or Brownfield site; real property affected by non-point source pollution; or any other facility or site upon which an eligible project can be performed, as more specifically described in the Description of System/Project, attached hereto as Exhibit C, including all Real Property, all personal property of the Funding Recipient located thereon or used or useful in connection therewith, all pipes, conduits, lines, equipment and structures located on or in the Easements, or located on other property leased or controlled by the Funding Recipient for such purpose, as may be now or hereinafter owned or held by the Funding Recipient.

“SYSTEM AUTHORIZATIONS” shall mean any and all licenses, permits, contracts and agreements with or from all boards, public utilities, agencies, departments, governmental or otherwise, required by law or applicable contract to construct the Project or operate the System, whether heretofore or hereafter issued or executed, together with all amendments, modifications or addenda thereto.

“SYSTEM REVENUES” shall mean all accounts, accounts receivable, contract rights and general intangibles related to or arising from the ownership or operation of the System, including without limitation the proceeds of such accounts, contracts and general intangibles.

B. FINANCIAL ASSISTANCE

1. APPROVED FINANCIAL ASSISTANCE

The Authority has approved funding for the Project in the amount set forth in the Project Specific Terms, attached hereto as Exhibit A. The Authority shall disburse the approved funding to the Funding Recipient for the Project, in accordance with the terms and conditions set forth herein.

2. FUNDING OFFER SURVIVAL

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The terms and conditions of the Funding Offer are incorporated herein by reference and made a part hereof. The Funding Recipient hereby agrees that the obligations set forth in the Funding Offer shall survive Settlement on the funding being provided by the Authority and shall be continuing obligations of the Funding Recipient until all required payments, including applicable interest and fees, have been made in full and all other obligations of the Funding Recipient under the Funding Documents have been fully completed and discharged.

3. FUNDING DOCUMENTS

In addition to this Agreement, the Funding Recipient shall execute or cause to be executed the following documents, as appropriate, prior to the disbursement of funds approved for the Project:

a. Debt Obligation

The Debt Obligation, in a form satisfactory to the Authority and in the form and principal amount set forth in Exhibit A, dated as of the Settlement Date. The Debt Obligation shall provide for the payment of principal, together with interest thereon at the rate set forth in the Project Specific Terms, attached hereto as Exhibit A, in such installments, at such times, and according to such further terms as set forth therein. The terms of the Debt Obligation are incorporated herein by reference.

b. Project Collateral

As security for the Debt Obligation and all of the Funding Recipient's obligations thereunder and hereunder, the Funding Recipient agrees to execute and deliver or cause to be executed and delivered to the Authority the Project Collateral identified in the Project Specific Terms, attached hereto as Exhibit A.

c. Additional Documents

The Funding Recipient shall execute and deliver such additional documents, certifications and other instruments as the Authority shall reasonably require.

C. REPRESENTATIONS AND WARRANTIES

The Funding Recipient represents, warrants and certifies the following to the Authority, which representations and warranties shall survive until the Debt Obligation has been paid in full and shall be deemed to be made as of the Settlement Date and the date of each request for disbursement:

1. FORMATION; EXISTENCE; COMPOSITION

The Funding Recipient is duly organized and existing under the laws of the Commonwealth of Pennsylvania or is duly authorized to do business in the Commonwealth of Pennsylvania; has the power and authority to carry on its business as now conducted; has furnished correct and complete copies of its Organizational Documents to the Authority, or provided evidence of the applicable Pennsylvania statute under which the Funding Recipient operates; and has provided a correct and complete list of its directors and officers, shareholders, or other management structure, as may be applicable, in the List of Officer and Directors, attached hereto as Exhibit D and incorporated herein by reference.

2. POWER AND AUTHORITY; AUTHORIZATION; ENFORCEABILITY

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The Funding Recipient has the full power, authority and legal right to execute, deliver and comply with the Funding Documents and has taken all actions necessary or appropriate for the execution and delivery of and compliance with the Funding Documents. The Funding Documents constitute valid and legally binding obligations of the Funding Recipient enforceable against the Funding Recipient in accordance with their respective terms.

3. GOVERNMENTAL APPROVAL OF FUNDING DOCUMENTS

No consent, approval or other authorization of or by any court, administrative agency or other governmental authority is required in connection with the execution and delivery of or the performance of the Funding Recipient's obligations under this Agreement or any of the Funding Documents, except as disclosed on the Project Management Plan and the List of Permits/Approvals, attached hereto as Exhibits E and F, respectively, and incorporated herein by reference.

4. CONFLICT; BREACH

The execution and delivery of and compliance with the Funding Documents and any other documents and instruments related to the Project will not conflict with or result in a breach of any applicable law, judgment, order, writ, injunction, decree, rule or regulation of any court, administrative agency or other governmental authority, or the Organizational Documents, or of any agreement or other document or instrument to which the Funding Recipient is a party or by which it or its properties are bound, and such action by the Funding Recipient will not result in the creation or imposition of any lien, charge or encumbrance upon any property of the Funding Recipient in favor of anyone other than the Authority.

5. LITIGATION

No action, suit or proceeding is pending or, to the knowledge of the Funding Recipient, is threatened, against or affecting the Funding Recipient, the Project, the Project Collateral or the System, before or by any court, administrative agency or other governmental authority, which questions the validity of the Project contemplated hereby, or which could result in a material adverse change in the financial condition or business of the Funding Recipient or the Project Collateral, except as disclosed in the List of Litigation, attached hereto as Exhibit G and incorporated herein by reference.

6. FINANCIAL STATEMENTS

The most recent audited annual financial statements of the Funding Recipient, a copy of which has been furnished to the Authority, have been prepared in accordance with generally accepted accounting principles and practices, or generally accepted governmental accounting principles and practices, consistently applied, as applicable, and fairly and accurately presents the financial condition of the Funding Recipient in all material respects as of the date thereof and for the fiscal period then ended. No material adverse change in the financial condition or business of the Funding Recipient has occurred between the end of the fiscal year covered by such financial statements and the Settlement Date, except as disclosed by the Funding Recipient in the List of Liens, attached hereto as Exhibit B and incorporated herein by reference. The timeliness of the financial statements submitted to the Authority shall comply with the requirements set forth in the Subsection entitled "Financial Statements" in Section D herein.

7. REQUIRED GOVERNMENTAL FILINGS

Any and all filings, reports or other documents required by any federal, state or local government that affect, either directly or indirectly, the completion of the Project in conformity with the Funding Documents, including the completion of major milestones in accordance with the Project Management Plan set forth in Exhibit E herein, have been filed or submitted, and all fees or assessments required upon making any such filings or submission, as well as any interest or penalties due thereon, have been paid.

8. REAL PROPERTY INTERESTS

The Funding Recipient has acquired sufficient interest in all Real Property to complete the Project. No real property interest pledged as part of the Project Collateral under the Project Specific Terms, attached hereto as Exhibit A, is subject to any lien, charge or encumbrance, other than those identified in the List of Liens, attached hereto as Exhibit B. All Easements necessary to complete the Project have been obtained and recorded in the applicable County Recorder of Deeds Office. All valid and binding leasehold interests necessary to complete the Project have been obtained for terms that exceed the term of the Debt Obligation. A complete list of all Real Property, including recording information and adequate information to demonstrate that all condemnation actions and preliminary objections to such action have been resolved, if applicable, has been provided by the Funding Recipient in the List of Real Property, attached hereto as Exhibit H.

9. STATUS OF PERSONAL PROPERTY

All personal property pledged as part of the Project Collateral is free and clear of all liens, encumbrances, security interests and other equitable charges, except as identified in the List of Liens, attached hereto as Exhibit B.

10. STATUS OF PRIOR AUTHORITY FUNDING

To the extent that the Funding Recipient has previously received any financing from the Authority, the Funding Recipient is in compliance with all obligations under the prior funding documents and is not delinquent on its repayment obligations.

11. REFINANCING; OTHER FINANCING

The Funding Recipient has not been offered or received a commitment from anyone other than the Authority to provide long-term financing, as defined by Authority regulations, for the costs of the Project being funded by the Authority under this Agreement.

12. GOVERNMENTAL APPROVAL OF CONSTRUCTION OF THE PROJECT

All necessary permits, approvals and licenses from governmental or quasi-governmental authorities having jurisdiction over the construction of the Project or operation of the Project upon completion, including but not limited to wastewater discharge permits, water supply permits, water obstruction and encroachment permits, erosion and sedimentation control permits, highway occupancy permits, zoning or use permits, variances or special exceptions, zoning reclassifications, foundation permits, building permits, subdivision approvals, earth moving permits, water allocation permits and other environmental permits, have been obtained and such permits, approvals and licenses are final and in full force and effect, and the time for filing all appeals has expired with no appeals having been taken therefrom, except as otherwise disclosed to the Authority. Exhibit F contains a correct and complete list of all permits, approvals and licenses required for completion and operation of the Project, the date each permit, approval or license was issued, the date any appeal period expired, and the status of any appeals filed.

13. UTILITY SERVICES

All utility services which may be needed to adequately serve the Project, including water, electric, gas and telephone, and all storm and sanitary sewer drainage facilities are available on or at the boundary of the Project, or will be available upon completion of the same as part of the Project, for use at competitive rates and are of sufficient capacity to adequately serve the Project.

14. PROFESSIONAL ENGINEER

The Funding Recipient has retained the Engineer and executed the Engineer's Agreement for the Project, in form and substance satisfactory to the Authority, to develop the Project Plans and Project Management Plan, input the Project Cost Sheets and Cost Sheets and Breakdown, monitor implementation of the Project and provide necessary sign-offs and certifications at Settlement and upon completion of the Project. The Engineer's Agreement shall include an agreed upon estimate of the costs for such services as of the date of Settlement. The costs attributed to each of the services provided by the Engineer shall be provided as part of the Project Cost Sheets, as set forth in the Project Cost Sheets/Breakdown, attached hereto as Exhibit I. The Funding Recipient has provided to the Authority an executed copy of the Engineer's Agreement and hereby certifies that the Engineer's Agreement is in full force and effect and no party thereto is in default thereunder.

15. PROJECT PLANS

The Funding Recipient shall construct the Project in accordance with the Project Plans, copies of which have been made available to the Authority and are hereby made a part of this Agreement. The Project Plans are identical in all material respects to those on which all approvals from governmental and quasi-governmental authorities having jurisdiction over implementation of the Project were based, and all final Project Plans have been provided to the Authority.

16. PROJECT CONTRACTS

Project Contracts have been executed in form and substance satisfactory to the Authority and copies have been provided the Authority. The Project Contracts provide for performance of the work required to complete the Project in a good and workmanlike manner and in strict accordance with the Project Plans. Implementation of the Project Contracts shall proceed with due diligence to completion. The Funding Recipient hereby certifies that the Project Contracts are in full force and effect and no party thereto is in default thereunder.

17. PROJECT MANAGEMENT PLAN

The information provided in the Project Management Plan, attached hereto as Exhibit E, is complete and accurate and the projected date for completion of the Project is reasonable.

18. COST SHEETS AND BREAKDOWN

The Cost Sheets and Breakdown, as set forth in Exhibit I, provides the following:

- a. The best available estimate of the costs to be incurred to perform the various categories of work required to complete the Project;
- b. An accurate estimate of Eligible Costs to be funded by the Authority and those Project costs which will be funded by sources of Other Funding; and
- c. Completed Project Cost Sheets for all Contractors and Project Contracts.

Adjustments may be made to the Cost Sheets and Breakdown as the Project is implemented and the actual costs in the various categories are determined.

19. BANKRUPTCY; INSOLVENCY

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The Funding Recipient has not applied for or consented to the appointment of a receiver, conservator, trustee or liquidator for itself or any of its property; admitted in writing its inability to pay its debts as they mature; made a general assignment for the benefit of creditors; been adjudicated a bankrupt or insolvent or filed a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law; and no action has been taken by it for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction approving a petition seeking reorganization of the Funding Recipient or all or a substantial part of the assets of the Funding Recipient, or appointing a receiver, conservator, sequestrator, trustee or liquidator of it or any of its property.

20. RESPONSIBILITY PROVISIONS

a. Neither the Funding Recipient, nor any contractor or subcontractor receiving any Project Funding, is under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority, or if the Funding Recipient cannot so certify, then it has disclosed on the Project Management Plan, attached hereto as Exhibit E, a written explanation of why such certification cannot be made.

b. The Funding Recipient is not delinquent in the payment of any tax liabilities or other obligations to the Commonwealth, or has timely filed an administrative or judicial appeal if such liabilities or obligations exist, or is subject to a duly approved deferred payment plan if such liabilities exist.

21. INTEGRITY PROVISIONS

a. For purposes of this Paragraph only, the following terms shall have the meanings set forth below:

(i) "Confidential Information" shall mean information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the Authority or the Commonwealth.

(ii) "Consent" shall mean written permission signed by a duly authorized officer or employee of the Authority, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the Authority shall be deemed to have consented by virtue of execution of this Agreement.

(iii) "Financial Interest" shall mean ownership of more than a five percent interest in a business, or holding a position in the business as an officer, director, trustee, partner, employee, or the like, or holding any position of management.

(iv) "Gratuity" shall mean any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

b. The highest standards of integrity in the performance of this Agreement have been maintained and no action has been taken in violation of state or federal laws, regulations, or other requirements that govern contracting with the Commonwealth.

c. No Confidential Information gained by virtue of this Agreement has been disclosed to others.

d. No pecuniary benefit has been conferred in connection with this Agreement or any other agreement with the Authority, directly or indirectly, on anyone as consideration for the decision, opinion,

recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the Commonwealth.

e. No Gratuity has been offered, given or promised to anyone in connection with this Agreement or any other agreement with the Authority, directly or indirectly, for the benefit of or at the direction or request of any officer or employee of the Commonwealth.

f. No Gratuity has been accepted from or given to anyone in connection with the performance of work under the Agreement.

g. Except with the Consent of the Authority, the Funding Recipient does not currently have and agrees not to obtain a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on a Project.

h. The Funding Recipient, upon being informed that any violation of these provisions has occurred or may occur, has immediately notified the Authority in writing.

i. The Funding Recipient, upon the inquiry or request of the Inspector General of the Commonwealth or any of that official's agents or representatives, has provided, or if appropriate, has made promptly available for inspection or copying, any information of any type or form deemed relevant by the Inspector General to the Funding Recipient's integrity or responsibility, as those terms are defined by the Commonwealth's statutes, regulations, or management directives. Such information may include, but shall not be limited to, the Funding Recipient's business or financial records, documents or files of any type or form, which refer to or concern the Agreement. Such information shall be retained by the Funding Recipient for a period of three years beyond the termination of the Agreement unless otherwise provided by law.

j. For violation of any of the above provisions, the Authority may terminate this Agreement and any other agreement with the Funding Recipient, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining complete performance hereunder, and debar and suspend the Funding Recipient from doing business with the Commonwealth. These rights and remedies are cumulative, and the use or nonuse of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Authority may have under law, statute, regulation, or otherwise set forth in this Agreement.

22. CONFIDENTIAL INFORMATION

The Funding Recipient has made every effort not to include confidential or proprietary information or trade secrets as part of any submission to the Authority. If the Funding Recipient has determined that it must divulge such information as part of any submission to the Authority, the Funding Recipient has submitted to the Authority a signed written statement to that effect in accordance with 65 P.S. § 67.707 (b), and additionally has provided a redacted version of its submission, which has removed only the confidential or proprietary information and trade secrets for public disclosure purposes.

23. RIGHT-TO-KNOW LAW

a. The Pennsylvania Right-to-Know Law (hereinafter referred to as the "RTKL"), 65 P.S. §§ 67.101-3104, applies to this Agreement. For the purpose of administering the matters relating to the RTKL set forth in this Section, the applicable "Commonwealth agency" as provided in the RTKL shall be the Authority. Capitalized terms used but not otherwise defined herein shall have the same meaning as set forth in the RTKL.

b. If the Authority needs the Funding Recipient's assistance in any matter arising out of the RTKL, the Authority shall notify the Funding Recipient using the legal contact information provided in this Agreement. The Funding Recipient, at any time, may designate a different contact for such purpose upon reasonable prior written notice to the Authority.

c. Upon written notification from the Authority that it requires the Funding Recipient's assistance in responding to a request under the RTKL for information that may be in the Funding Recipient's possession, constituting, or alleged to constitute, a Public Record in accordance with the RTKL, Funding Recipient shall:

(i) Provide the Authority, within ten (10) calendar days after receipt of such notification, access to, and copies of, any document or information in the Funding Recipient's possession arising out of this Agreement that the Authority reasonably believes may be a Public Record under the RTKL ("Requested Information"), to permit the Authority to evaluate whether such Requested Information is, in fact, a Public Record within the scope of the subject RTKL information request; provided, however, that providing such Requested Information not previously in the Authority's possession shall not be considered an admission by the Funding Recipient that such records are Public Records under the RTKL; and

(ii) Provide such other assistance as the Authority reasonably may request, in order to comply with the RTKL.

If the Funding Recipient fails to provide the Requested Information within ten (10) calendar days after receipt of such request, the Funding Recipient shall indemnify and hold the Authority harmless for any damages, penalties, detriment or harm that the Authority may incur under the RTKL as a result of the Funding Recipient's failure, including any statutory damages assessed against the Authority.

d. If the Funding Recipient considers the Requested Information not to be a Public Record, or exempt from production due to the inclusion of trade secret, confidential proprietary information, or any other reason for exemption from production as a Public Record under the RTKL, the Funding Recipient shall provide a written statement to the Authority within seven (7) days of receipt of the Authority's request for the Requested Information. This statement shall be signed by a representative of the Funding Recipient, explaining why the Funding Recipient considers the Requested Information exempt from public disclosure.

e. If such a written statement is timely provided, the Authority will rely upon it in denying a RTKL request for the information. However, if the Authority reasonably determines that such written statement is patently flawed or the Requested Information is, on its face, clearly not protected from disclosure under the RTKL, the Funding Recipient shall, subject to its rights of appeal, provide the Requested Information within five (5) business days of notification of the Authority's decision.

If the Funding Recipient fails to provide the Requested Information within the five (5) business days, the Funding Recipient shall indemnify and hold the Authority harmless from any damages, legal fees, penalties, detriment or harm, including statutory damages assessed against the Authority that the Authority may incur under the RTKL as a result of the Funding Recipient's failure to provide the records.

f. The Funding Recipient shall be entitled to challenge or appeal any decision of the Authority, the Commonwealth Office of Open Records ("OOR") or any applicable court mandating the release of any record to the public which the Funding Recipient believes is not properly subject to disclosure under the RTKL; provided, however, that

(i) the Funding Recipient shall be solely responsible for all costs related to such action; and

(ii) the Funding Recipient shall indemnify and hold harmless the Authority from and against any and all legal fees, damages, penalties, detriment or harm that the Authority may incur under the RTKL as a result of such action, including any statutory damages assessed against the Authority, regardless of the outcome of such legal challenge. If the Funding Recipient does not appeal or is not successful after final appeal from a determination by the OOR or Pennsylvania courts, the Funding Recipient agrees to waive all rights or remedies that may be available to it as a result of the Authority's subsequent disclosure of Requested Information pursuant to such a decision by the OOR or Pennsylvania courts. The Authority will reimburse the Funding Recipient for any costs associated with complying with this provision, but only to the extent allowed under the fee schedule established by the OOR, or as otherwise provided by the RTKL, if the fee schedule is inapplicable.

g. Notwithstanding the foregoing, nothing set forth herein is intended, nor shall it be construed, to expand the Funding Recipient's obligations, or the Authority's authority, beyond those obligations and authority, respectively, as are set forth in the RTKL, and the sole remedy for any failure by the Funding Recipient to perform any obligation arising hereunder, or under the RTKL, shall be limited to those specifically provided for pursuant to the RTKL, and the failure of the Funding Recipient to comply with the provisions of this Section shall not constitute a default or Event of Default under the Agreement.

