



November 13, 2017

VIA E-FILING

David P. Zambito

Direct Phone 717-703-5892
Direct Fax 215-989-4216
dzambito@cozen.com

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
Harrisburg, PA 17120

Re: Application of Pennsylvania-American Water Company-Wastewater under Section 1329 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1329, for approval of the use for ratemaking purposes of the lesser of the fair market value or the negotiated purchase price of The Municipal Authority of the City of McKeesport's assets related to its wastewater collection and treatment system and other related transactions; Docket No. A-2017-2606103

COMPLIANCE FILING; SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT

Dear Secretary Chiavetta:

In accordance with Ordering Paragraph 2(a) of the Commission's Order entered October 26, 2017 in the above-referenced matter, enclosed please find copies of the following documents:

- (a) A fully-executed version of the Second Amendment to the Asset Purchase Agreement ("Second Amendment");
- (b) The ordinance of the City of McKeesport ("City") authorizing the execution of the Second Amendment on behalf of the City;
- (c) The resolution of the Board of Directors of the Municipal Authority of the City of McKeesport ("MACM") authorizing the execution of the Second Amendment on behalf of MACM; and,
- (d) The resolution of the Board of Directors of Pennsylvania-American Water Company ("PAWC") authorizing the execution of the Second Amendment on behalf of PAWC.

Copies are being served on all parties as indicated on the enclosed Certificate of Service.

Rosemary Chiavetta, Secretary
November 13, 2017
Page 2

If you have any questions regarding this compliance filing, please do not hesitate to contact me. Thank you for your attention to this matter.

Sincerely,

COZEN O'CONNOR

A handwritten signature in blue ink, appearing to read "David P. Zambito", is written over the printed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

By: David P. Zambito
Counsel for *Pennsylvania-American Water Company*

DPZ/kmg
Enclosures

cc: Per Certificate of Service.
Susan Simms Marsh, Esq.

CERTIFICATE OF SERVICE

Application of Pennsylvania-American Water Company- :
Wastewater under Section 1329 of the Pennsylvania :
Public Utility Code, 66 Pa. C.S. § 1329, for approval of :
the use for ratemaking purposes of the lesser of the fair :
market value or the negotiated purchase price of The :
Municipal Authority of the City of McKeesport's assets :
related to its wastewater collection and treatment :
system and other related transactions :

Docket No. A-2017-2606103

I hereby certify that I have this day served a true copy of the foregoing letter complying with Ordering Paragraph 2(a), upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

VIA E-MAIL AND FIRST CLASS MAIL:

Gina Miller, Esquire
Erika McLain, Esquire
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17120
Counsel for *Bureau of Investigation & Enforcement*

Thomas S. Wyatt, Esquire
Dilworth Paxson LLP
1500 Market Street
Suite 3500E
Philadelphia, PA 19102
Counsel for *Municipal Authority of the City of McKeesport and the City of McKeesport*

Christine Maloni Hoover, Esquire
Erin L. Gannon, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
Counsel for *Office of Consumer Advocate*

DATED: November 13, 2017



David P. Zambito, Esquire
Counsel for
Pennsylvania-American Water Company

SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT (the "Second Amendment") is made and entered into as of the 31st day of October, 2017 by and among the City of McKeesport, Allegheny County, Pennsylvania (the "City"), a city of the third class under the Constitution and laws of the Commonwealth of Pennsylvania and the City's Home Rule Charter, the Municipal Authority of the City of McKeesport, a body corporate and politic, duly authorized under the Pennsylvania Municipal Authorities Act ("Seller"), and Pennsylvania-American Water Company, a Pennsylvania corporation ("Buyer").

WHEREAS, the parties hereto executed an Asset Purchase Agreement dated September 9, 2016 (the "Agreement");

WHEREAS, the parties hereto executed a First Amendment to the Agreement on May 15, 2017 (the "First Amendment"); and

WHEREAS, the parties hereto intend to further amend the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

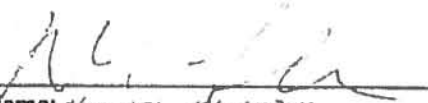
- A. The first sentence of Section 3.02 of the Agreement shall be replaced in its entirety by the following:

The negotiated purchase price for the Acquired Assets shall be One Hundred Fifty-Nine Million Dollars (\$159,000,000)(the "Purchase Price") which shall be paid as follows:

- B. Paragraph F of the First Amendment, which concerns PAWC's obligation in the first base rate case following closing of the transaction to propose rates that, if adopted by the Commission, would ensure that McKeesport-system customers benefit from 66 Pa. C.S. § 1311(c) in the same manner as PAWC's other customers, is hereby modified to add, as a last sentence, the following: "PAWC will seek to utilize 66 Pa. C.S. § 1311(c) for the benefit of McKeesport system customers so long as such use is not inconsistent with PAWC's obligations under the Settlement Agreement entered into as part of PaPUC Docket No. A-2017-2606103".
- C. Except as modified hereby, the rest and remainder of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed as of the day and year first above written.


CITY OF MCKEESPORT

By: 
Name: MICHAEL HEKLER
Title: Mayor

MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT

By: _____
Name:
Title:

PENNSYLVANIA-AMERICAN WATER COMPANY

By: 
Name: Jeffrey L. McIntyre
Title: President

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed as of the day and year first above written.

CITY OF MCKEESPORT

By: _____
Name:
Title:

**MUNICIPAL AUTHORITY OF THE CITY OF
MCKEESPORT**

By: *Dale McCall*
Name: Dale McCall
Title: Chairman

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

By: _____
Name:
Title:

OFFICIAL

MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT

RESOLUTION NO. 2017-13

A RESOLUTION OF THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT, COUNTY OF ALLEGHENY AND COMMONWEALTH OF PENNSYLVANIA, ACCEPTING AND APPROVING A SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT DATED OCTOBER ____, 2017, BY AND AMONG THE CITY OF MCKEESPORT, THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT, AND PENNSYLVANIA-AMERICAN WATER COMPANY, WHICH ASSET PURCHASE AGREEMENT WAS PART OF THE PROCEEDINGS PREVIOUSLY ACCEPTED AND APPROVED BY THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT BY RESOLUTION NO. 2016-10, ADOPTED ON SEPTEMBER 8, 2016, AS SUBSEQUENTLY AMENDED BY A FIRST AMENDMENT TO THE ASSET PURCHASE AGREEMENT DATED MAY 15, 2017, ACCEPTED AND APPROVED BY THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT BY RESOLUTION NO. 2017-7, ADOPTED ON JUNE 6, 2017; AUTHORIZING EXECUTION OF SAID SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT BY THE APPROPRIATE OFFICERS OF THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT; AND RATIFYING AND CONFIRMING ALL PRIOR ACTIONS OF THE EMPLOYEES, OFFICERS AND OFFICIALS OF THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT WITH REGARD TO SAID SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT.

WHEREAS, by Resolution No. 2016-10 adopted by The Municipal Authority of the City of McKeesport (MACM) at a regular and public meeting held on September 8, 2016, The Municipal Authority of the City of McKeesport accepted and approved proceedings authorizing the sale of substantially all of the sewer system assets of MACM by executing and closing an Asset Purchase Agreement; authorizing transfer of the assets to the winning bidder upon Closing; and authorizing preparation and filing of a Certificate of Termination of MACM on the Closing Date provided all liabilities of MACM are satisfied; and

WHEREAS, by Resolution No. 2017-7 adopted by The Municipal Authority of the City of McKeesport (MACM) at a regular and public meeting held on June 6, 2017, The Municipal Authority of the City of McKeesport accepted and approved a First Amendment to said Asset Purchase Agreement; and

WHEREAS, since the acceptance and adoption of Resolution No. 2016-10 by MACM on September 8, 2016, MACM, and Resolution No. 2017-7 by MACM on June 6, 2017, MACM, the City of McKeesport and Pennsylvania-American Water Company have negotiated a Second