24. USE OF PROCEEDS TO REIMBURSE

To the extent that Project Funding is used to reimburse the Funding Recipient for costs previously paid or expended, the requirements of the Reimbursement Regulations have been met, and if applicable, a declaration of official intent or reimbursement resolution has been provided to the Authority.

25. LOCAL GOVERNMENT UNIT DEBT ACT APPROVAL

The Funding Recipient has delivered to the Authority a copy of the proceedings submitted to, as well as the approval from, the Pennsylvania Department of Community and Economic Development indicating that the debt to be incurred by it, or any local government unit guaranteeing its obligations, in connection with the Project Funding is approved under the Local Government Unit Debt Act ("LGUDA"), 53 Pa.C.S. § 8001 et seq.

26. AUTHORIZATION TO INCUR DEBT

The Funding Recipient has delivered to the Authority copies of documents demonstrating that the incurrence of debt for the Project pursuant to this Agreement has been properly authorized, including any such debt incurred as the result of the granting of a guaranty, if a guaranty is required under the Project Specific Terms, attached hereto as Exhibit A.

27. PROPERTY, LIABILITY AND OTHER INSURANCE

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The following documents have been delivered to the Authority by or on behalf of the Funding Recipient:

a. A certificate to the effect that the Contractor has procured insurance policies covering worker's compensation, and comprehensive general liability, protecting the Funding Recipient and the Contractor against any liability for loss or damage to persons or property in any way occurring during the process of the construction of the Project or in any way arising therefrom. The worker's compensation insurance shall cover the Contractor's full statutory liability as employer without limit, and the comprehensive general liability insurance shall be for amounts and with a company satisfactory to the Authority;

b. A certificate to the effect that the Funding Recipient has procured insurance policies covering worker's compensation and comprehensive general liability, protecting the Funding Recipient against any liability for loss or damage to persons or property in any way occurring during the process of the construction of the Project or in any way arising therefrom. The worker's compensation insurance shall cover the Funding Recipient's full statutory liability as employer without limit, and the comprehensive general liability insurance shall provide adequate business insurance coverage on the Funding Recipient's business assets. In the event that the Funding Recipient is self-insured, the Funding Recipient alternatively shall deliver to the Authority a certificate to the effect that the Funding Recipient:

(i) self-insures with regard to its liability under Pennsylvania law for negligent acts or omissions of its officers and employees and for physical loss to property,

(ii) has established an adequate indemnity fund to provide for general liability or worker's compensation claims, and

(iii) is a qualified self-insurer in the Commonwealth of Pennsylvania for general liability and worker's compensation;

c. An original policy of builder's all risk insurance with extended coverage (with a standard mortgagee clause in favor of the Authority), in an amount and with a company satisfactory to the Authority, and containing a provision allowing the insured to complete the work provided for hereunder and in the Project Contracts and covering the building materials for the Project during construction; and

d. An original policy of flood insurance, to the extent required by any applicable federal, state or local law, including without limitation the Flood Disaster Protection Act of 1973 (P.L. 93-234).

Receipt of the aforesaid policies or certificates of insurance shall not bar the Authority from requiring other or additional insurance, which the Authority may reasonably require based on the unique nature of the Project.

28. ENGINEER'S CERTIFICATION

The Funding Recipient has delivered to the Authority the written certification and professional opinion of the Engineer with respect to the Project, including but not limited to, adequacy and compliance of the Project design as it relates to a construction project, specifications, rates, stormwater management plan, Steel Products Procurement Act, Act of March 3, 1978, P.L. 6, No. 3, 73 P.S. § 1881 et seq., Davis Bacon wage rate requirements, Pennsylvania Prevailing Wage requirements, Act 2, American Iron and Steel, and adequacy and compliance of design plans and specifications as it relates to a design and engineering project, as may be applicable, and as more particularly described in the Engineer's Omnibus Certification, provided to the Funding Recipient in connection with this Settlement.

29. FUNDING RECIPIENT'S CERTIFICATION

The Funding Recipient has delivered to the Authority a written certificate of the Funding Recipient stating that:

a. The Funding Recipient will comply with the Steel Products Procurement Act, Act of March 3, 1978, P.L. 6, No. 3, 73 P.S. § 1881 et seq., in connection with the Project and the Project Contracts require compliance with the same;

b. There has been no adverse change in the financial condition of the Funding Recipient as disclosed to the Authority in its application for funding, which was relied upon by the Board in making its Funding Offer, except as disclosed by the Funding Recipient in the List of Liens, attached hereto as Exhibit B, or otherwise disclosed to the Authority in writing;

c. The Funding Recipient is not under the jurisdiction of the PUC;

d. To the extent that the Project Collateral includes a lien on the System Revenues, or a guaranty secured by a lien on the revenues of a guarantor, the rates established to generate the revenues that have been pledged as Project Collateral have been reviewed by the Engineer, or other qualified professional (which may include an employee of the Funding Recipient with the requisite skill and experience), and the Funding Recipient, and such rates are sufficient to amortize the Project Funding and all other indebtedness secured by such revenues and to fund any operational expenses to be paid from such pledged revenues; and

e. The name, title and signature of the officers provided by Funding Recipient are the duly elected officers as of the Settlement Date.

30. SURETY BONDS

The Funding Recipient has delivered to the Authority performance bonds with respect to implementation of the Project in an amount totaling not less than the total amount due under the Project Contracts, as identified on the Costs Sheets and Breakdown, and labor and material payment bonds in an amount totaling not less than the total amount due under the Project Contracts, with such corporate surety or sureties as are acceptable to the Authority and in form and substance satisfactory to the Authority.

31. OPINIONS OF COUNSEL

The Funding Recipient has delivered to the Authority a written opinion of counsel from its Attorney directed to the Authority, which shall be satisfactory in form and substance to the Authority and its counsel, with respect to the matters set forth in the Subsections entitled "Formation; Existence; Composition", "Power and Authority; Authorization; Enforceability", "Governmental Approval of Funding Documents", "Conflict; Breach", "Governmental Approval of Construction of the Project" and "Use of Proceeds to Reimburse" in Section C of this Agreement and to the effect that the Attorney is not aware of any matters contrary to the representations and warranties of the Funding Recipient contained in this Agreement.

32. FEES, CHARGES AND PREMIUMS

The Funding Recipient has paid all premiums on insurance policies and bonds and, if applicable, all recording and conveyancing costs assessed against the Funding Recipient in connection with the Project, including, without limitation, transfer taxes and title insurance premiums.

33. REQUIRED EQUITY CONTRIBUTION

The Funding Recipient has delivered to the Authority evidence that the current amount of the Required Equity Contribution, as indicated on the Cost Sheets and Breakdown, has been disbursed or will be available for disbursement in accordance with the Project Management Plan, attached hereto as Exhibit E.

34. STEEL PRODUCTS PROCUREMENT

Funding Recipient has taken and will continue to take all necessary and affirmative steps to assure that the Project complies with the provisions of the Steel Products Procurement Act, March 3, 1978, P.L. 6, No. 3, 73 P.S. § 1881 et seq., in every construction contract awarded for this Project.

D. COVENANTS

All representations and warranties stated in Section C that continue to apply to the Project, or are attributable to the Funding Recipient's ability or pledge toward repayment of the Project Funding, are incorporated into this Section as if restated in their entirety. In addition, the Funding Recipient covenants and agrees to the following until the Project has been completed and the Debt Obligation has been paid in full:

1. COMPLETION OF PROJECT

The Funding Recipient shall cause its Contractors to commence construction of the Project in accordance with the Project Management Plan, promptly after the execution of this Agreement, or prior to the execution of this Agreement, if applicable under a letter of no prejudice issued by the Authority and identified in the Project Management Plan. The Authority shall have no obligation to disburse funds hereunder if the Project is not commenced promptly. Further, Contractors shall be required to proceed diligently, employing sufficient workmen and supplying sufficient materials for that purpose, in accordance with the Project Management Plan and the Cost Sheets and Breakdown, so that the Project shall be completed no later than the Completion Date, which date is of the essence for purposes of this Agreement. Construction of the Project shall be deemed completed only when:

- a. The Engineer has certified to the Authority in writing that the Project has been completed in accordance with the Project Plans, as the same may have been amended and supplemented from time to time with the prior written approval of the Authority, and any other governmental authorities having jurisdiction over the Project, and that the Project is ready for use and occupancy for the purposes for which designed;
- b. DEP shall have inspected and approved completion of the Project;
- c. All change orders, changes of scope and advices of change have been submitted, reviewed and approved by the Authority as applicable; and
- d. The most recent annual audited financial statements of the Funding Recipient have been timely provided to the Authority in accordance with the Subsection entitled "Financial Statements" under Section D of this Agreement.

If the progress of the work is delayed at any time by labor disputes, fire, unusual delay in transportation, extraordinary and unusual weather conditions not reasonably anticipated, unavoidable casualties, war, acts of God or similar causes beyond its control, then at the option of the Authority, the Completion Date may be extended for such reasonable time as the Authority may determine.

2. IMPLEMENTATION IN ACCORDANCE WITH PROJECT PLANS

The Project shall be performed in accordance with the Project Plans, all statutes, laws, ordinances, rules, regulations and other governmental requirements applicable to the Project, the requirements of fire underwriters and the requirements of any Other Funding. If requested by the Authority, the Funding Recipient shall provide a list of all contractors and subcontractors the Contractors have engaged or intend to engage to provide services or materials for the Project, together with fully executed copies of the agreements between the Contractors and their contractors or subcontractors.

3. ELIGIBLE COSTS

The proceeds of the Project Funding shall be used solely to finance Eligible Costs.

4. PUBLIC RELATIONS, LOBBYING, LITIGATION

The proceeds of the Project Funding shall not be used to fund public relations, outreach not directly related to project implementation, communications, lobbying or litigation costs.

5. REMOVAL OF NONCONFORMING MATERIALS

All materials that fail to substantially conform to the Project Plans shall be removed from the Project promptly after notice is provided by the Authority. The cost of replacing such materials, and any part of the Project damaged by the removal of such materials, shall not be an Eligible Cost under this Agreement.

6. AS-BUILT SURVEY

If requested by the Authority on or before the Completion Date, an as-built survey prepared by a registered surveyor or engineer shall be provided showing that all improvements constructed as part of the Project are entirely on the Real Property (in accordance with the terms thereof), are located in conformance with all governmental requirements and do not encroach upon or overhang any property of others.

7. AMENDMENT OF DOCUMENTS

The Project Plans, Project Contracts, Engineer's Agreement or documents related to any Other Funding shall not be amended without the prior written approval of the Authority, as well as the prior written approval of each of the governmental authorities having jurisdiction over the Project. A copy of any amended document shall be provided to the Authority within thirty (30) days of its execution.

8. AMERICANS WITH DISABILITIES ACT

a. Pursuant to federal regulations promulgated under the authority of the Americans With Disabilities Act, 28 C.F.R. § 35.101 et seq., no individual with a disability shall, on the basis of the disability, be excluded from participation in this Agreement or from activities provided for under this Agreement, and the Funding Recipient agrees to comply with the General Prohibitions Against Discrimination, 28 C.F.R. § 35.130, and all other regulations promulgated under Title II of the Americans With Disabilities Act which are applicable to the benefits, services, programs, and activities provided by the Authority as an agency of the Commonwealth through this Agreement.

b. The Commonwealth and the Authority shall be indemnified and held harmless from all losses, damages, expenses, claims, demands, suits and actions brought by any party against the Commonwealth or the Authority as a result of the Funding Recipient's failure to comply with its obligations under the provisions of Subsection (a) above.

9. NONDISCRIMINATION; SEXUAL HARASSMENT CLAUSE

The Funding Recipient shall comply, or cause its Contractors, or other agents or representatives to comply, with the following requirements:

a. In the hiring of any employees for the manufacture of supplies, performance of work, or any other activity required under this Agreement or any Project Contract, no person who is qualified and available to perform the work to which the employment relates shall be discriminated against by reason of gender, race, creed or color.

b. No employee involved in the manufacture of supplies, the performance of work or any other activity required under the Agreement shall be discriminated against in any manner or intimidated on account of gender, race, creed, or color.

c. A written sexual harassment policy providing that sexual harassment will not be tolerated and employees who practice it will be disciplined shall be established and maintained and employees shall be informed of the policy.

d. No Contractor who is qualified to perform the work relating to this Agreement shall discriminate against any other Contractor by reason of gender, race, creed, or color.

e. All necessary employment documents and records shall be provided and access shall be granted to the Authority and the Department of General Services' Bureau of Contract Administration and Business Development to books, records, and accounts for purposes of investigation to ascertain compliance with the provisions of this Nondiscrimination/Sexual Harassment Clause. If documents or records reflecting the necessary information requested are not available, such information shall be furnished on reporting forms supplied by the Authority or the Bureau of Contract Administration and Business Development.

f. This Nondiscrimination/Sexual Harassment Clause shall be included in each of the Project Contracts so that such provisions will be binding upon the Contractors.

g. The Authority may cancel or terminate the Agreement and all money due or to become due under the Agreement may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the Authority may proceed with debarment or suspension and may place the party not in compliance in the Contractor Responsibility File, a repository of information on contractors.

10. RESPONSIBILITY PROVISIONS

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a. The Funding Recipient shall inform the Authority of any delinquency in the payment of taxes, or other Commonwealth obligations, or of any suspension or debarment by the Commonwealth, the federal government, or any other state or governmental entity of the Funding Recipient, or its contractors or subcontractors receiving any Project Funding of which it is aware, within 15 days of the date of the delinquency, suspension or debarment. The Funding Recipient may obtain a current list of suspended and debarred Commonwealth contractors by either searching the internet at <http://www.dgs.state.pa.us> or contacting the following:

Department of General Services
Office of Chief Counsel
603 North Office Building
Harrisburg, PA 17125
Telephone No: (717) 783-6472
FAX No: (717) 787-9138

b. The Commonwealth shall be reimbursed for the reasonable costs of investigation incurred by the Office of Inspector General for investigations of the compliance with the terms of this Agreement that results in the suspension or debarment. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. Investigative costs for investigations that do not result in suspension or debarment shall not be reimbursed.

11. LEASES

The Funding Recipient is not a party to any Leases, except as identified in the Description of System/Project, attached hereto as Exhibit C. After the Settlement Date, the Funding Recipient shall not enter into any Leases which relate to all or part of the System upon which the Project was performed and which has a material adverse effect on the Project Collateral, without in each case obtaining the prior written consent of the Authority of all terms and conditions thereof and, once approved, the Funding Recipient shall not amend, modify or cancel such Leases without obtaining the Authority's prior written approval. After Settlement, a copy of any Leases, which relate to all or part of the System upon which the Project was performed and which materially adversely affect the Project Collateral, and any amendments thereto, shall be provided to the Authority within thirty (30) days of its execution.

12. ADDITIONAL DEBT; REFINANCING

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Except as otherwise provided in this Paragraph, the Funding Recipient shall be required to obtain the prior written approval of the Authority to incur additional debt or refinance existing debt. Notwithstanding the foregoing, the Funding Recipient shall be permitted to incur the following types of additional debt, or refinance existing debt, without the prior written consent of the Authority, provided the Funding Recipient satisfies one or more of the conditions set forth below and provides the Authority with written notification of the new issuance, or refinancing, including an identification of the applicable category below:

- a. BAN's, TAN's, TRAN's, RAN's.

All bond anticipation notes, tax anticipation notes, tax and revenue anticipation notes, and revenue anticipation notes involving a short-term pledge of the taxes and/or revenues of the Funding Recipient for a term up to one-year.

- b. Subordinate Debt.

To the extent that the Project Collateral includes a lien on the System Revenues, as set forth in the Project Specific Terms, attached hereto as Exhibit A, all additional debt incurred by the Funding Recipient, which is secured by a lien on the System Revenues subordinate to the lien on the System Revenues held by, or anticipated to be held by the Authority, on the condition that the incurrence of debt of such is approved by the Department of Community and Economic Development, in accordance with the Local Government Unit Debt Act or is sufficiently provided for under the existing rate structure approved by the PUC or is provided for pursuant to a rate increase approved by the PUC, as may be applicable.

- c. Debt Unrelated to the Project Collateral.

All additional debt secured by collateral which is unrelated to the Project Collateral as set forth in the Project Specific Terms, attached hereto as Exhibit A.

- d. Refinancings/Refundings.

Additional debt incurred by the Funding Recipient to refinance or refund debt that was disclosed by the Funding Recipient on the List of Liens, attached hereto as Exhibit B, or previously consented to in writing by the Authority, on the condition that the total amount of the refinancing or refunding is equal to or less than the original amount of the debt disclosed or consented to by the Authority and the annual debt service does not increase.

13. INTERIM FINANCING FOR THE PROJECT

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a. All short-term financing (as defined in 35 P.S. §751.10 (m) and 25 Pa. Code §963.17 (a)(3)) incurred by the Funding Recipient to interim finance the cost of the Project until all of the proceeds of the Project Funding are received shall be permitted on the following conditions:

(i) The combined total outstanding balance of the interim financing and the Debt Obligation shall never exceed the total amount of the Project Funding;

(ii) The interim financing shall be paid in full immediately upon the final disbursement of the Project Funding or upon the expiration of the initial term of the interim loan, whichever is earlier, and

(iii) If the interim financing is secured by a lien on the System Revenues, the Authority and the provider of the short-term interim financing shall enter into an Intercreditor

Agreement on terms and conditions acceptable to both parties simultaneously with the execution of this Agreement, under which the provider of the short-term interim financing shall acknowledge that the Authority will assume a superior lien position on the System Revenues upon the conditions set forth above.

b. In the event there is Other Funding, the Funding Recipient shall be permitted to interim finance the cost of the Project until the proceeds of all of the Project Funding and Other Funding are received on the following conditions:

(i) The combined total outstanding balance of the interim financing, the Other Funding and the Debt Obligation shall never exceed the total amount of the sum of the Project Funding and the Other Funding;

(ii) The interim financing shall be paid in full immediately upon the final disbursement of the Project Funding and the Other Funding, or upon the expiration of the initial term of the interim loan, whichever is earlier, and

(iii) If the interim financing is secured by a lien on the System Revenues, the Authority and the provider of the short-term interim financing shall enter into an Intercreditor Agreement on terms and conditions acceptable to both parties simultaneously with the execution of this Agreement, under which the provider of the short-term interim financing shall acknowledge that the Authority and the provider of the Other Funding shall assume a superior lien position on the System Revenues upon the conditions set forth above.

14. CONTROL; OWNERSHIP

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The Funding Recipient shall remain the owner or operator of the Project, with legal and financial responsibility for the Project, for the greater of the term of the financial assistance provided, or the useful life of the Project, limited to the total amount of the Project Funding provided by the Authority. Control or ownership of the Project, or all or any portion of the System which would result in a material adverse impact on the Project Collateral, shall not be transferred, directly or indirectly, voluntarily or involuntarily, without the prior written approval of the Authority, except as may otherwise be required by court order. Except as otherwise permitted hereby, no lien, encumbrance or security interest shall be created or permitted to exist in favor of any third party with respect to the Project Collateral, other than (a) liens in connection with workers' compensation, unemployment insurance or other social security obligations, (b) the liens of taxes not yet due and payable, and (c) liens of mechanics, materialmen, warehousemen, carriers and other similar liens, securing obligations incurred in the ordinary course of business, which are not yet due and payable, d) liens of taxes, if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings, so long as any applicable judgment is discharged within ten (10) days of entry and e) liens disclosed to the Authority in the List of Liens, attached hereto as Exhibit B .

15. MECHANIC'S LIENS AND OTHER ENCUMBRANCES

Any mechanic's liens or other encumbrances that may be filed or recorded against the Project or the Real Property shall be paid or discharged (by bonding or otherwise) within ten (10) days after notice thereof from the Authority. In the event that any such mechanic's lien or other encumbrance is not paid or discharged, the Authority, in addition to such other rights as may be available to it, may pay and discharge such mechanic's lien or other encumbrance or deposit in escrow an amount sufficient to do so and the amounts so paid or deposited shall be treated as advances of the Project Funding from the Authority to the Funding Recipient. Nothing in this Paragraph may be construed to obligate the Authority to pay or discharge any such mechanic's lien or other encumbrance.

16. FINANCIAL STATEMENTS

Within one hundred eighty (180) days after the end of each fiscal year, or such other time period as may be acceptable to the Authority, until the Debt Obligation is paid in full, the Funding Recipient shall transmit a copy of its financial statements for such fiscal year to the Authority using the Authority's facsimile procedure on the Authority's website under the Annual Financial Statement/Audit Report Submission link. The Funding Recipient's financial statements shall consist of a balance sheet, income statement and statement of source and application of funds. Such financial statements:

- a. Shall be prepared by an independent public accounting firm, or such other entity, as may be acceptable to the Authority;
- b. Shall be prepared in accordance with generally accepted accounting principles and practices consistently applied or generally accepted governmental accounting principles and practices consistently applied, as may be applicable;
- c. Shall be in a form satisfactory to the Authority; and
- d. Shall be certified as true and correct by the chief financial officer of the Funding Recipient.

17. REQUIRED FILINGS

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The Funding Recipient, or its authorized representatives, shall file any and all documents required by any federal, state or local government, either directly or indirectly, for the completion of the Project in conformity with the Funding Documents, which documents shall be filed or submitted in a timely manner, and the Funding Recipient shall pay all fees or assessments required for any such filings or submissions.

18. PROPERTY, LIABILITY AND OTHER INSURANCE

The Funding Recipient shall maintain insurance policies covering worker's compensation and comprehensive general liability protecting the Funding Recipient against any liability for loss or damage to persons or property until the Project has been completed and the Debt Obligation has been paid in full. The worker's compensation insurance shall cover the Funding Recipient's full statutory liability as employer without limit, and the comprehensive general liability insurance shall provide adequate business insurance coverage on the Funding Recipient's business assets. The policies shall contain the agreement of the insurer to give not less than thirty (30) days notice to the Authority prior to cancellation of such policies or a material change in the coverage thereof. In the event that the Funding Recipient is self-insured, the Funding Recipient alternatively shall maintain an adequate indemnity fund to provide for general liability and worker's compensation claims, and shall maintain its status as a qualified self-insurer in the Commonwealth of Pennsylvania for general liability and worker's compensation.

19. MAINTENANCE OF EXISTENCE

All actions required to maintain the Funding Recipient's existence as an entity duly organized and existing under the laws of the Commonwealth of Pennsylvania shall be taken. The Authority shall be advised of the nature of any changes in Organizational Documents promptly after any such changes are made, and neither the Organizational Documents nor the Funding Recipient's fiscal year shall be changed in any manner that would adversely effect performance of any obligation under the Funding Documents, without in each case obtaining the prior written approval of the Authority.

20. PRINCIPAL OFFICE

The Funding Recipient shall maintain its principal office and the office where it keeps its books and records in the same location unless it gives the Authority prior written notice of any proposed change in the location thereof.

21. BOOKS AND RECORDS

Complete and accurate books and records shall be maintained in accordance with generally accepted accounting principles and practices consistently applied, or generally accepted governmental accounting principles and practices consistently applied, as may be applicable, including without limitation, records that substantiate all activities shown on the Project Management Plan and all expenditures incurred to complete the Project. To the extent requested from time to time by the Authority, all written information relating to obligations under any of the Funding Documents and Project expenditures shall be promptly provided to the Authority.

22. AUDIT

The Authority shall have the right at any time and from time to time to audit the books and records of the Funding Recipient and the Funding Recipient shall make available for any such audit all books, records and other information that the Authority may request for such purposes and cooperate fully with the Authority in connection therewith.

23. MERGER; DISSOLUTION

The Funding Recipient shall not be a party to any merger or consolidation or sell all or substantially all of its assets without the prior written consent of the Authority. The Funding Recipient shall not enter into any dissolution or liquidation proceedings.

24. PROJECT STATUS REPORT

For any six month period during the course of Project implementation in which no written application for payment has been submitted to the Authority pursuant to Section F of this Agreement, a written project status report, certified as correct and complete by the Funding Recipient, shall be submitted to the Authority at the conclusion of such period and shall:

- a. Describe the status of all work (construction and otherwise) with respect to the Project (relating the same to the Project and the Project Management Plan);
- b. Certify that no Event of Default has occurred and no known event or condition exists which with the passage of time or the giving of notice or both would constitute an Event of Default under any of the Funding Documents; and
- c. Contain such other information, in such detail, as the Authority may reasonably require.

Such written status reports will continue to be submitted every six months until an application for payment is submitted to the Authority.

25. COMPLIANCE WITH LAWS AND REGULATIONS

The Funding Recipient's business shall be conducted and its properties shall be maintained in accordance with the requirements of all applicable laws, ordinances, rules, regulations, judgments, injunctions, orders and decrees (federal, state or local, judicial, governmental or administrative).

26. COMPLIANCE WITH OTHER FUNDING

Agreements and other documents shall be executed and other action as may be required by the Authority or any third party providing Other Funding shall be taken to comply with the provisions of the Other Funding. In the event that such actions are not taken, the Authority may do so on behalf of the Funding Recipient, and the Funding Recipient hereby irrevocably appoints the Authority or any officer of the Authority its attorney-in-fact for such purposes.

27. USE OF PROCEEDS

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a. The proceeds of the Project Funding and all other funding received from the Authority or any part thereof have not been used and will not be used, either directly or indirectly, for any purpose that would cause the obligations of the Commonwealth of Pennsylvania, or the revenue bonds of the Authority, which may have been issued, inter alia, to provide the proceeds of the Project Funding to be considered “arbitrage bonds” as that term is defined in Section 148 of the Internal Revenue Code of 1986, as amended;

b. The proceeds of the Project Funding will be deposited in a separate general construction account maintained by the Funding Recipient for capital improvement projects. The Funding Recipient shall use adequate accounting procedures to separately track the expenditure of funds for all capital improvements projects for auditing purposes and the Funding Recipient specifically agrees to track the receipt and expenditure of all funds as it relates to this Project;

c. The proceeds of the Project Funding will be expended immediately and any proceeds not so spent due to unforeseen events or delays shall be immediately returned to the Authority with explanation as to the same;

d. To the extent that the proceeds of any Project Funding are used to retire or redeem any prior indebtedness (interim or temporary financing as provided for in Section 963.17(a) of the Authority Regulations) on the Project or reimburse costs previously paid, it must be done immediately upon receipt of proceeds from the Authority and in compliance with the Reimbursement Regulations;

e. All of the proceeds of the Project Funding shall be used for “government use,” as defined in Section 141(b)(7) of the Internal Revenue Code of 1986, as amended, or any successor section thereto;

f. During the term of any Project Funding, the proceeds of any other borrowing or Other Funding shall not be used to pay principal or interest on the Project Funding; and

g. The proceeds of the Project Funding shall only be used for Eligible Costs. In the event the Funding Recipient receives a grant or other funds, at any time for Eligible Costs previously funded by the Authority, the Funding Recipient shall immediately reimburse the Authority for such costs.

28. USE OF PROJECT

The Project shall not be used or operated in such a manner as to contravene any of the rules or regulations governing the use or operation of the Project.

29. RATES AND CHARGES

The Funding Recipient covenants as follows with respect to any revenues pledged as Project Collateral:

a. Definitions

For purposes of this Paragraph only, the terms “financial consultant”, “net revenues” and “operating expenses shall have the following definitions:

(i) Financial Consultant shall mean a person who (1) is qualified to analyze the financial affairs of the owner of the System Revenues pledged as Project Collateral, (2) has a favorable reputation for skill and experience in conducting such financial analyses, and (3) is acceptable to the Authority;

(ii) Net Revenues shall mean the System Revenues, after deduction of Operating Expenses, other contractual allowances, and reasonable allowances for bad debts;

(iii) Operating Expenses shall mean all expenses required in the operation and maintenance of the System determined in conformity with generally accepted accounting principles, including, in each case, without intending to limit the generality of the foregoing: expenses of operation (including all utilities), maintenance, repair, alteration, insurance and inspections; salaries and expenses of professional, managerial, supervisory, administrative, engineering, architectural, legal, financial, auditing and consulting services; sums payable to any person which sums constitute expenses of operation and maintenance; and all taxes or contributions or payments in lieu thereof, assessments and charges, including without limitation income, profits, property, franchise, payroll and excise tax.

b. Coverage Requirements

Beginning three (3) months prior to the Scheduled Amortization Date, and in each fiscal year thereafter, Funding Recipient shall fix, charge and collect or cause to be fixed, charged and collected rates, fees and charges associated with the System Revenues sufficient to provide Net Revenues at least equal to:

(i) The principal and interest due and payable under the terms of the Debt Obligation for the Project Funding in such fiscal year;

(ii) The principal and interest due and payable on any Other Funding secured by a lien on the System Revenues in such fiscal year (i.e., loans senior to the Project Funding); and

(iii) The payment of all amounts due under any other debt obligation secured by the System Revenues and coming due in such fiscal year.

c. Deficiencies

If, at any fiscal year end, Net Revenues are less than the coverage requirements set forth above (Coverage Requirements), the sufficiency of the System Revenues shall be reviewed by the Funding Recipient and steps shall be taken as deemed necessary to correct any deficiencies. If after six (6) months following such fiscal year end, Net Revenues for such six (6) month period are not at least equal to one-half of the Coverage Requirements then due, Funding Recipient shall immediately employ or cause to be employed a Financial Consultant to analyze the deficiency and recommend by the then current fiscal year-end a revised schedule of rates, fees and charges, which Funding Recipient immediately shall implement and enforce or cause to be implemented and enforced to the extent authorized by the PUC, if required, and otherwise permitted by the law. If, at the end of the fiscal year next succeeding such Financial Consultant's recommendation, Net Revenues are still not sufficient to meet the Coverage Requirements, Funding Recipient shall immediately transfer or cause to be transferred management of the System Revenues to a Financial Consultant, subject to the rights of existing lienholders as set forth in the List of Liens, attached hereto as Exhibit B, and such future superior lienholders as may be approved by the Authority pursuant to the Subsection entitled Additional Debt; Refinancing in Section D of this Agreement, until there has been a period of twelve (12) consecutive months during which the Net Revenues satisfy the Coverage Requirements; and provided, however, that if the Financial Consultant or the Authority determines that the failure to meet the Coverage Requirements is caused primarily by factors outside the control of management, the Financial Consultant shall not assume management.

30. AUTOMATIC CLEARING HOUSE PROCEDURES

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The Funding Recipient hereby unconditionally agrees and consents to participate and follow any automatic clearing house procedures implemented, or to be implemented, by the Authority in order to facilitate disbursements of the Project Funding, monitor the Funding Recipient's expenditures of Project Funding disbursements or facilitate the collection of Project Funding repayments. The Funding Recipient will provide any necessary information or written consent requested by the Authority upon receiving written notification that the Authority is implementing new or revised automatic clearing house procedures.

31. TAX STATUS OF DEBT OBLIGATION

The Debt Obligation shall not be reported as a tax-exempt obligation under the information reporting requirements of Section 149(e) of the Internal Revenue Code of 1986, as amended.

32. CONTINUING EDUCATION

To the extent that the Project involves operation of a water supply, wastewater or sewer system, the operators of the system shall participate during the term of the Funding Documents in continuing education programs developed by DEP.

33. RECORDING OR FILING OF FUNDING DOCUMENTS

The Funding Documents, where applicable, shall be recorded or filed by the Funding Recipient in the appropriate public office and evidence of the filing shall be provided to the Authority.

34. STEEL PRODUCTS

Funding Recipient shall comply and cause its Contractors to comply with the requirements of the Steel Products Procurement Act, March 3, 1978, P.L. 6, No. 3, 73 P.S. § 1881 et seq., in every construction contract awarded for this Project.

E. PLEDGE OF PROJECT COLLATERAL

1. FULL FAITH, CREDIT AND TAXING POWER

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The Funding Recipient agrees as follows:

a. The Funding Recipient pledges its full faith, credit and taxing power to the payment of all sums due under all of the terms and conditions of the Funding Documents pursuant to and in accordance with 53 Pa.C.S. § 8104 and 53 Pa.C.S. § 8105.

b. In fulfilling its general obligation to pay the debt incurred pursuant to the terms and conditions of the Funding Documents, the Funding Recipient covenants to:

(i) Include the amount of the debt service on the Debt Obligation, and any other debts incurred in the construction or improvement of the System, for each fiscal year in which sums are payable, in its budget for that year;

(ii) Appropriate such sums from its general and specially pledged revenues for the payments of such debt service;

(iii) Promptly pay or cause to be paid from any sinking fund, or any other of its revenues or funds, the principal and interest on the Debt Obligation and any other obligation of the Funding Recipient in the amounts payable under the Funding Documents or any other loan documents and at the dates and places and in the manner stated in the Funding Documents or other loan documents, according to the true intent and meaning thereof. For such budgeting, appropriation and payment with respect to the Debt Obligation, the Funding Recipient shall pledge its full faith and credit and taxing power, to the extent that Funding Recipient possesses such power, but nothing in the covenant shall in any way obligate the Funding Recipient to budget, appropriate or make any payments beyond the stated terms of its obligation. The covenant shall be strictly enforceable;

(iv) Pay the amounts due under the terms and conditions of the Funding Documents from any pledged revenues generated from the use, operation or sale of the System. Any deficiency in the pledged revenues to pay all sums due under the Funding Documents will become a general obligation of the Issuer, and the Issuer pledges its full faith, credit and taxing power, to the extent the Funding Recipient possesses such power, to the payment thereof and guarantees the payment of any and all sums due under any of the Funding Documents;

(v) Not pledge, sell, lease or otherwise encumber the gross revenues or receipts of the Funding Recipient or incur additional debt from which repayment is planned from the Funding Recipient's gross revenues or receipts unless prior written approval is obtained from the Authority or the additional debt is otherwise permissible under Section D.11 (Additional Debt; Refinancing) of this Agreement. Any liens or judgments placed against the gross revenues of the Funding Recipient, or on any part thereof, will be promptly paid by the Funding Recipient unless, but only so long as, the validity thereof is being contested in good faith in proceedings diligently pursued; and

(vi) Pay out of its gross revenues or receipts, all taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges lawfully imposed upon the Funding Recipient or the System or upon any part thereof or upon any rents or charges or gross revenues and receipts from or in connection with the System or upon any franchises, businesses, or transactions in connection with the System for the payment or collection of which the Funding Recipient may be liable or accountable under any lawful authority whatsoever by reason of its ownership of, or its earnings, profits or receipts from, the System, and will observe and comply with all valid requirements of any municipal or other governmental authority relative to the System.

2. SYSTEM REVENUES

The Funding Recipient agrees as follows:

a. Definitions.

For purposes of this Paragraph only, the following terms shall have the meanings set forth below:

(i) Account means any right of the Funding Recipient to payment related to the operation of the System for goods sold or to be sold, leased or to be leased or for services rendered or to be rendered (whether or not yet earned by performance), which is not evidenced by an instrument or chattel paper.

(ii) Account Collateral means:

(a) All of the Funding Recipient's Accounts now existing or hereafter arising;

(b) All guaranties relating to the Funding Recipient's existing and future Accounts and all other security held by the Funding Recipient for the payment or satisfaction thereof;

(c) The services, the sale or lease or performance of which gave rise to any Account of the Funding Recipient, including any return goods or other goods the sale or lease of which gave rise to any Account;

(d) All property of any nature whatsoever of the Funding Recipient now or hereafter in the possession of or assigned or hypothecated to the Authority for the purpose of securing the Liabilities; and

(e) All Proceeds of all of the foregoing, including all Proceeds of other Proceeds.

(iii) Account Debtor means the Person who is obligated on an Account.

(iv) Liabilities means all existing and future liabilities, whether absolute or contingent, of the Funding Recipient to the Authority of any nature and arising out of any transactions, including liabilities of the Funding Recipient to others which the Authority may have obtained by assignment, subrogation or otherwise, and liabilities to subsidiaries and affiliates of the Authority.

(v) Proceeds means whatever is received when Account Collateral is sold, exchanged, collected or otherwise disposed of. The term also means the account arising in connection therewith.

b. Pledge of System Revenues

Notwithstanding anything to the contrary herein, as security for its obligation to make all payments and to perform all other obligations under the Funding Documents and as security for all other Liabilities, the Funding Recipient hereby pledges and grants to the Authority a presently existing and continuing lien on and security interest in the System Revenues to the extent permitted by law, subject only to the prior liens set forth in the List of Liens, attached hereto as Exhibit B. In the furtherance thereof, this Agreement shall constitute a security agreement as that term is defined under the Pennsylvania Uniform Commercial Code. This includes a pledge, a lien, and security interest in all System Revenues, but the existence of such security interest shall not prevent the expenditure, deposit or commingling of gross revenues and receipts by the Funding Recipient, so long as all required payments under the Funding Documents are made when due. The security interest created hereby attaches upon execution of this Agreement. Upon the occurrence of an Event of Default hereunder and the continuation thereof after any applicable notice and/or grace periods, any System Revenues subject to this security interest which are then on hand, not yet commingled with other funds of the Funding Recipient and not yet deposited in a bank account of the Funding Recipient, and any System Revenues thereafter received, shall not be commingled or deposited,

but shall immediately, or upon receipt, be transferred to the Authority to the extent needed to make the debt obligation current, considering all terms and conditions in the Funding Documents.

c. Assignment and Collection of Accounts

The Funding Recipient hereby assigns its interest in the Account Collateral to the Authority to further secure its obligations under the Funding Documents and to secure all other Liabilities. The Authority hereby authorizes the Funding Recipient to collect all Accounts from the Account Debtors until the occurrence of an Event of Default hereunder. Upon the occurrence of an Event of Default hereunder or under any of the Funding Documents and the continuation thereof after any applicable notice and/or grace periods, the Authority shall have the right, acting if it so chooses in the Funding Recipient's name, to collect the Funding Recipient's Accounts, to sell, assign, compromise, discharge or extend the time of payment of any Account, to institute legal action for the collection of any Account, and to do all acts and things necessary or incidental thereto, and the Funding Recipient hereby ratifies all that the Authority shall do by virtue hereof. After such default, the Authority may, without notice to the Funding Recipient, notify any Account Debtor that the account payable by such Account Debtor is to be paid directly to the Authority. At the Authority's request, the Funding Recipient shall so notify Account Debtors and shall indicate on all billings to Account Debtors that payments thereon are to be made to the Authority.

d. Books and Records

The Funding Recipient shall keep complete and accurate books and records and make all necessary entries therein to reflect the transactions and facts giving rise to its inventory, Accounts and all payments, credits and adjustments applicable thereto. The Funding Recipient shall keep the Authority fully and accurately informed as to the location of all such books and records pertaining to its Accounts and shall permit the Authority's agents to have access to all such books and records and any other records pertaining to the Funding Recipient's business which the Authority may request and to remove them from the Funding Recipient's place of business or any other place where the same may be found for the purpose of examining, auditing and copying the same. Such right shall be enforceable by law or in equity and to the extent permitted by law, the Funding Recipient consents to the entry of orders or injunctions enforcing such right without any notice to the Funding Recipient.

e. Other Account Liabilities

In the event that any lien, assessment or tax liability against the Project Collateral shall arise, whether or not entitled to priority over the security interest of the Authority in the System Revenues, the Funding Recipient shall give prompt notice thereof in writing to the Authority. The Authority shall have the right (but shall be under no obligation) to pay any tax or other liability of the Funding Recipient deemed by the Authority to affect its interests. The Funding Recipient shall repay to the Authority any sums that the Authority shall have so paid, together with interest thereon at the rate then due and payable pursuant to the terms of the Debt Obligation. The term of such repayment shall not exceed the remaining term of principal and interest due and payable on the Debt Obligation and the Funding Recipient's liability to the Authority for such repayment with interest shall be included in the Liabilities. In addition, the Authority shall be subrogated to the extent of the payment made by it to all rights of the party receiving such payment against the assets of the Funding Recipient. The Funding Recipient shall furnish to the Authority, at such time as the Authority may require, proof satisfactory to the Authority of the making of payments or deposits required by applicable law with respect to amounts withheld by the Funding Recipient from wages and salaries of employees and amounts contributed by the Funding Recipient on account of federal and other income or wage taxes and amounts due under the Federal Insurance Contribution Act and any state or federal program of unemployment compensation.

f. Federal Accounts

If any of the Funding Recipient's Accounts arises out of a contract with the United States or any department, agency or instrumentality thereof, the Funding Recipient will immediately notify the Authority (prior to the Settlement Date if any are then in effect) in writing and execute any instruments and take any actions required by the Authority to perfect the security interest of the Authority with respect thereto.

g. Account Instruments

If any of the Funding Recipient's Accounts is or becomes evidenced by a promissory note, a trade acceptance or any other instrument for the payment of money or evidencing the indebtedness therefor, the Funding Recipient shall upon the occurrence of any default hereunder or under any of the Funding Documents (subject to any applicable notice and/or grace periods), assign and deliver such instrument to the Authority appropriately endorsed to the Authority's order. Regardless of the form of such endorsement, the Funding Recipient hereby waives presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto.

h. Account Documentation

The Funding Recipient shall submit at such intervals as the Authority may require, a schedule listing in form and detail satisfactory to the Authority of all its outstanding Accounts including the parties, nature and value of all Accounts not yet earned by performance, and as to all other Accounts, the names and addresses of the Account Debtors and the amounts of each account. The Authority may require the Funding Recipient to submit to the Authority copies of the invoices pertaining to all or any of its Accounts.

i. Authority Notification

The Funding Recipient shall promptly notify the Authority:

(i) Of any material adverse change in the financial condition of the Funding Recipient, or any material adverse change in the financial condition of Account Debtor(s) or the collectability of any of its Accounts, which may result in a material adverse change in the financial condition of the Funding Recipient, and

(ii) Of all claims and adjustments which may result in a reduction of the liability of any Account Debtor on an Account, which will have a material adverse impact on the financial condition of the Funding Recipient.

j. Location of Account Records

The Funding Recipient warrants that it keeps its records concerning Accounts at 20 East Church Street, Lock Haven, PA-17745-2527. The Funding Recipient shall promptly notify the Authority in writing of any change in the location of those records, of any change in the location of any place of business and of the establishment of any new place of business.

k. Prior Liens

No liens, encumbrances, assignments or security interest exist with respect to the Funding Recipient's Accounts except those listed in the List of Liens, attached hereto as Exhibit B. The Funding Recipient

shall not transfer, assign, convey or further encumber any of the Account Collateral in any manner without the prior written consent of the Authority, except as otherwise permitted in the Subsection entitled "Additional Debt; Refinancing" in Section D of this Agreement.

I. Authority Expenses

The Funding Recipient shall pay on demand all reasonable expenses incurred by the Authority as a result of the following (including reasonable attorneys' fees and legal expenses), with interest at the rate due and payable on outstanding amounts under the Debt Obligation for a term not to exceed the remaining term on the Debt Obligation:

(i) Enforcing payment or other rights under any Account or enforcing any of the Liabilities, whether against an Account Debtor, the Funding Recipient or any guarantor or surety of any Account Debtor or the Funding Recipient; and/or

(ii) Prosecuting or defending any action growing out of or connected with the subject matter of this Agreement, the Liabilities, the Account Collateral or any of the Authority's rights therein or thereto; and/or

(iii) Managing the custody, preservation, use, operation, preparation for sale or sale of any Account Collateral.

The Funding Recipient's liability to the Authority for such repayment with interest shall be included in the Liabilities.

m. Application of Collateral

The Proceeds of any Account Collateral received by the Authority at any time before or after default, whether from sale of Account Collateral or otherwise, may be applied to the payment in full or in part of such of the Liabilities and in such order as the Authority may elect. The Funding Recipient, to the extent that it has any right, title or interest in any of the Account Collateral, waives and releases any right to require the Authority to collect any of the Liabilities from any other of the Account Collateral under any theory of marshalling of assets, or otherwise, and specifically authorizes the Authority to apply any of the Account Collateral in which the Funding Recipient has a right, title or interest against any of the Liabilities in any manner that the Authority may determine.

n. Power of Attorney

The Funding Recipient, to the extent it may lawfully do so, does hereby appoint any officer or agent of the Authority as the Funding Recipient's true and lawful attorney-in-fact, with power, after the occurrence of any Event of Default:

(i) To endorse the name of the Funding Recipient upon any notes, checks, drafts, money orders, or other instruments for payment of money or Account Collateral that may come into possession of the Authority;

(ii) To take all of the actions set forth in Section E.1.c above and to do all other acts and things incidental thereto including signing the name of the Funding Recipient to any documents incidental thereto;

(iii) To sign and endorse the name of the Funding Recipient upon any invoices, drafts against Account Debtors, assignments, verifications and notices in connection with Accounts, and any instruments or

documents relating thereto or to the Funding Recipient's rights therein; and

(iv) To give written notice to the United States Postal Service so that all mail addressed to the Funding Recipient may be delivered directly to the Authority (the Authority will return all mail not related to the Liabilities or the Account Collateral).

The Funding Recipient grants unto the Funding Recipient's said attorney full power to do any and all things necessary to be done with respect to the above transactions as fully and effectually as the Funding Recipient might or could do, and hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the term of this Agreement.

3. SYSTEM AUTHORIZATIONS

The Funding Recipient agrees as follows:

a. Assignment of System Authorizations

For the purpose of securing payment of the obligations and indebtedness of the Funding Recipient to the Authority pursuant to the Funding Documents, including any amendments, extensions and renewals thereof, and any supplemental Debt Obligation increasing any indebtedness to the Authority, as well as the payment, observance, performance and discharge of all other obligations, covenants, conditions and warranties contained in the Funding Documents, the Funding Recipient hereby assigns, transfers and sets over to the Authority all of the Funding Recipient's right, title and interest to System Authorizations to the extent the Funding Recipient is authorized to do so.

b. Representations and Warranties Relating to System Authorizations

The Funding Recipient represents and warrants that:

(i) Except as otherwise indicated in the List of Liens, attached hereto as Exhibit B, the Funding Recipient has the right to assign all of the System Authorizations hereby assigned, and no other person, firm or corporation has any right, title or interest therein;

(ii) The Funding Recipient has duly and timely performed to date all of the obligations, terms, covenants, conditions and warranties of the System Authorizations on the Funding Recipient's part to be kept, observed and performed;

(iii) The Funding Recipient has not previously sold, assigned, transferred, mortgaged, pledged or otherwise encumbered the System Authorizations or any of them, or any other right or interest granted therein, except as may be indicated in the List of Liens, attached hereto as Exhibit B; and

(iv) All System Authorizations are in full force and effect on the date hereof, subject to no defenses, setoffs, claims or counterclaims whatsoever.

c. Covenants Relating to System Authorizations

The Funding Recipient covenants and agrees as follows:

(i) To duly and timely observe, perform and discharge all the obligations, terms, covenants, conditions and warranties of the Funding Documents and each System Authorization on the part of the Funding Recipient to be kept, observed and performed; and to give immediate written notice to the Authority of any failure on its part under any System Authorization and of any notice received from the

issuer of any System Authorization (together with a copy of any such notice);

(ii) To enforce and secure the performance of each and every obligation, term, covenant, condition and agreement in each System Authorization on the part of the issuer of such authorization to be kept, observed, and performed;

(iii) To appear in and defend any action or proceeding arising under or in any manner connected with any System Authorization, and upon request by the Authority, to do so in the name and behalf of the Authority, but at the expense of the Funding Recipient, and to pay all costs and expenses of the Authority including reasonable attorneys' fees, incurred with respect to any such action or proceeding;

(iv) To deliver to the Authority, at its request, executed copies of any and all System Authorizations and amendments or modifications thereof; and

(v) Except with the prior written consent of the Authority:

(a) Not to sell, pledge, transfer, mortgage or otherwise encumber or assign (except as hereby assigned) any System Authorization or any other right or interest granted therein;

(b) Not to waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge the issuer of any System Authorization of and from any obligations, covenants, conditions and agreement by that issuer to be kept, observed and performed; and

(c) Not to amend, modify, cancel, terminate or consent to any surrender of any System Authorization.

d. Use of System Authorizations

So long as the Funding Recipient is not in default under any of the Funding Documents or any System Authorization, the Funding Recipient shall have the right to retain, use and enjoy the benefits of the System Authorizations, subject at all times to the assignment of the System Authorizations pursuant to this Agreement.

4. OTHER DOCUMENTS

The Funding Recipient agrees to execute such documents as may be required by the Authority to adequately provide for any other Project Collateral identified in Exhibit A.

F. DISBURSEMENT OF FUNDS

1. DEPOSITS OF REQUIRED EQUITY CONTRIBUTION

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If at any time during the term of this Agreement the Authority determines that the Required Equity Contribution has increased, the Funding Recipient shall immediately provide, or cause to be provided, evidence to the Authority that sufficient funds are available to satisfy the increase in the Required Equity Contribution and shall disburse such funds as approved by the Authority prior to any further disbursement of funds under this Agreement. The Required Equity Contribution will increase if, at any time during the term of this Agreement, the total cost to complete the Project exceeds the sum of the following:

- a. The Required Equity Contribution yet to be disbursed by the Funding Recipient;
- b. The proceeds of the Other Funding yet to be advanced;
- c. Any equity contribution of the Funding Recipient held for disbursement by the third party providing the Other Funding; and
- d. The proceeds of the Project Funding yet to be advanced by the Authority under this Agreement.

As to the amounts in the foregoing clauses (b) and (c), the Funding Recipient shall be entitled to rely on written certification from the third party providing the Other Funding.

2. REQUEST FOR DISBURSEMENT OF PROJECT FUNDING

a. Payment Requests

The disbursement of funds from the Authority shall be made to the Funding Recipient in increments as progress payments upon the completion of work and the submission of both the pay request through Funds Disbursement and the coincident submission of a complete and fully executed application form to the Authority.

The request for funds shall be made under the "Request" tab of the Funds Disbursement site, and may include any pay estimates previously reviewed and approved by the Authority. An application will automatically generate from the requested information in the payment request web form and can be obtained by clicking on the "Print" button. The Funding Recipient must print the application and cause the authorized signatories for the Funding Recipient and the Engineer to sign the document and mail the fully executed application to the Authority.

The Funding Recipient shall retain all invoices along with a copy of the executed application, a paper version of the electronic payment request and a printed copy of the pay estimates in a file placed in date order of the application.

The Funding Recipient may submit a payment request and application anytime after the approval by the Authority of any previously submitted payment request and application.

All amounts requisitioned through the payment request and application shall be for Project costs incurred to date. The payment requests and application shall indicate the value of the work completed to date, net of retainage (the amount held back or retained from disbursement by the Engineer or the Funding Recipient).

b. Funding Recipient and Engineer Representations

With the submission of each payment request and application to the Authority for the Project, the

Funding Recipient and Engineer warrant and represent that:

(i) The work performed and materials provided to date are in substantial accordance with the Project Plans;

(ii) The work and materials for which payment is requested have been physically incorporated into the Project or suitably stored on the Project site with the Authority's prior approval;

(iii) The value of the work performed and materials provided for the Project is as stated;

(iv) With respect to each category of work for which payment is being sought, the amount of such payment together with all prior payments for such category represents a percentage of the total payments to be made for such category, as shown on the Cost Sheets and Breakdown, which is no greater than the percentage of the total work for such category which has been performed as of the date of the payment request and application, unless approved and revised as a change order after Settlement; and

(v) The work performed and materials provided generally conform to all applicable rules and regulations of the governmental authorities having jurisdiction over the Project.

The foregoing certification by the Funding Recipient applies to all categories of the Project for which payment is being requested. The foregoing certification by the Engineer applies only to those costs related to services and Project oversight responsibilities contracted to be performed by the Engineer under the Engineer's Agreement.

c. Funding Recipient Representations

(i) Payment for the work and materials described in the payment request and application has been made and will be reimbursed by the proceeds of the disbursement made as a result of the submitted payment request and application, or will be made with the proceeds of the disbursement;

(ii) No event has occurred which is, or with the passage of time or giving of notice, or both, would become, an Event of Default under any of the Funding Documents;

(iii) All representations and warranties set forth in this Agreement continue to be true and correct in all material respects, as though separately and independently made on and as of the date of each payment request, or the Funding Recipient has promptly notified the Authority of any change that causes any representation or warranty to no longer be true and correct in any material respect;

(iv) All covenants set forth in this Agreement have been performed and complied with in all material respects as of the date of each payment request, or the Funding Recipient has promptly notified the Authority of any covenant that has not been performed or complied with in all material respects;

(v) All Other Funding continues to be in full force and effect and no defaults have occurred thereunder;

(vi) The Funding Recipient has promptly paid Project costs that are to be paid from sources of funds other than the Project Funding, including the Funding Recipient's Required Equity Contribution, in amounts identified in each payment request and application; and

(vii) The Funding Recipient has not received and does not expect to receive any funds from any other sources, other than those disclosed at Settlement or later disclosed to the Authority in writing, to

pay for Project costs otherwise approved for funding by the Authority. Any funds so received will obligate the Funding Recipient to return funds to the Authority in an equivalent amount.

The Authority reserves the right to verify the above representations by requiring an audit or inspection of the Project. The Authority can withhold the disbursement of funds requested in a payment request if the payment request, application, or the certifications or representations associated therewith do not conform to the requirements of this Agreement.

3. DISBURSEMENT PROCEDURES

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a. The Funding Recipient shall submit payment requests to the Authority for the costs of work performed and materials provided not more than once monthly.

b. As soon as practicable after the receipt of a payment request, the Authority will disburse the amount requested in the payment request, provided that any audit or inspections conducted by the Authority or its representatives verifies that the payment request, application and the certifications and representations associated therewith satisfy the requirements of this Agreement. The Authority will make all disbursements of the Project Funding directly to the Funding Recipient by check or other appropriate credit transfer to the order of the Funding Recipient. To the extent that Project Funding includes both grant and loan funds, disbursement of such funds will be on a pro-rata basis.

c. If the Project is being funded solely by the Authority, the Authority will disburse Project Funding based on the submitted payment requests until the total disbursements reach 95% of the Project Funding, less the amount identified as the contingency balance in the Authority's Funds Disbursement website, as of the date of the payment request. If the Project is being funded by the Authority, and Other Funding and/or Required Equity Contribution, the Authority will disburse Project Funding based on the submitted payment requests until the total disbursements reach 80% of the Project Funding, at which time the Funding Recipient must apply all Other Funding and Required Equity Contribution sources to the Project before the Authority will disburse additional funds, unless there are extenuating circumstances that, in the Authority's sole discretion, justify the disbursement of Project Funding in excess of 80% prior to Other Funding and/or Required Equity Contribution sources being applied to the Project. Once all Other Funding and/or Required Equity Contribution sources are applied, the Authority will then continue to disburse Project Funding until the total disbursements reach 95% of the Project Funding, less the amount identified as the contingency balance in the Authority's Funds Disbursement website, as of the date of the payment request. If the Project comes in under the budgeted costs set forth in the Project Cost Breakdown, set forth in Exhibit I hereto, and is deemed 100% complete prior to the Funding Recipient receiving 95% of the Project Funding, 5% of the Project Funding shall be retained as holdback, and disbursed in accordance with Section F.4 herein. To the extent the Project comes in under the budgeted costs set forth in Exhibit I hereto, the Funding Recipient shall be required to apply all Other Funding and/or Required Equity Contribution sources to the Project, and the Project Funding shall be reduced accordingly, unless there are extenuating circumstances that, in the Authority's sole discretion, justify the reduction of the Other Funding and/or the Required Equity Contribution, which reductions shall be allocated by the Authority in its sole discretion. If the Project comes in on or over the total amount of the Project Cost Breakdown, set forth in Exhibit I hereto, the final 5% of the Project Funding shall be disbursed in accordance with Section F.4 herein.

d. Notwithstanding anything to the contrary herein, if the actual cost to construct the Project is less than the estimated costs provided to the Authority, the Authority may in its sole discretion reduce the amount of the Project Funding accordingly.

e. Notwithstanding anything to the contrary herein, if the Project contains costs which are ineligible for Authority financing, the Authority in its sole discretion shall require the Funding Recipient to pay for the ineligible costs with its own funds or other sources of funds.

f. If it becomes necessary for a surety company to arrange for completion of the Project and construction of the Project is continued, the Authority may make disbursements under this Agreement to reimburse the surety company for eligible costs.

4. RELEASE OF HOLDBACK

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Any remaining balance of the amounts paid or payable to the Funding Recipient under Section F.3.c herein, shall not be deemed due and payable until:

- a. The Funding Recipient submits to the Authority its final payment request;
- b. The Funding Recipient delivers to the Authority a final release of liens or releases of liens, or other proof satisfactory to the Authority that final payment has been made for all materials and labor furnished in connection with the Project;
- c. All of the conditions necessary for the Project to be deemed completed under this Agreement have been satisfied, including, but not limited to, the conditions set forth in Section D.1 herein;
- d. The Funding Recipient submits to the Authority its most recent audited annual financial statements;
- e. All change orders submitted by the Funding Recipient have been submitted, reviewed and approved by the Authority or its designated representatives;
- f. The Funding Recipient delivers an acceptable continuing education plan for the system operators, if applicable; and
- g. The Funding Recipient agrees to participate in the ACH process for repayment of the Debt Obligation.

Notwithstanding the date of payment of any holdback as set forth in this Section F.4, the Funding Recipient shall commence monthly installments of principal and interest under the Debt Obligation in accordance with the terms of the Debt Obligation.

G. PROJECT MANAGEMENT

1. INSPECTIONS

The Funding Recipient shall provide adequate facilities for inspection of the Project by the Authority, and its authorized representatives, at reasonable times.

2. AUTHORITY OVERSIGHT

The Authority may at any time place at the Project site a manager or inspector who shall require that the Project be constructed in accordance with the Project Plans. If such manager or inspector is placed at a Project at any time after an Event of Default under this Agreement, the cost of providing such manager or inspector shall be paid by the Authority and deemed to be a disbursement from the Project Funding for the benefit of the Funding Recipient. Although the Authority or its representatives may review, approve or inspect the Project Plans, the Cost Sheets and Breakdown and implementation of the Project, such reviews, approvals or inspections are solely for the protection of the Authority as a lender for the Project, and the Authority is not making and will not be deemed to make any representations or warranties as to any matters pertaining to the Project by reason of such reviews, approvals or inspections.

3. CHANGE ORDERS; CHANGE OF SCOPE

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All change orders and changes of scope for the Project shall be processed as follows:

- a. The Funding Recipient shall submit or cause to be submitted to the Authority in writing all change orders and documentation to support such change orders. The Authority and DEP will review the change orders for funding eligibility based on the criteria described in Section 10 of the Act, 35 P.S. § 751.10 and 25 Pa. Code § 963.18;
- b. If any single change order exceeds the lesser of \$25,000 or two percent (2%) of the amount of the Project's total construction cost, or the aggregate cost of the proposed and previous change orders for the Project exceed ten percent (10%) of the Project's total construction cost, the Authority and DEP must provide written approval of the change order prior to the disbursement of funds;
- c. The Funding Recipient shall submit or cause to be submitted to the Authority in writing all changes in scope, as defined by Authority regulations, 25 Pa. Code § 963.18(c)(1)(i), including changes in scope that do not result in a change order. The Authority will review the changes in scope for eligibility based on the criteria described in 25 Pa. Code § 963.18(c)(1)(iii) and Section 10 of the Act, 35 P. S. § 751.10;
- d. No consent of the Authority to any change in scope or change order shall be deemed to increase the amount of Project Funding; and
- e. Notwithstanding any provision to the contrary in this Agreement, the Authority reserves the right to request a refund for any cost paid by the Authority that is subsequently determined to be ineligible, including but not limited to any cost associated with the Project, any change order or change of scope. The Funding Recipient hereby unconditionally agrees to refund or cause to be refunded any such amount requested by the Authority pursuant to this section.

4. RETENTION OF PROJECT RECORDS

The Funding Recipient shall maintain and retain, or cause to be maintained and retained, all records in connection with the Project for at least five (5) years after final approval of the Project by DEP. For this paragraph, records shall mean all plans, specifications, invoices, vouchers and other documents executed in connection with the completion of this Project.

H. LIMITATION OF LIABILITY

1. AUTHORITY'S LIABILITY TO FUNDING RECIPIENT

The Funding Recipient has selected or caused to be selected the Contractors, Engineer and all others providing services or materials to or for implementation of the Project. The Authority has not had and shall not have any responsibility whatsoever for their selection or for the quality of their materials or workmanship, it being understood and agreed that the Authority's sole function is that of a lender and the only consideration passing from the Authority to the Funding Recipient is the financial assistance provided in accordance with and subject to the terms of this Agreement. Neither the Funding Recipient nor any other person shall have any right to rely on any procedures required by the Authority herein, such procedures being solely for the protection of the Authority.

2. AUTHORITY'S LIABILITY TO THIRD PARTIES

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The rights and benefits of this Agreement shall not inure to the benefit of any third party except as provided in Paragraph K.4 (Successors and Assigns) of this Agreement. Notwithstanding anything to the contrary contained in this Agreement or in any of the other Funding Documents or any conduct or course of conduct by the Funding Recipient or the Authority or their respective affiliates, agents or employees, neither this Agreement nor any Funding Documents shall be construed as creating any rights, claims or causes of action against the Authority in favor of any subrecipient, Contractors, Engineer or any other persons providing services or materials to or for the implementation of the Project or their respective creditors or any other person or entity other than the Funding Recipient.

I. INDEMNITY

The Funding Recipient, for itself and all those claiming under or through it, agrees to protect, indemnify, defend and hold harmless the Authority, its officers and employees, and any operator or consultant retained by the Authority to implement the Project, from and against any and all liability, expense, or damage of any kind or nature and from any suits, claims or demands, including reasonable legal fees and expenses, arising out of this Agreement or in connection therewith including, but without limitation, any disputes arising between the Funding Recipient, Contractors, Engineer, Guarantor(s), if applicable, or any subcontractors, materialmen or suppliers that provided services or materials for the Project, or on account of any act, or omission to act, or negligence of the Authority. This obligation specifically survives the completion of the Project and the repayment of the Project Funding.

J. DEFAULTS

1. EVENTS OF DEFAULT

a. The occurrence of any of the following events shall constitute an Event of Default hereunder, provided that the default has not been cured within thirty (30) days after notice of its occurrence. The Authority may extend the period to cure such default at its sole discretion. Events in subsections (ii)-(ix) shall constitute an Event of Default only if it materially impairs the Project Collateral, the Funding Recipient's ability to satisfy its obligations under the Funding Documents or the Funding Recipient's ability to complete the Project by the Completion Date, or would otherwise have impacted the Authority's initial decision to fund the Project.

(i) Failure to pay any installment of principal or interest under the Project Funding when and where the same is due and payable;

(ii) Failure by the Funding Recipient to observe or perform any of the covenants or agreements required to be observed or performed under this Agreement or under any of the other Funding Documents;

(iii) Work or implementation of the Project is discontinued for twenty (20) consecutive working days for any reason whatsoever, except for the following: (A) a delay which is caused by conditions beyond the reasonable control of the Funding Recipient, including, but not limited to, Acts of God, natural disasters, wars, riots or other major upheavals, (B) as otherwise set forth in the Project Management Plan, or (C) as otherwise approved by the Authority in writing;

(iv) A default occurs under any of the Project Contracts or the Engineer's Agreement, which the Authority in its sole discretion deems to be substantial default, and any resulting right or remedy has not been exercised in a manner acceptable to the Authority;

(v) The Project is materially damaged or destroyed by fire or other casualty for which the cost of restoration is not fully insured;

(vi) Any requirements of a governmental or quasi-governmental authority having jurisdiction of the Project is not met within thirty (30) days after notice of such requirement has been given;

(vii) Any permit or approval necessary for implementation of the Project is revoked;

(viii) Funding Recipient fails to complete design or construction of the Project by the Completion Date for any reason whatsoever, except when such failure to complete the Project is caused by conditions beyond the reasonable control of the Funding Recipient, including, but not limited to, Acts of God, natural disasters, wars, riots or other major upheavals; or

(ix) If the Project Collateral includes a lien on the System Revenues, or a guaranty secured by a lien on the revenues of a guarantor, as set forth in the Project Specific Terms, attached hereto as Exhibit A, and a rate is not established in a timely manner to generate revenues pledged as Project Collateral, which are sufficient to amortize the Project Funding, pay all of the Funding Recipient's indebtedness secured by such revenues and fund the operation and maintenance of the Project.

b. The occurrence of any of the following events shall constitute an Event of Default hereunder immediately upon the occurrence of such event. Events in this subsection shall constitute an Event of Default only if it materially impairs the Project Collateral, the Funding Recipient's ability to satisfy its obligations under the Funding Documents or the Funding Recipient's ability to complete the Project by the Completion Date, or would otherwise have impacted the Authority's initial decision to fund the Project.

(i) A representation or warranty made by the Funding Recipient to the Authority pursuant to this Agreement or under any of the Funding Documents is untrue in any material respect, as of the date made;

(ii) Any event of default occurs under any of the documents evidencing Other Funding, subject to all applicable notice and cure periods;

(iii) The Funding Recipient applies for or consents to the appointment of a receiver, trustee, liquidator, or conservator of itself or any of its property; admits in writing its inability to pay its debts as they mature; makes a general assignment for the benefit of creditors; is adjudicated as bankrupt or insolvent; files a voluntary petition in bankruptcy; files a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute; files an answer admitting the material allegations of a petition filed against it in any proceeding under any such law; or takes any other action for the purpose of effecting any of the foregoing; or

(iv) Any order, judgment or decree is entered by any court of competent jurisdiction, approving a petition seeking reorganization of the Funding Recipient or all or a substantial part of the assets of the Funding Recipient or appointing a receiver, sequestrator, trustee or liquidator of the Funding Recipient or any of its property, and such order, judgment or decree continues unstayed and in effect for any period of sixty (60) days.

2. RIGHTS AND REMEDIES

a. Availability

Upon the occurrence of any Event of Default hereunder, in addition to any other rights or remedies available to it hereunder or under any other Funding Documents or at law or in equity, the Authority may exercise any or all of the following rights and remedies, as it deems necessary or appropriate:

- (i) Declare the outstanding principal balance of the Project Funding, together with all accrued and unpaid interest thereon and all other sums due hereunder or under any of the other Funding Documents, to be immediately due and payable in full;
- (ii) Cease making any further disbursements hereunder;
- (iii) Subject to the rights of existing lienholders, as disclosed to the Authority in the List of Liens, attached hereto as Exhibit B, enter the Project and take possession thereof, or retain or appoint an operator or consultant to take possession thereof, together with all materials, supplies, tools, equipment and construction facilities and appliances located thereon. The Authority may proceed either in its own name or in the name of the Funding Recipient, as the attorney-in-fact of the Funding Recipient (which authority is coupled with an interest and is irrevocable by the Funding Recipient), as the Authority shall elect, to complete the Project at the cost and expense of the Funding Recipient. If the Authority elects to complete or cause the Project to be so completed, it may do so according to the terms of the Project Contracts and the Project Plans or according to such changes, alteration or modification in and to the Project Plans as the Authority shall deem expedient or necessary; provided however, that the Authority will obtain all necessary approvals of governmental authorities or third parties to change, alter or modify the Project Plans. The Authority may enforce or cancel all contracts entered into as aforesaid or make other contracts which the Authority, in its sole discretion, may deem advisable, and the Funding Recipient shall be liable to pay the Authority upon demand any amounts expended by the Authority or its representatives for such performance, together with any costs, charges or expenses incident thereto or otherwise incurred or expended by the Authority or its representatives on behalf of the Funding Recipient in connection with the Project, and the amounts so expended shall bear interest at the rate set forth in the Debt Obligation for the Project and shall be considered part of the indebtedness evidenced by the Debt Obligation and secured by the Project Collateral;
- (iv) To the extent that the Project Collateral includes a lien on the System Revenues, or a guaranty secured by a lien on the revenues of a guarantor, as set forth in the Project Specific Terms, attached hereto as Exhibit A, exercise any and all rights in the security interest in the Project Collateral, to the fullest extent provided by the Uniform Commercial Code, including the right to collect, receive, settle, compromise, adjust, sue for, foreclose or otherwise realize any of the Account Collateral pledged pursuant to Section E of this Agreement and to dispose of any such Account Collateral at public or private sale(s) or other proceedings, and the Funding Recipient agrees that the Authority or its nominee may become the purchaser at any such sale(s).
- (v) Exercise any and all rights granted to the Authority to appoint a receiver for the Project under Section 10(f) of the Act, 35 P.S. § 751.10(f);
- (vi) To the extent that the Project Collateral includes an assignment of leases and rents, or a guaranty secured by an assignment of leases and rents, as set forth in the Project Specific Terms, attached hereto as Exhibit A, revoke any license granted to the Funding Recipient pursuant to Section E of this Agreement to collect the Rents under any Assigned Leases, and then and thereafter, without taking possession, in the Authority's own name, to demand, collect, receive, sue for, attach and levy the Rents, to give proper receipts, releases and acquittances therefor, and after deducting all necessary and proper costs and expenses of operation and collection, as determined by the Authority, including reasonable attorneys' fees, to apply the net proceeds thereof, to any indebtedness secured by the Assignment Leases and Rents hereunder or by the Funding Documents and in such order as the Authority may determine;

To make, modify, enforce, cancel or accept surrender of any Assigned Leases, remove and evict any lessee, increase or decrease Rents, maintain or repair, and otherwise do any act or incur any costs or expenses as the Authority may deem proper to protect the security of this Agreement, as fully and to the same extent as Funding Recipient could do if in possession, and in any such event to apply the Rents so collected to such costs and expenses in such order as the Authority may determine, including without limitation to the payment of reasonable management, brokerage and attorneys' fees, the costs of maintenance, repair or replacement of the System or the Project, and the indebtedness secured by this Agreement.

Provided, however, that the acceptance by the Authority of the assignment of any leases pursuant to Section E, with all of the rights and powers created by the assignment, shall not, prior to entry upon and taking of possession of the System or Project by the Authority, be deemed to constitute the Authority a mortgagee in possession nor thereafter or in any event obligate the Authority to appear in or defend any action or proceeding relating to any of the Leases or the System or Project, or to take any action under the Assignment of Leases and Rents or to expend any money or incur any expense or perform or discharge any obligation or liability under any Lease, nor shall the Authority be liable in any way for any injury or damage to person or property sustained by any person, firm or corporation in or about the System or Project.

And provided further that the collection of Rents and application as aforesaid and/or the taking of possession of the System or Project or the taking by the Authority of any other remedial action shall not cure or waive any default or waive, modify or affect any notice of default under any of the Funding Documents or invalidate any act done pursuant to such notice, and the enforcement of any such right or remedy by the Authority, once exercised, shall continue for so long as the Authority shall elect, notwithstanding that the collection and application as aforesaid of such Rents may have cured the original default. If the Authority thereafter elects to discontinue the exercise of any such right or remedy, that or any other right or remedy hereunder may be reasserted at any time and from time to time following any subsequent default; and

(vii) Place the Funding Recipient on any available debarment list of the Commonwealth, the federal government, or any other state or governmental entity, as may be applicable.

b. Timing

No right or remedy conferred upon or reserved to the Authority under any of the Funding Documents, or with respect to any guaranty of payment of the Project Funding or of performance of any of the obligations under any of the Funding Documents, is intended to be or shall be deemed exclusive of any other such right or remedy, and each and every such right or remedy shall be cumulative and concurrent, and shall be in addition to every other such right or remedy, and may be pursued singularly, concurrently, successively or otherwise, at the sole discretion of the Authority, and shall not be exhausted by any one exercise thereof but may be exercised as often as occasion therefor shall occur. No act of the Authority shall be deemed or construed as an election to proceed under any one such right or remedy to the exclusion of any other such right or remedy; furthermore, each such right or remedy of the Authority shall be separate, distinct and cumulative and none shall be given effect to the exclusion of any other. The failure to exercise or delay in exercising any such right or remedy, or the failure to insist upon strict performance of any term of any of the Funding Documents, shall not be construed as a waiver or release of the same, or of any Event of Default thereunder, or of any obligation or liability of the Funding Recipient thereunder. Nothing herein, however, shall be construed to prevent Authority from waiving any condition, obligation or default it should so elect. In the event of such election by the Authority, any waiver, in order to be effective, must be in writing and signed by the Authority, and any such waiver shall

be strictly limited in its effect to the condition, obligation or default specified therein and shall not extend any subsequent condition, obligation or default or impair any right of the Authority with respect thereto.

c. Effect of Judgment

The recovery of any judgment by the Authority or the levy of execution under any judgment shall not affect in any manner or to any extent, liens, pledges, or any rights, remedies or powers of the Authority under any of the Funding Documents or with respect to any guaranty or any pledge, but such liens and pledges, and such rights, remedies and powers of the Authority shall continue unimpaired as before. Further, the entry of any judgment by the Authority shall not affect in any way the interest rate payable under any of the Funding Documents on any amounts due to the Authority, but interest shall continue to accrue on such amounts at the rate specified in such Funding Documents.

d. Waiver of Notice

Presentment, demand, notice of nonpayment, protest, notice of protest, or other notice of dishonor, and any and all other notices in connection with any default in or enforcement of the payment of the Project Funding are hereby waived, except for the notices of default and opportunities to cure expressly provided in Section J.1 herein, and all procedural errors, defects and imperfections in any proceedings instituted by the Authority under the terms of any of the Funding Documents or with respect to any guaranty, or any pledges are further waived and released.

e. Effect of Authority Action

The Authority may take any of the following actions without such actions in any way being construed as a waiver or release of any right or remedy of the Authority, or of any Event of Default, or of any liability or obligation of the Funding Recipient, under any of the Funding Documents:

- (i) Release, compromise, forbear with respect to, waive, suspend, extend or renew any of the terms of the Funding Documents (notice of any of the foregoing is hereby waived);
- (ii) Amend, supplement or modify the Funding Documents with the consent of the other signatory parties;
- (iii) Resort to any Project Collateral in such order and manner as the Authority deems appropriate; and
- (iv) Accept the assignment, substitution, exchange or pledge of any other collateral or guaranty in place of the Project Collateral or release any portion of the Project Collateral, without in any way affecting the validity of any liens over or other security interest in the remainder of the Project Collateral (or the priority thereof or the position of any subordinate holder of any lien or other security interest with respect thereof), or any rights which the Authority may have with respect to any other guaranty.

f. Costs and Expenses

Following the occurrence of any Event of Default, all costs and expenses incurred by the Authority in the exercise of any of its rights, remedies or powers under any of the Funding Documents with respect to such Event of Default shall be paid upon demand (including all amounts paid to attorneys, accountants, real estate brokers, consultants, and other advisors and consultants employed by the Authority and/or to any contractors for labor and materials). Any amount not paid promptly upon demand, and interest accrued thereon at the rate specified in the Debt Obligation from the date of such demand, shall become part of the Project Funding and shall be secured by the Project Collateral. In connection with and as part

of the foregoing, in the event that any of the Funding Documents is placed in the hands of an attorney for the collection of any sum payable thereunder, the Funding Recipient agrees to pay reasonable attorneys' fees for the collection of the amount being claimed under such Funding Documents as well as all costs, disbursements and allowances provided by law, the payment of which sums shall be secured by the Project Collateral.

K. MISCELLANEOUS

1. TIME OF THE ESSENCE

All dates and times for the performance of obligations set forth herein shall be deemed to be of the essence of this Agreement. Without limiting the generality of the foregoing and notwithstanding anything to the contrary contained herein or in any of the Funding Documents, the Project shall be completed by the Completion Date and failure to complete design or construction of the Project by the Completion Date for any reason whatsoever shall constitute a default hereunder.

2. BROKER'S AND FINDER'S FEES

The Funding Recipient represents and warrants that it has not dealt with or through any broker or other intermediary in connection with the Project Funding and agrees to indemnify, defend and hold the Authority harmless from and against any loss, liability or damage (including reasonable attorneys' fees and expenses) arising from any claim for a brokerage fee or finder's fee in connection with the Project Funding.

3. SEVERABILITY

In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

4. SUCCESSORS AND ASSIGNS

This Agreement inures to the benefit of and binds the parties hereto and their respective successors and assigns, and the words "Funding Recipient", and "Authority" whenever occurring herein shall be deemed to include such respective successors and assigns. However, the Funding Recipient shall not voluntarily, or by operation of law, assign or transfer any interest which it may have under this Agreement or convey the Project, or any part thereof, without the prior written approval of the Authority.

5. NOTICES

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All notices required or desired to be given to either of the parties hereunder shall be in writing and shall be deemed to have been sufficiently given for all purposes when presented personally to such party or sent by receipted mail via overnight courier, certified or registered mail, return receipt requested, or electronic delivery or mailed through the United States Post Office to such party at its address set forth below:

Funding Recipient: 20 East Church Street, Lock Haven, PA-17745-2527

Authority: Pennsylvania Infrastructure Investment Authority
333 Market Street, 18th Floor
Harrisburg, Pennsylvania 17101-2210
Attention: Executive Director

Such notice shall be deemed to be given when received if delivered personally, or two (2) days after the date mailed if sent by certified/registered mail or regular mail through the United States Post Office. Any notice of any change in such address shall also be given in the manner set forth above. Whenever notice is required, the party entitled to receive such notice may waive the requirement by notifying the party required to give the notice in writing.

6. DEFINITIONS: NUMBER AND GENDER

In the event the Funding Recipient consists of more than one person or entity, the obligations and liabilities hereunder of each of such persons and entities shall be joint and several, and the term "Funding Recipient" shall mean all or some or any of them. For purposes of this Agreement, the singular shall be deemed to include the plural and the neuter shall be deemed to include the masculine and feminine, as the context may require.

7. CONFLICT BETWEEN INSTRUMENTS

In the event of any conflict between the provisions of this Agreement and the provisions of any of the other Funding Documents, the provisions of this Agreement shall prevail.

8. CAPTIONS

The captions or headings of the paragraphs of this Agreement are for convenience only and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement.

9. FUNDING SOURCE

It is anticipated that all or part of the funding source for the Project Funding will be the Authority Pool Loan Program, as more particularly identified in the Project Specific Terms, attached hereto as Exhibit A.

10. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. All signatures need not appear on the same copy hereof.

11. AMENDMENT; ERRORS AND OMISSIONS

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This Agreement may not be modified or amended except by an agreement in writing and signed by the parties hereto. Notwithstanding the foregoing, if the Authority is made aware of any inadvertent error or omission in the terms and conditions of this Agreement, the Authority may unilaterally amend the Funding Agreement in order to cure the error or omission, provided the Authority provides written notification to the Funding Recipient, in accordance with Subsection K.5 (Notice).

12. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

13. TERM

The term of this Agreement shall commence with the date hereof and end on the date that all Project Funding have been paid in full and all obligations under the Funding Documents have been satisfied in full.

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IN WITNESS WHEREOF, the Funding Recipient and the Authority have executed this Funding Agreement effective on the date first above written.

FUNDING RECIPIENT CITY OF LOCK HAVEN

DocuSigned by:

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Authorized Signatory


Joel Long

Name

Mayor / President of City Council

Title

PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY

DocuSigned by:

FFA44C405240432...

Authorized Signatory

Brion T. Johnson

Name

Executive Director

Title

4. Enactment of an ordinance prior to settlement providing that the City of Lock Haven has sufficient rates in place or has provided for the implementation of such rates within three months of the scheduled amortization date as defined at settlement, where such rates shall cover all operational and maintenance costs, the debt service on the PENNVEST water construction loan, and the debt service on all other outstanding debt of the funding recipient.

5. Receipt of the annual audited financial statements of the City of Lock Haven, which includes the Lock Haven City Authority as a "Blended Component Unit" for the term of the PENNVEST water construction loan. Said financial statements shall not combine the operations of the Lock Haven City Authority's water system with any other system(s) operated by the City of Lock Haven now or in the future, without prior approval from PENNVEST.

Special Conditions:

Full Description of the Project Collateral Subject to a Lien as Identified Above:

PENNVEST is taking a lien on all water revenues of the City of Lock Haven, including all receipts and revenues generated from all drinking water treatment storage and distribution system facilities now or hereafter owned, operated or maintained by the City.

EXHIBIT B LIST OF LIENS

Loan Number:	12784	Project Number:	18889092201-CW	Current Status:	Loan Closing
Project Title:	City of Lock Haven - Modifications to Warren Ohl Dam				
Recipient:	City of Lock Haven				

Background Information

Fiscal Year End date for Financial Statements (MM/DD)	12/31
Is the Recipient regulated by the Public Utility Commission (PUC)?	Yes
Has or does the Recipient intend to interim finance the costs of the Project using funds borrowed from an entity other than PENNVEST?	Yes
Has or does the Recipient intend to use the proceeds of the PENNVEST funding to reimburse its own funds which have been or will be used to pay for eligible construction costs associated with the Project?	Yes

List of Liens

UCC-1 File Number 2008012205272

Name/Type of Debt Obligation: 18003010702CW Pennvest Debt Obligation

Filing Date: 01/22/2008

Loan Disbursement Amount: \$4,140,426.92

Name of Lender/Secured Party: PA Infrastructure Investment Authority

Collateral: "All water revenues, receipts, account, accounts receivable, contract rights, general intangible and proceeds thereof now and owned and hereinafter acquired."

Conservation Easement, Clinton County Instrument No. 2013-05317

Name/Type of Encumbrance: Conservation Easement from the Lock Haven City Authority

Filing Date: Nov. 7, 2013 (dated Oct. 3, 2013)

Name of Holder of Encumbrance: The Nature Conservancy

Affected Property/Nature of Encumbrance: Tax Parcel IDs G-01-0040, 02-01-0040, 04-01-0001, 01-01-0089-A, 01-01-0066; permits activities "required by the Grantor's obligation to supply drinking water to the City and its customers" and reserves unto Grantor the right to "maintain, replace, and/or construct structures and facilities that are reasonable, customary, and necessary for the collection, production, and distribution of drinking water"

Agreement for the Development, Verification, Registration, and Marketing of Greenhouse Gas Emission Reduction Benefits, dated October 8, 2012 [unrecorded]

Name/Type of Encumbrance: Exclusive agreement to convey Emission Reduction Benefits generated by the City Authority, in exchange for 60% of the proceeds from the sale thereof

Name of Holder of Encumbrance: Blue Source LLC

EXHIBIT C

DESCRIPTION OF SYSTEM / PROJECT

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Recipient: City of Lock Haven

Owner / Operator Status

Does Recipient own the System? No
Does Recipient operate the System? Yes

Description of System

The City of Lock Haven provides potable water service to the greater Lock Haven area including the City of Lock Haven and Wayne, Castanea and Allison Townships. The City provides water to a large consecutive system, the Suburban Lock Haven Water Authority, which serves Flemington and Mill Hall Boroughs; Bald Eagle, Lamar and Woodward Townships. With a combined service area population of 20,000, these systems provide the water supply needs of southern Clinton County. The Lock Haven City Authority owns the system assets while the City of Lock Haven operates and maintains the water system. An intermunicipal agreement sets forth the terms and conditions of this arrangement.

The Lock Haven Water Department operates two water supply reservoirs that constitute the principal water sources for the system. Both reservoirs are located on McElhattan Creek with the Boyd H. Keller reservoir in Wayne Township and Warren H. Ohl storage reservoir in Greene Township. The City is currently developing a supplemental groundwater supply in Youngdale, Wayne Township.

Raw water from Keller Reservoir is delivered to the Clinton County Water Filtration Authority (CCCWFA) treatment plant located on Filtration Drive, Wayne Township. The plant is owned and operated by the CCCWFA and has been in continuous operation since December 1995. Raw water is metered, chemically treated, filtered and reintroduced into the two (2) City 16-in. finished water transmission mains for delivery to the City four miles away. The CCCWFA is responsible for compliance with all USEPA and PADEP Safe Drinking Water regulations, drinking water quality standards and treatment techniques. The City of Lock Haven and its large consecutive customer, the Suburban Lock Haven Water Authority, share the cost of treatment based on metered usage.

The City of Lock Haven operates and maintains 57.5 miles of distribution mains comprised of 4 to 18-in. pipe, 235 fire hydrants and 760 main line valves. Finished water storage includes two (2) 1.0 MG storage tanks at the CCCWFA treatment plant and a 350,000 gallon tank and 85,000 gallon standpipe in the system, each equipped with a booster pumping station.

Description of Project

Description of Project at Board Approval

The project will construct a dam crest parapet wall, raise spillway walls, replace the spillway terminal structure, replace the intake bridge, and construct a lower reservoir access road and a structure above the intake tower to house the valve operators. The existing spillway chute will be rehabilitated. Repairs will be made to the spillway slab, and sections of the spillway walls will be replaced, where applicable. The intake tower will be rehabilitated by adding new gate valves and making any necessary concrete repairs.

This existing system serves 2,891 residential customers within nine municipalities in Clinton County. The median household income level for the municipalities included in the population impacted by this project is below the state median household income level. User rates are expected to increase by approximately 5.8 percent. The PENNVEST low-interest loan funding will provide the grant-equivalent of \$1,109,822 over the life of the loan.

Changes to Description of Project at Settlement, If any

To address dam safety deficiencies, the Ohl Dam Modifications Project includes a “dam raise” using a crest parapet wall to increase flow over the spillway and thus achieve full passage of the probable maximum flood. Related project elements include concrete spillway surface rehabilitation, concrete spillway slab void repair and restoration, new concrete spillway terminal structure; concrete spillway overflow weir rehabilitation, seepage collection system and riprap slope protection.

This existing system directly serves 2,891 residential customers within four Clinton County municipalities and a large consecutive system (Suburban Lock Haven Water Authority) that serves an additional 5 municipalities in Clinton County. The median household income level for the municipalities included in the population impacted by this project is below the state median household income level. City water user rates may increase up to 20%, depending on the cost sharing contribution from the Suburban Lock Haven Water Authority. The PENNVEST low-interest loan funding will provide the grant-equivalent of \$1,109,822 over the life of the loan.

EXHIBIT D

AUTHORIZED SIGNATORIES

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Funding Recipient: City of Lock Haven

Authorized Signatories - Funding Recipient

NAME	TITLE	EMAIL	PHONE	PAYMENT REQUEST SIGNATORY AUTH.
Gregory Wilson	City Clerk / City Manager / CFO	gwilson@lockhavenpa.gov	570-893-5907	Primary
Joel Long	Mayor / President of City Council	jlong@lockhavenpa.gov	570-263-0236	Secondary

Authorized Signatories - Guarantor

GUARANTOR NAME	GUARANTOR ADDRESS		GUARANTOR PERCENTAGE
Lock Haven City Authority	20 E Church Street, Lock Haven, PA 17745		100.00
	Officer Name	Officer Title	Phone
	Karen Gugino	Assistant Secretary	570-660-6746
	June Houser	Chair	570-660-5433
			Email
			ksgugino@hotmail.com
			jhouser48@gmail.com

Authorized Signatories - Other Signers

TYPE	COMPANY	NAME	TITLE	PE OR CERTIFICATION #
City Engineer	Gwin Dobson & Foreman	Mark Glenn	President	30528-E
	Email	mglenn@gdfengineers.com	Settlement Authorized Signatory	Yes
	Phone	814-943-5214	Payment Request Authorized Signatory	Secondary
Engineer	Gwin, Dobson & Foreman, Inc.	Leo J. Drass, Jr.	Senior Project Engineer	43712-E
	Email	ldrass@gdfengineers.com	Settlement Authorized Signatory	No
	Phone	814-943-5214	Payment Request Authorized Signatory	Primary

EXHIBIT E

PROJECT MANAGEMENT PLAN

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Recipient: City of Lock Haven

Project Management Plan

Task	Date	Responsible
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Pre-Construction Planning Dates

Bid Date	5/16/2022	
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Bid Opening	6/23/2022	
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Pre-consultation Conference	9/23/2022	
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Obtained all needed permits	1/31/2022	
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Awarded contracts	7/11/2022	
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Scheduled settlement date	9/22/2022	
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Date must be scheduled through the Online Settlement Date Scheduler and confirmed by the PENNVEST Legal Office.	Confirmed	
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Letter of No-Prejudice or Pre-Close Letter issued (if required)	No	
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Date is entered by PENNVEST Project Management Office upon request and issue of letter.

Start Construction	9/23/2022	
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End Construction	10/1/2023	
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Request Final Payment for Project Close-Out	1/1/2024	
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Initiate Principal and Interest Payment	4/1/2024	
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Phased Projects	No	
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Project Plan Major Milestones

Date **Description**

Other / Comments

EXHIBIT F
LIST OF PERMITS / APPROVALS

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Recipient: City of Lock Haven

List of Permits / Approvals

Type of Permit/Approval Permit/Approval	Permit/Approval Number	Date Issued	Appeal Period Expiration Date	Appeal Filed
PADEP Division of Dam Safety Permit	D18-062	1/1/2022	1/31/2022	No
US Army Corps of Engineers - Baltimore District	PASPGP-6	6/24/2021		N/A
PADEP Erosion & Sediment Control Plan Approval	P# 067-12-19	5/20/2020		N/A

EXHIBIT G

LIST OF LITIGATION

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Recipient: City of Lock Haven

List of Litigation

JMC Rentals, LLC v. City of Lock Haven, Case No. 1139-2021, Clinton County Court of Common Pleas. Complaint filed Sept. 24, 2021, alleging gross negligence and trespass as well as injunctive relief, in that the City allegedly permitted material from its water/sewer line to infiltrate into Plaintiff's basement, seeking damages in excess of arbitration limits. City filed Answer and New Matter on Oct. 25, 2021, denying liability and raising affirmative defenses. No response to new matter has yet been filed and status conferences have been continued by stipulation of parties numerous times. Next status conference scheduled for Oct. 11, 2022. City is represented by Tricia Ambrose, Esq., insurance counsel. Parties have been engaged in good-faith settlement discussions, and the understanding of the City Solicitor is that there is a likelihood of settlement in the near future. While likely the issue will be settled without any cost to the city, in the event there is a cost, that will be covered by the city's insurance policy with PennPRIME with the exception of the \$2,500.00 deductible of the city which will be paid by the water operating fund.

EXHIBIT H

LIST OF REAL PROPERTY

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Recipient: City of Lock Haven

Real Property Interests

Real property interests have been entered for this Project.

List of Real Property Acquired by Purchase

Location of Property Required for Project	Person(s) From Whom Property Interest Was Acquired	Type of Property Interest Acquired (e.g. fee simple easement)	Purchase Date	Recording Location	Book No.	Page No.	Instrument No.
Greene Township 01-01-0038 / 13-6019-38	Richard C. Herman and Kimberly J. Herman	Fee Simple	8/12/2022	Clinton County PA			2022-03467
Greene Township 01-01-0055 / 13-6060	Tim Wirt Trustee of the Schrack Farms Family Dyna	Easement	7/15/2022	Clinton County PA			2022-03466

List of Real Property Acquired by Condemnation

Location of Property Required for Project	Person(s) From Whom Property Interest Was Acquired	Type of Property Interest Acquired (e.g. fee simple easement)	Date Filed	Preliminary Objections (PO) Deadline Date	PO FILED
Greene Township 13-6095 / 01-01-0076	Robert L. Matter and Mary F. Matter	Easement	7/20/2022	8/19/2022	NO

EXHIBIT I PROJECT COST BREAKDOWN

Loan Number: 12784 **Project Number:** 18889092201-CW **Current Status:** Loan Closing
Project Title: City of Lock Haven - Modifications to Warren Ohl Dam
Recipient: City of Lock Haven

Project Cost Breakdown												
Cost Category	Total Approved By Board [Original + Amendments]			Total Cost Pending Approval				Final Costs at Settlement				Required Adjustments to
	PENNVEST Funding -A-	Other Sources -B-	Total -C(A+B)-	PENNVEST Funding -D-	Other Sources -E-	Total -F(D+E)-	Nutrient Value -F2-	PENNVEST Funding -G-	Other Sources -H-	Total -I(G+H)-	Nutrient Value -I2-	PENNVEST Funding -J(A-G)-
1. Administrative Costs	\$20,000.00	\$0.00	\$20,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20,009.80	\$0.00	\$20,009.80	\$0.00	(\$9.80)
2. Legal Fees	\$30,000.00	\$0.00	\$30,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$40,000.00	\$0.00	\$40,000.00	\$0.00	(\$10,000.00)
3. Financing / Accounting Charges	\$5,000.00	\$0.00	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,000.00	\$0.00	\$5,000.00	\$0.00	\$0.00
4. Interest During Construction	\$25,000.00	\$0.00	\$25,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25,000.00	\$0.00	\$25,000.00	\$0.00	\$0.00
5. Architecture/Engineering Fees	\$710,000.00	\$0.00	\$710,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$710,000.00	\$0.00	\$710,000.00	\$0.00	\$0.00
6. Permits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
7. Land	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Construction	\$3,794,237.00	\$0.00	\$3,794,237.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,164,656.00	\$78,344.00	\$4,243,000.00	\$0.00	(\$370,419.00)
9. Contingency	\$379,915.00	\$0.00	\$379,915.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$140,504.00	\$140,504.00	\$0.00	\$379,915.00
10. Other	\$35,848.00	\$0.00	\$35,848.00	\$0.00	\$0.00	\$0.00	\$0.00	\$35,334.20	\$0.00	\$35,334.20	\$0.00	\$513.80
TOTAL	\$5,000,000.00	\$0.00	\$5,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,000,000.00	\$218,848.00	\$5,218,848.00	\$0.00	\$0.00

Payment Events**Status****Timestamps****Certificate Of Completion**

Envelope Id: 494D8342A34540F0AE9E182820FFC479

Status: Completed

Subject: Funding Agreement with Exhibits - 18889092201-CW - City of Lock Haven - Modifications to Warren Oh

Source Envelope:

Document Pages: 65

Signatures: 2

Envelope Originator:

Certificate Pages: 2

Initials: 0

PENNVEST Loan Closings

AutoNav: Enabled

333 Market Street

Envelopeld Stamping: Enabled

18'th Floor

Time Zone: (UTC-05:00) Eastern Time (US & Canada)

Harrisburg, PA 17101

ra-loanclosings@pa.gov

IP Address: 164.156.178.3

Record Tracking

Status: Original

Holder: PENNVEST Loan Closings

Location: DocuSign

9/22/2022 7:33:37 AM

ra-loanclosings@pa.gov

Signer Events**Signature****Timestamp**

Joel Long

jlong@lockhavenpa.gov

Security Level: Email, Account Authentication (None), Authentication

DocuSigned by:


4F96D0E810B340C...

Sent: 9/22/2022 9:48:15 AM

Viewed: 9/22/2022 9:59:57 AM

Signed: 9/22/2022 10:01:31 AM

Signature Adoption: Pre-selected Style

Using IP Address: 73.175.91.28

Authentication Details

Passed ID Check for Joel Long as a result of successful prior ID Check within the last 61 minutes. Last Successful ID Check: 9/22/2022 9:59:10 AM EDT

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Brion T. Johnson

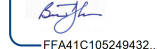
bjohnson@pa.gov

Executive Director

PENNVEST

Security Level: Email, Account Authentication (None)

DocuSigned by:


FFA41C105249432...

Sent: 9/22/2022 10:01:33 AM

Viewed: 9/22/2022 10:06:00 AM

Signed: 9/22/2022 10:06:07 AM

Signature Adoption: Uploaded Signature Image

Using IP Address: 73.101.19.30

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

In Person Signer Events**Signature****Timestamp****Editor Delivery Events****Status****Timestamp****Agent Delivery Events****Status****Timestamp****Intermediary Delivery Events****Status****Timestamp****Certified Delivery Events****Status****Timestamp**

Hannah George

hgeorge@pa.gov

Admn Ofc 1

PENNVEST

Security Level: Email, Account Authentication (None)



Sent: 9/22/2022 10:06:09 AM

Viewed: 9/22/2022 10:21:20 AM

Using IP Address: 98.117.11.88

Electronic Record and Signature Disclosure:

Not Offered via DocuSign

Carbon Copy Events	Status	Timestamp
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Witness Events	Signature	Timestamp
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Notary Events	Signature	Timestamp
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Envelope Summary Events	Status	Timestamps
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Envelope Sent	Hashed/Encrypted	9/22/2022 9:48:15 AM
Certified Delivered	Security Checked	9/22/2022 10:21:20 AM
Signing Complete	Security Checked	9/22/2022 10:06:07 AM
Completed	Security Checked	9/22/2022 10:21:20 AM

Payment Events	Status	Timestamps
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COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE BUDGET
COMPTROLLER OPERATIONS
555 Walnut Street, 9th Floor
Harrisburg, PA 17101-1925

March 13, 2024

Loan #: **P33006743-101**

LOCK HAVEN CITY
20 EAST CHURCH STREET
LOCK HAVEN PA 17745

Dear Sir or Madam:

Your loan with PENNVEST will begin interim amortization effective **April 1, 2024**. Attached is a current interim amortization schedule for your loan. Please note that this is an interim schedule. A final amortization schedule will be issued when all funds have been disbursed and final inspections have been completed.

Since your loan is participating in the ACH program, **\$22,994.73** will be deducted from your account automatically on **April 1, 2024**. Please be sure your account has sufficient funds to cover this amount when your next payment is deducted on **April 1, 2024**.

Beginning on **May 1, 2024**, the monthly amount of **\$22,994.72** will be deducted from your account automatically on the first of each month effective **May 1, 2024**. Please be sure your account has sufficient funds to cover this amount.

Please include your loan number on all correspondence to our office. As a reminder, all requests for confirmation of loan balances and inquiries concerning payment should be sent via email to RA-LoanAccounting@pa.gov.

Sincerely,

A handwritten signature in blue ink that reads "Deepa B. S".

Deepa B. Selvaraj
Financial Accounting Division

Enclosure

Agency Name: PA Infrastructure Investment Loan Number: P33006743-101
 Project Number: 18889092201CW Legacy Loan Number: 12784
 Borrower Business Partner Number/Name: 600307 / LOCK HAVEN CITY
 Certified Provider Business Partner #/Name:
 Program Name: Revolving Fd (PV PENNVEST Revolving Fund)

LOAN DETAILS
 Loan Close Date: 10/02/2022 Amortization Date: 04/01/2024
 Maturity Date: 03/01/2044 Amortization Status: IA
 Payment Interval: Monthly ACH Repayment Status: ACH - Loan Repayme
 Loan Term: 256 Number of Remaining Payments: 207
 Current Interest Rate: 1.000 Calculation Base: 360/360
 Current Annuity Amount: \$22,994.73 Next Scheduled Annuity Payment Due: 04/01/2024
 Bankruptcy: No

DISBURSEMENT DETAILS
 Loan Amount: \$5,000,000.00 Total Capitalization of Overdue Items: \$0.00
 Current Contract Capital: \$5,000,000.00 Total Loan Disbursements To-Date: \$4,365,118.61
 Grant Amount: \$0.00 Total Grant Disbursements To-Date: \$0.00
 Principal Forgiveness Amount: \$0.00 Total Principal Forgiveness Disbursements To-Date: \$0.00

PAYMENT DETAILS
 Date Last Payment Received: 03/01/2024 Amount of Last Payment Received: \$3,443.47
 Paid To Date: 03/01/2024 Total Open Items: \$0.00
 Current Outstanding Principal Balance: \$4,365,118.61

Payment History

Date Due	Date Paid	Tran Type	Total Payment	Interest	Principal	Principal Reduction	Delinquent Fees	Other Fees	Balance
	11/02/2022	L	559,551.89	0.00	559,551.89	0.00	0.00	0.00	559,551.89
12/01/2022	12/01/2022		450.75	450.75	0.00	0.00	0.00	0.00	559,551.89
	12/02/2022	L	180,141.65	0.00	180,141.65	0.00	0.00	0.00	739,693.54
01/01/2023	01/03/2023		611.40	611.40	0.00	0.00	0.00	0.00	739,693.54
	01/09/2023	L	182,949.64	0.00	182,949.64	0.00	0.00	0.00	922,643.18
	01/24/2023	L	301,454.19	0.00	301,454.19	0.00	0.00	0.00	1,224,097.37
02/01/2023	02/01/2023		786.83	786.83	0.00	0.00	0.00	0.00	1,224,097.37
03/01/2023	03/01/2023		1,020.08	1,020.08	0.00	0.00	0.00	0.00	1,224,097.37
	03/03/2023	L	250,686.64	0.00	250,686.64	0.00	0.00	0.00	1,474,784.01
04/01/2023	04/03/2023		1,215.06	1,215.06	0.00	0.00	0.00	0.00	1,474,784.01
	04/11/2023	L	343,264.61	0.00	343,264.61	0.00	0.00	0.00	1,818,048.62
	05/01/2023	L	435,146.41	0.00	435,146.41	0.00	0.00	0.00	2,253,195.03
05/01/2023	05/01/2023		1,419.69	1,419.69	0.00	0.00	0.00	0.00	2,253,195.03
06/01/2023	06/01/2023		1,877.66	1,877.66	0.00	0.00	0.00	0.00	2,253,195.03
	06/05/2023	L	583,025.55	0.00	583,025.55	0.00	0.00	0.00	2,836,220.58
07/01/2023	07/03/2023		2,298.73	2,298.73	0.00	0.00	0.00	0.00	2,836,220.58
	07/06/2023	L	300,315.46	0.00	300,315.46	0.00	0.00	0.00	3,136,536.04
08/01/2023	08/01/2023		2,572.07	2,572.07	0.00	0.00	0.00	0.00	3,136,536.04
	08/07/2023	L	234,809.67	0.00	234,809.67	0.00	0.00	0.00	3,371,345.71
09/01/2023	09/01/2023		2,770.32	2,770.32	0.00	0.00	0.00	0.00	3,371,345.71
	09/05/2023	L	127,523.33	0.00	127,523.33	0.00	0.00	0.00	3,498,869.04
10/01/2023	10/02/2023		2,901.55	2,901.55	0.00	0.00	0.00	0.00	3,498,869.04
	10/11/2023	L	143,493.82	0.00	143,493.82	0.00	0.00	0.00	3,642,362.86

Payment History

Date Due	Date Paid	Tran Type	Total Payment	Interest	Principal	Principal Reduction	Delinquent Fees	Other Fees	Balance
	11/01/2023	L	160,974.59	0.00	160,974.59	0.00	0.00	0.00	3,803,337.45
11/01/2023	11/01/2023		2,995.44	2,995.44	0.00	0.00	0.00	0.00	3,803,337.45
12/01/2023	12/01/2023		3,169.45	3,169.45	0.00	0.00	0.00	0.00	3,803,337.45
	01/02/2024	L	210,315.05	0.00	210,315.05	0.00	0.00	0.00	4,013,652.50
01/01/2024	01/02/2024		3,169.45	3,169.45	0.00	0.00	0.00	0.00	4,013,652.50
	01/12/2024	L	118,517.25	0.00	118,517.25	0.00	0.00	0.00	4,132,169.75
02/01/2024	02/01/2024		3,401.42	3,401.42	0.00	0.00	0.00	0.00	4,132,169.75
	03/01/2024	L	106,676.76	0.00	106,676.76	0.00	0.00	0.00	4,238,846.51
03/01/2024	03/01/2024		3,443.47	3,443.47	0.00	0.00	0.00	0.00	4,238,846.51
	03/21/2024	L	126,272.10	0.00	126,272.10	0.00	0.00	0.00	4,365,118.61

- L = Loan
- P = Principal Forgiveness
- G = Grants
- C = Capitalization of Overdue Items
- A = Adjustments
- CA = Capitalization Adjustment
- R = Refund
- A = Adjustments
- R = Refund
- ML = Migrated Loan
- MP = Migrated Principal Forgiveness
- MG = Migrated Grants
- MC = Migrated Capitalization of Overdue Items
- MR = Migrated Repayments
- MW = Migrated Write-off or Waiver

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
04/01/2024	04/01/2024	22,994.73	3,567.45	19,427.28	4,345,691.33
05/01/2024	05/01/2024	22,994.72	3,621.41	19,373.31	4,326,318.02
06/01/2024	06/01/2024	22,994.72	3,605.27	19,389.45	4,306,928.57
07/01/2024	07/01/2024	22,994.72	3,589.11	19,405.61	4,287,522.96
08/01/2024	08/01/2024	22,994.72	3,572.94	19,421.78	4,268,101.18
09/01/2024	09/01/2024	22,994.72	3,556.75	19,437.97	4,248,663.21
10/01/2024	10/01/2024	22,994.72	3,540.55	19,454.17	4,229,209.04
11/01/2024	11/01/2024	22,994.72	3,524.34	19,470.38	4,209,738.66
12/01/2024	12/01/2024	22,994.72	3,508.12	19,486.60	4,190,252.06
2024 Totals		206,952.49	32,085.94	174,866.55	
01/01/2025	01/01/2025	22,994.72	3,491.88	19,502.84	4,170,749.22
02/01/2025	02/01/2025	22,994.72	3,475.62	19,519.10	4,151,230.12
03/01/2025	03/01/2025	22,994.72	3,459.36	19,535.36	4,131,694.76
04/01/2025	04/01/2025	22,994.72	3,443.08	19,551.64	4,112,143.12
05/01/2025	05/01/2025	22,994.72	3,426.79	19,567.93	4,092,575.19
06/01/2025	06/01/2025	22,994.72	3,410.48	19,584.24	4,072,990.95

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
07/01/2025	07/01/2025	22,994.72	3,394.16	19,600.56	4,053,390.39
08/01/2025	08/01/2025	22,994.72	3,377.83	19,616.89	4,033,773.50
09/01/2025	09/01/2025	22,994.72	3,361.48	19,633.24	4,014,140.26
10/01/2025	10/01/2025	22,994.72	3,345.12	19,649.60	3,994,490.66
11/01/2025	11/01/2025	22,994.72	3,328.74	19,665.98	3,974,824.68
12/01/2025	12/01/2025	22,994.72	3,312.35	19,682.37	3,955,142.31
2025 Totals		275,936.64	40,826.89	235,109.75	
01/01/2026	01/01/2026	22,994.72	3,295.95	19,698.77	3,935,443.54
02/01/2026	02/01/2026	22,994.72	3,279.54	19,715.18	3,915,728.36
03/01/2026	03/01/2026	22,994.72	3,263.11	19,731.61	3,895,996.75
04/01/2026	04/01/2026	22,994.72	3,246.66	19,748.06	3,876,248.69
05/01/2026	05/01/2026	22,994.72	3,230.21	19,764.51	3,856,484.18
06/01/2026	06/01/2026	22,994.72	3,213.74	19,780.98	3,836,703.20
07/01/2026	07/01/2026	22,994.72	3,197.25	19,797.47	3,816,905.73
08/01/2026	08/01/2026	22,994.72	3,180.75	19,813.97	3,797,091.76
09/01/2026	09/01/2026	22,994.72	3,164.24	19,830.48	3,777,261.28
10/01/2026	10/01/2026	22,994.72	3,147.72	19,847.00	3,757,414.28
11/01/2026	11/01/2026	22,994.72	3,131.18	19,863.54	3,737,550.74
12/01/2026	12/01/2026	22,994.72	3,114.63	19,880.09	3,717,670.65
2026 Totals		275,936.64	38,464.98	237,471.66	
01/01/2027	01/01/2027	22,994.72	3,098.06	19,896.66	3,697,773.99
02/01/2027	02/01/2027	22,994.72	3,081.48	19,913.24	3,677,860.75
03/01/2027	03/01/2027	22,994.72	3,064.88	19,929.84	3,657,930.91
04/01/2027	04/01/2027	22,994.72	3,048.28	19,946.44	3,637,984.47
05/01/2027	05/01/2027	22,994.72	3,031.65	19,963.07	3,618,021.40
06/01/2027	06/01/2027	22,994.72	3,015.02	19,979.70	3,598,041.70
07/01/2027	07/01/2027	22,994.72	2,998.37	19,996.35	3,578,045.35
08/01/2027	08/01/2027	22,994.72	2,981.70	20,013.02	3,558,032.33
09/01/2027	09/01/2027	22,994.72	2,965.03	20,029.69	3,538,002.64
10/01/2027	10/01/2027	22,994.72	2,948.34	20,046.38	3,517,956.26
11/01/2027	11/01/2027	22,994.72	2,931.63	20,063.09	3,497,893.17
12/01/2027	12/01/2027	22,994.72	2,914.91	20,079.81	3,477,813.36
2027 Totals		275,936.64	36,079.35	239,857.29	
01/01/2028	01/01/2028	22,994.72	2,898.18	20,096.54	3,457,716.82
02/01/2028	02/01/2028	22,994.72	2,881.43	20,113.29	3,437,603.53
03/01/2028	03/01/2028	22,994.72	2,864.67	20,130.05	3,417,473.48
04/01/2028	04/01/2028	22,994.72	2,847.89	20,146.83	3,397,326.65

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
05/01/2028	05/01/2028	22,994.72	2,831.11	20,163.61	3,377,163.04
06/01/2028	06/01/2028	22,994.72	2,814.30	20,180.42	3,356,982.62
07/01/2028	07/01/2028	22,994.72	2,797.49	20,197.23	3,336,785.39
08/01/2028	08/01/2028	22,994.72	2,780.65	20,214.07	3,316,571.32
09/01/2028	09/01/2028	22,994.72	2,763.81	20,230.91	3,296,340.41
10/01/2028	10/01/2028	22,994.72	2,746.95	20,247.77	3,276,092.64
11/01/2028	11/01/2028	22,994.72	2,730.08	20,264.64	3,255,828.00
12/01/2028	12/01/2028	22,994.72	2,713.19	20,281.53	3,235,546.47
2028 Totals		275,936.64	33,669.75	242,266.89	
01/01/2029	01/01/2029	22,994.72	2,696.29	20,298.43	3,215,248.04
02/01/2029	02/01/2029	22,994.72	2,679.37	20,315.35	3,194,932.69
03/01/2029	03/01/2029	22,994.72	2,662.44	20,332.28	3,174,600.41
04/01/2029	04/01/2029	24,272.14	4,611.11	19,661.03	3,154,939.38
05/01/2029	05/01/2029	24,272.14	4,582.55	19,689.59	3,135,249.79
06/01/2029	06/01/2029	24,272.14	4,553.95	19,718.19	3,115,531.60
07/01/2029	07/01/2029	24,272.14	4,525.31	19,746.83	3,095,784.77
08/01/2029	08/01/2029	24,272.14	4,496.63	19,775.51	3,076,009.26
09/01/2029	09/01/2029	24,272.14	4,467.90	19,804.24	3,056,205.02
10/01/2029	10/01/2029	24,272.14	4,439.14	19,833.00	3,036,372.02
11/01/2029	11/01/2029	24,272.14	4,410.33	19,861.81	3,016,510.21
12/01/2029	12/01/2029	24,272.14	4,381.48	19,890.66	2,996,619.55
2029 Totals		287,433.42	48,506.50	238,926.92	
01/01/2030	01/01/2030	24,272.14	4,352.59	19,919.55	2,976,700.00
02/01/2030	02/01/2030	24,272.14	4,323.66	19,948.48	2,956,751.52
03/01/2030	03/01/2030	24,272.14	4,294.68	19,977.46	2,936,774.06
04/01/2030	04/01/2030	24,272.14	4,265.66	20,006.48	2,916,767.58
05/01/2030	05/01/2030	24,272.14	4,236.60	20,035.54	2,896,732.04
06/01/2030	06/01/2030	24,272.14	4,207.50	20,064.64	2,876,667.40
07/01/2030	07/01/2030	24,272.14	4,178.36	20,093.78	2,856,573.62
08/01/2030	08/01/2030	24,272.14	4,149.17	20,122.97	2,836,450.65
09/01/2030	09/01/2030	24,272.14	4,119.94	20,152.20	2,816,298.45
10/01/2030	10/01/2030	24,272.14	4,090.67	20,181.47	2,796,116.98
11/01/2030	11/01/2030	24,272.14	4,061.36	20,210.78	2,775,906.20
12/01/2030	12/01/2030	24,272.14	4,032.00	20,240.14	2,755,666.06
2030 Totals		291,265.68	50,312.19	240,953.49	
01/01/2031	01/01/2031	24,272.14	4,002.60	20,269.54	2,735,396.52
02/01/2031	02/01/2031	24,272.14	3,973.16	20,298.98	2,715,097.54

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
03/01/2031	03/01/2031	24,272.14	3,943.68	20,328.46	2,694,769.08
04/01/2031	04/01/2031	24,272.14	3,914.15	20,357.99	2,674,411.09
05/01/2031	05/01/2031	24,272.14	3,884.58	20,387.56	2,654,023.53
06/01/2031	06/01/2031	24,272.14	3,854.97	20,417.17	2,633,606.36
07/01/2031	07/01/2031	24,272.14	3,825.31	20,446.83	2,613,159.53
08/01/2031	08/01/2031	24,272.14	3,795.61	20,476.53	2,592,683.00
09/01/2031	09/01/2031	24,272.14	3,765.87	20,506.27	2,572,176.73
10/01/2031	10/01/2031	24,272.14	3,736.09	20,536.05	2,551,640.68
11/01/2031	11/01/2031	24,272.14	3,706.26	20,565.88	2,531,074.80
12/01/2031	12/01/2031	24,272.14	3,676.39	20,595.75	2,510,479.05
2031 Totals		291,265.68	46,078.67	245,187.01	
01/01/2032	01/01/2032	24,272.14	3,646.47	20,625.67	2,489,853.38
02/01/2032	02/01/2032	24,272.14	3,616.51	20,655.63	2,469,197.75
03/01/2032	03/01/2032	24,272.14	3,586.51	20,685.63	2,448,512.12
04/01/2032	04/01/2032	24,272.14	3,556.46	20,715.68	2,427,796.44
05/01/2032	05/01/2032	24,272.14	3,526.37	20,745.77	2,407,050.67
06/01/2032	06/01/2032	24,272.14	3,496.24	20,775.90	2,386,274.77
07/01/2032	07/01/2032	24,272.14	3,466.06	20,806.08	2,365,468.69
08/01/2032	08/01/2032	24,272.14	3,435.84	20,836.30	2,344,632.39
09/01/2032	09/01/2032	24,272.14	3,405.58	20,866.56	2,323,765.83
10/01/2032	10/01/2032	24,272.14	3,375.27	20,896.87	2,302,868.96
11/01/2032	11/01/2032	24,272.14	3,344.92	20,927.22	2,281,941.74
12/01/2032	12/01/2032	24,272.14	3,314.52	20,957.62	2,260,984.12
2032 Totals		291,265.68	41,770.75	249,494.93	
01/01/2033	01/01/2033	24,272.14	3,284.08	20,988.06	2,239,996.06
02/01/2033	02/01/2033	24,272.14	3,253.59	21,018.55	2,218,977.51
03/01/2033	03/01/2033	24,272.14	3,223.06	21,049.08	2,197,928.43
04/01/2033	04/01/2033	24,272.14	3,192.49	21,079.65	2,176,848.78
05/01/2033	05/01/2033	24,272.14	3,161.87	21,110.27	2,155,738.51
06/01/2033	06/01/2033	24,272.14	3,131.21	21,140.93	2,134,597.58
07/01/2033	07/01/2033	24,272.14	3,100.50	21,171.64	2,113,425.94
08/01/2033	08/01/2033	24,272.14	3,069.75	21,202.39	2,092,223.55
09/01/2033	09/01/2033	24,272.14	3,038.95	21,233.19	2,070,990.36
10/01/2033	10/01/2033	24,272.14	3,008.11	21,264.03	2,049,726.33
11/01/2033	11/01/2033	24,272.14	2,977.23	21,294.91	2,028,431.42
12/01/2033	12/01/2033	24,272.14	2,946.30	21,325.84	2,007,105.58
2033 Totals		291,265.68	37,387.14	253,878.54	

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
01/01/2034	01/01/2034	24,272.14	2,915.32	21,356.82	1,985,748.76
02/01/2034	02/01/2034	24,272.14	2,884.30	21,387.84	1,964,360.92
03/01/2034	03/01/2034	24,272.14	2,853.23	21,418.91	1,942,942.01
04/01/2034	04/01/2034	24,272.14	2,822.12	21,450.02	1,921,491.99
05/01/2034	05/01/2034	24,272.14	2,790.97	21,481.17	1,900,010.82
06/01/2034	06/01/2034	24,272.14	2,759.77	21,512.37	1,878,498.45
07/01/2034	07/01/2034	24,272.14	2,728.52	21,543.62	1,856,954.83
08/01/2034	08/01/2034	24,272.14	2,697.23	21,574.91	1,835,379.92
09/01/2034	09/01/2034	24,272.14	2,665.89	21,606.25	1,813,773.67
10/01/2034	10/01/2034	24,272.14	2,634.51	21,637.63	1,792,136.04
11/01/2034	11/01/2034	24,272.14	2,603.08	21,669.06	1,770,466.98
12/01/2034	12/01/2034	24,272.14	2,571.60	21,700.54	1,748,766.44
2034 Totals		291,265.68	32,926.54	258,339.14	
01/01/2035	01/01/2035	24,272.14	2,540.08	21,732.06	1,727,034.38
02/01/2035	02/01/2035	24,272.14	2,508.52	21,763.62	1,705,270.76
03/01/2035	03/01/2035	24,272.14	2,476.91	21,795.23	1,683,475.53
04/01/2035	04/01/2035	24,272.14	2,445.25	21,826.89	1,661,648.64
05/01/2035	05/01/2035	24,272.14	2,413.54	21,858.60	1,639,790.04
06/01/2035	06/01/2035	24,272.14	2,381.80	21,890.34	1,617,899.70
07/01/2035	07/01/2035	24,272.14	2,350.00	21,922.14	1,595,977.56
08/01/2035	08/01/2035	24,272.14	2,318.16	21,953.98	1,574,023.58
09/01/2035	09/01/2035	24,272.14	2,286.27	21,985.87	1,552,037.71
10/01/2035	10/01/2035	24,272.14	2,254.33	22,017.81	1,530,019.90
11/01/2035	11/01/2035	24,272.14	2,222.35	22,049.79	1,507,970.11
12/01/2035	12/01/2035	24,272.14	2,190.33	22,081.81	1,485,888.30
2035 Totals		291,265.68	28,387.54	262,878.14	
01/01/2036	01/01/2036	24,272.14	2,158.25	22,113.89	1,463,774.41
02/01/2036	02/01/2036	24,272.14	2,126.13	22,146.01	1,441,628.40
03/01/2036	03/01/2036	24,272.14	2,093.97	22,178.17	1,419,450.23
04/01/2036	04/01/2036	24,272.14	2,061.75	22,210.39	1,397,239.84
05/01/2036	05/01/2036	24,272.14	2,029.49	22,242.65	1,374,997.19
06/01/2036	06/01/2036	24,272.14	1,997.18	22,274.96	1,352,722.23
07/01/2036	07/01/2036	24,272.14	1,964.83	22,307.31	1,330,414.92
08/01/2036	08/01/2036	24,272.14	1,932.43	22,339.71	1,308,075.21
09/01/2036	09/01/2036	24,272.14	1,899.98	22,372.16	1,285,703.05
10/01/2036	10/01/2036	24,272.14	1,867.48	22,404.66	1,263,298.39
11/01/2036	11/01/2036	24,272.14	1,834.94	22,437.20	1,240,861.19
12/01/2036	12/01/2036	24,272.14	1,802.35	22,469.79	1,218,391.40
2036 Totals		291,265.68	23,768.78	267,496.90	

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
01/01/2037	01/01/2037	24,272.14	1,769.71	22,502.43	1,195,888.97
02/01/2037	02/01/2037	24,272.14	1,737.03	22,535.11	1,173,353.86
03/01/2037	03/01/2037	24,272.14	1,704.30	22,567.84	1,150,786.02
04/01/2037	04/01/2037	24,272.14	1,671.52	22,600.62	1,128,185.40
05/01/2037	05/01/2037	24,272.14	1,638.69	22,633.45	1,105,551.95
06/01/2037	06/01/2037	24,272.14	1,605.81	22,666.33	1,082,885.62
07/01/2037	07/01/2037	24,272.14	1,572.89	22,699.25	1,060,186.37
08/01/2037	08/01/2037	24,272.14	1,539.92	22,732.22	1,037,454.15
09/01/2037	09/01/2037	24,272.14	1,506.90	22,765.24	1,014,688.91
10/01/2037	10/01/2037	24,272.14	1,473.84	22,798.30	991,890.61
11/01/2037	11/01/2037	24,272.14	1,440.72	22,831.42	969,059.19
12/01/2037	12/01/2037	24,272.14	1,407.56	22,864.58	946,194.61
2037 Totals		291,265.68	19,068.89	272,196.79	
01/01/2038	01/01/2038	24,272.14	1,374.35	22,897.79	923,296.82
02/01/2038	02/01/2038	24,272.14	1,341.09	22,931.05	900,365.77
03/01/2038	03/01/2038	24,272.14	1,307.78	22,964.36	877,401.41
04/01/2038	04/01/2038	24,272.14	1,274.43	22,997.71	854,403.70
05/01/2038	05/01/2038	24,272.14	1,241.02	23,031.12	831,372.58
06/01/2038	06/01/2038	24,272.14	1,207.57	23,064.57	808,308.01
07/01/2038	07/01/2038	24,272.14	1,174.07	23,098.07	785,209.94
08/01/2038	08/01/2038	24,272.14	1,140.52	23,131.62	762,078.32
09/01/2038	09/01/2038	24,272.14	1,106.92	23,165.22	738,913.10
10/01/2038	10/01/2038	24,272.14	1,073.27	23,198.87	715,714.23
11/01/2038	11/01/2038	24,272.14	1,039.57	23,232.57	692,481.66
12/01/2038	12/01/2038	24,272.14	1,005.83	23,266.31	669,215.35
2038 Totals		291,265.68	14,286.42	276,979.26	
01/01/2039	01/01/2039	24,272.14	972.04	23,300.10	645,915.25
02/01/2039	02/01/2039	24,272.14	938.19	23,333.95	622,581.30
03/01/2039	03/01/2039	24,272.14	904.30	23,367.84	599,213.46
04/01/2039	04/01/2039	24,272.14	870.36	23,401.78	575,811.68
05/01/2039	05/01/2039	24,272.14	836.37	23,435.77	552,375.91
06/01/2039	06/01/2039	24,272.14	802.33	23,469.81	528,906.10
07/01/2039	07/01/2039	24,272.14	768.24	23,503.90	505,402.20
08/01/2039	08/01/2039	24,272.14	734.10	23,538.04	481,864.16
09/01/2039	09/01/2039	24,272.14	699.91	23,572.23	458,291.93
10/01/2039	10/01/2039	24,272.14	665.67	23,606.47	434,685.46
11/01/2039	11/01/2039	24,272.14	631.38	23,640.76	411,044.70
12/01/2039	12/01/2039	24,272.14	597.04	23,675.10	387,369.60
2039 Totals		291,265.68	9,419.93	281,845.75	

Remaining Amortization

Activity Date	Date Due	Total Payment	Interest	Principal	Projected Balance
01/01/2040	01/01/2040	24,272.14	562.65	23,709.49	363,660.11
02/01/2040	02/01/2040	24,272.14	528.22	23,743.92	339,916.19
03/01/2040	03/01/2040	24,272.14	493.73	23,778.41	316,137.78
04/01/2040	04/01/2040	24,272.14	459.19	23,812.95	292,324.83
05/01/2040	05/01/2040	24,272.14	424.60	23,847.54	268,477.29
06/01/2040	06/01/2040	24,272.14	389.96	23,882.18	244,595.11
07/01/2040	07/01/2040	24,272.14	355.27	23,916.87	220,678.24
08/01/2040	08/01/2040	24,272.14	320.54	23,951.60	196,726.64
09/01/2040	09/01/2040	24,272.14	285.75	23,986.39	172,740.25
10/01/2040	10/01/2040	24,272.14	250.91	24,021.23	148,719.02
11/01/2040	11/01/2040	24,272.14	216.01	24,056.13	124,662.89
12/01/2040	12/01/2040	24,272.14	181.07	24,091.07	100,571.82
2040 Totals		291,265.68	4,467.90	286,797.78	
01/01/2041	01/01/2041	24,272.14	146.08	24,126.06	76,445.76
02/01/2041	02/01/2041	24,272.14	111.04	24,161.10	52,284.66
03/01/2041	03/01/2041	24,272.14	75.94	24,196.20	28,088.46
04/01/2041	04/01/2041	24,272.14	40.80	24,231.34	3,857.12
05/01/2041	05/01/2041	3,862.72	5.60	3,857.12	0.00
2041 Totals		100,951.28	379.46	100,571.82	

Exhibit 2

Quarterly PV Surcharges

Option 1 - Equivalent Units

\$ to be Recovered	\$ 334,396		
# of Equivalent Units	4,188		
Annual Cost per Unit	\$79.86		
Quarterly Cost per Unit	\$19.96		
5/8" or 3/4"	\$19.96	1.0	<<< these are quarterly.
1"	\$49.91	2.5	
1-1/4"	\$74.86	3.8	
1-1/2"	\$99.82	5.0	
2"	\$159.71	8.0	
3"	\$349.37	17.5	
4"	\$628.86	31.5	
6"	\$1,297.66	65.0	
8"	\$2,794.95	140.0	
10"	\$4,192.43	210.0	
12"	\$5,290.44	265.0	
Re-calculated Surcharge Rev	\$ 334,396	TRUE	
RES	\$ 248,431		
COM	\$ 59,093		
PH	\$ 14,893		
EDU	<u>\$ 11,978</u>		
	\$ 334,396	TRUE	

PV Surcharge Proof

\$ to be Recovered from PV Charge	\$	334,396
# of Equivalent Meters (Inside & Outside)		4,188
Annual Cost per Meter		\$79.86

Meter Size	All	Equivalency Factor	Equivalent Meters	PV Charge per Equivalent Meter	\$ Revenue
5/8" or 3/4"	1,034	-	1,033.8	\$79.86	\$ 82,551
1"	17	-	41.3	\$79.86	3,294
1-1/4"	-	-	-	\$79.86	-
1-1/2"	8	-	40.0	\$79.86	3,194
2"	10	-	80.0	\$79.86	6,388
3"	4	-	70.0	\$79.86	5,590
4"	2	-	63.0	\$79.86	5,031
6"	-	-	-	\$79.86	-
8"	-	-	-	\$79.86	-
10"	-	-	-	\$79.86	-
12"	-	-	-	\$79.86	-
	<u>1,074</u>	-	<u>1,328</u>	-	<u>\$ 106,048</u>
					\$ 106,048

PV Surcharge Revenues - Inside / Outside

	Residential	Commercial / Industrial	Education	Public Health	Total
Inside	\$ 168,875	\$ 39,928	\$ 11,978	\$ 7,566	\$ 228,348
Outside	\$ 79,556	\$ 19,165	\$ -	\$ 7,327	<u>106,048</u>
Total	\$ 248,431	\$ 59,093	\$ 11,978	\$ 14,893	\$ 334,396

Exhibit 3

May 23, 2024

NOTICE OF PROPOSED RATE CHANGES**TO OUR CUSTOMERS:**

The City of Lock Haven Water Department (“City” or “Water Department”) is filing a request with the Pennsylvania Public Utility Commission (“PUC” or “Commission”) to increase your water rates as of July 23, 2024. This notice describes the Water Department’s rate request, the PUC’s role, and what actions you can take.

The Water Department is proposing an overall rate increase of approximately \$990,432 per year, or 64.2%. Of this amount, the City is specifically seeking PUC approval to increase rates for customers outside of the City by \$377,823, or 71.4%.

In addition, the City is proposing to implement a PENNVEST Surcharge (“PVS”) which will allow the Water Department to recover costs for several PENNVEST low-interest loans that have and will continue to be awarded to the City to enable mandated repairs and improvements to the water system. The total proposed increase to be recovered from the PVS, to be put in place at the same time as the base rate increase goes into effect is \$334,396. Of this amount, \$106,048 will be recovered from customers outside the City. While the PUC only approves rates applicable to customers located outside the City, the Water Department will apply the same approved rate increase to all of its customers.

The City last increased water rates on January 1, 2011. While the City has maintained present rates since that time, additional revenues are now necessary to meet rising operational costs and fund various system improvements. These improvements are necessary to update aging infrastructure and continue providing safe and adequate service to customers.

If the Water Department’s entire request is approved, the total bill (including the base rate increase and PVS) for customers located inside or outside the City will increase as follows:

The total bill for a residential customer using approximately 13,500 gallons of water per quarter (148.5 gallons per day) would increase from \$100.46 to \$108.85 per quarter, or by 8.4%.

The total bill for a commercial customer using approximately 47,300 gallons per quarter (519.9 gallons per day) would increase from \$260.72 to \$400.32 per quarter, or 53.5%.

The total bill for an industrial customer using 2,330,472,500 gallons per quarter (25,609,588 gallons per day) would increase from \$3,904.79 to \$13,432.95 per quarter, or 244.0%.

The total bill for an education customer using 244,200 gallons per quarter (2,684 gallons per day) would increase from \$767.97 to \$1,646.78 per quarter, or 114.4%.

The total bill for a public health customer using 78,200 gallons per quarter (859.3 gallons per day) would increase from \$332.41 to \$558.34 per quarter, or 68.0%.

To find out your customer class or how the requested increase may affect your water bill, contact the City of Lock Haven Water Department at (570) 893-5909. The rates requested by the City may be found in Supplement No. 19 to Tariff Water – Pa. P.U.C. No. 1. You may examine the material being filed with the PUC which explains the requested increase and the reasons for it. A copy of this material is kept at the City of Lock Haven Water Department office, 20 East Church Street, Lock Haven, PA 17745.

The state agency which approves rates for public utilities is the PUC. The PUC will examine the requested rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The City must prove that the requested rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing rates.

The PUC may change the amount of the rate increase or decrease requested by the utility for each customer class. As a result, the rate charged to you may be different than the rate requested by the City as shown above.

If you are a customer living outside the City of Lock Haven, i.e., in Allison, Castanea or Wayne Townships, you may challenge the rate increase request before the PUC. There are three (3) ways to challenge the City’s request to change its rates:

1. You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the rate increase request. All complaints should be filed with the PUC before July 23, 2024. If no formal complaints are filed, the Commission may grant all, some, or none of the request without holding a hearing before a judge.
2. You can send us a letter telling why you object to the requested rate increase. Sometime there is information in these letters that makes us aware of problems with the City’s service or management. This information can be helpful when we investigate the rate request. Send your letter or request for a formal complaint form to the Pennsylvania Public Utility Commission, 400 North Street, Harrisburg, PA, 17120. Complaint forms may also be accessed on the Commission’s website.
3. You can be a witness at a public input hearing. Public input hearings are held if the Commission opens an investigation of the City’s rate increase request and if there is a large number of customers interested in the case. At these hearings, you have the opportunity to present your views in person to the PUC judge hearing the case and the City representatives. All testimony given “under oath” becomes part of the official rate case record. These hearings are held in the service area of the City.

Again, the PUC only has jurisdiction over the requested rate increase for customers living *outside* the City of Lock Haven’s municipal boundaries.

CITY OF LOCK HAVEN
WATER DEPARTMENT

Exhibit 4

XV. Schedule of Rates (Continued)

(C)

C. PENNVEST Surcharge (PVS)

1. In addition to the charges provided in this tariff, and for the limited purpose of recovering PENNVEST loan principal and interest only for used and useful assets financed by such loans, a per equivalent residential meter size (“ERMS”) surcharge will be uniformly applied to all classes (with the exception of public fire protection customers and customer served pursuant to pre-existing wholesale contracts) for service rendered on or after July 23, 2024.

2. This per ERMS surcharge is calculated to recover the total principal and interest amounts payable pursuant to the final PENNVEST amortization schedule for the Water Department’s PENNVEST loan obligations that have not been included in the rates charged to Lock Haven customers. This and the provisions below shall apply to the following PENNVEST loans:

Loan Number / Identifier	PENNVEST Approval Date
18889092201-CW	April 20, 2022

3. The currently effective quarterly PVS is as follows based on meter size:

Meter Size	PVS
5/8” or 3/4”	\$19.96
1”	\$49.91
1 ¼”	\$74.86
1 ½”	\$99.82
2”	\$159.71
3”	\$349.37
4”	\$628.86
6”	\$1,297.66
8”	\$2,794.95
10”	\$4,192.43
12”	\$5,290.44

(C) = Change

-
4. The PVS per REMS is determined as follows: (C)
- $$\text{PVS} = (\text{PI}/\text{EDUs})/4$$
- Where PVS = the prospective PENNVEST Quarterly Surcharge per REMS;
- PI = the annual Principal and Interest per the PENNVEST Loans listed in Paragraph 2 above; and
- REMSs = the current maximum capacity of a meter in comparison to a 5/8th inch meter as determined from the Water Department’s Billing Records.
5. The Water Department will recalculate the prospective surcharge amount in a Section 1308(a) filing made: (i) annually; (ii) with 60 days’ notice of a material change to PI or REMS ; or (iii) at the time of a general rate case filing under Section 1308(d) of the Public Utility Code.
- a. For purposes of this recalculation, a material change is a change that would result in a cumulative increase or decrease in the currently approved PVS of 1.5% or more.
6. In the annual filing, the Water Department shall include a reconciliation pursuant to 66 Pa. C.S. § 1307(e) (the initial reconciliation period may be less than a 12-month period to account for the customary lag between the reconciliation and computational periods). The annual filing shall be filed within thirty (30) days following the end of the reconciliation period. The reconciliation or “e” factor shall be designed to recover or to credit customers for any amounts under or overbilled in the prior 12 months (compared to the total PI to be recovered). No interest is to be applied to any over or under collections.
7. The PVS is reflected as a separate line item on each customer’s bill.
8. The PVS shall remain in effect until the principal and interest charges (amounts payable pursuant to the final amortization schedule) for the applicable loan have been collected.
9. The PVS mechanism will be continued but set at zero if there are no PENNVEST loans approved by the Public Utility Commission for surcharge recovery.

(C) = Change

10. The PVS is solely designed to begin timely recovery of PENNVEST principal and interest loan obligations. All amounts charged pursuant to the surcharge are subject to audit and review by the Public Utility Commission and/or in a complaint proceeding. (C)
11. The Water Department will segregate all revenues dedicated for PENNVEST repayment so long as the surcharge remains in effect.
12. The Water Department may include subsequent qualifying PENNVEST loans for recovery in the PVS by making a Section 1308(a) filing with the Commission at least sixty (60) days prior to the proposed effective date of the PVC revision. The Water Department shall provide notice to affected customers at that time and shall also provide all the information required by this Tariff, and any other data required to be provided by the PUC.

(C) = Change