**OFFICIAL MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
RESOLUTION NO. 2017-13**

Amendment to the Asset Purchase Agreement, an exact copy of which Second Amendment to the Asset Purchase Agreement is attached hereto as Exhibit "1", and which Second Amendment to the Asset Purchase Agreement, inter alia, increases the purchase price to be paid by Buyer to MACM and/or the City from the originally established purchase price of \$156,000,000 to the increased purchase price of \$159,000,000, but which Second Amendment decreases the purchase price to be paid by Buyer to MACM from \$162,000,000 established by the First Amendment to Asset Purchase Agreement dated May 15, 2017, and which now further revised purchase price of \$159,000,000 still financially benefits both MACM and the City and adds, as a last sentence to Paragraph F of the First Amendment, which concerns PAWC's obligation in the first base rate case following closing of the transaction to propose rates that, if adopted by the Commission, would ensure that McKeesport-system customers benefit from 66 Pa. C.S. Section 1311(c) in the same manner as PAWC's other customers, the following: "PAWC will seek to utilize 66 Pa. C.S. Section 1311(c) for the benefit of McKeesport-system customers so long as such use is not inconsistent with PAWC's obligations under the Settlement Agreement entered into as part of PaPUC Docket No. A-2017-2606103"; and

WHEREAS, pursuant to the provisions of Article III of the original Asset Purchase Agreement among the parties such an increased and revised purchase price was provided for based on the final appraised value of MACM's assets as determined under 66 Pa.C.S. Section 1329; and

WHEREAS, it is the desire of The Municipal Authority of the City of McKeesport to accept and approve said Second Amendment to the Asset Purchase Agreement; authorize execution of same by the appropriate officers of The Municipal Authority of the City of McKeesport; and to confirm and ratify all prior actions of the employees, officers and officials of The Municipal Authority of the City of McKeesport with regard to said Second Amendment to the Asset Purchase Agreement.

NOW, THEREFORE, BE IT RESOLVED AND ADOPTED By the Board of The Municipal Authority of the City of McKeesport, County of Allegheny, Commonwealth of Pennsylvania, and it is hereby RESOLVED and ADOPTED by authority of the same, that:

**OFFICIAL MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT
RESOLUTION NO. 2017-13**

1. The Municipal Authority of the City of McKeesport hereby accepts and approves the Second Amendment to the Asset Purchase Agreement made and entered into on October ____, 2017, by and among the City, MACM and the Buyer, an exact copy of which Second Amendment to the Asset Purchase Agreement is attached hereto as Exhibit "1."

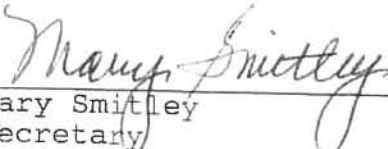
2. The appropriate officers of The Municipal Authority of the City of McKeesport are hereby authorized and directed to execute said Second Amendment to Asset Purchase Agreement on behalf of The Municipal Authority of the City of McKeesport, which shall be identical in form and content to Exhibit "1" attached hereto.

3. The Municipal Authority of the City of McKeesport hereby confirms and ratifies any and all prior actions of the employees, officers and officials of The Municipal Authority of the City of McKeesport with regard to said Second Amendment to the Asset Purchase Agreement including, but not limited to, the execution of any necessary documents for said Second Amendment to the Asset Purchase Agreement.

4. Except for the provisions and/or amendments included in the Second Amendment to the Asset Purchase Agreement attached hereto as Exhibit "1," all other provisions of the original Asset Purchase Agreement entered into among the parties, as subsequently amended by the First Amendment to Asset Purchase Agreement dated May 15, 2017, and all of their provisions, shall remain in effect.


RESOLVED AND ADOPTED by the Board of The Municipal Authority of the City of McKeesport, County of Allegheny and Commonwealth of Pennsylvania, meeting in regular and public session, this 10th day of October, 2017.

ATTEST:



Mary Smitley
Secretary

THE MUNICIPAL AUTHORITY OF THE
CITY OF MCKEESPORT

By: 

Dale R. McCall
Chairman

SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT (the “**Second Amendment**”) is made and entered into as of the ____ day of October, 2017 by and among the City of McKeesport, Allegheny County, Pennsylvania (the “**City**”), a city of the third class under the Constitution and laws of the Commonwealth of Pennsylvania and the City’s Home Rule Charter, the Municipal Authority of the City of McKeesport, a body corporate and politic, duly authorized under the Pennsylvania Municipal Authorities Act (“**Seller**”), and Pennsylvania-American Water Company, a Pennsylvania corporation (“**Buyer**”).

WHEREAS, the parties hereto executed an Asset Purchase Agreement dated September 9, 2016 (the “**Agreement**”);

WHEREAS, the parties hereto executed a First Amendment to the Agreement on May 15, 2017 (the “**First Amendment**”); and

WHEREAS, the parties hereto intend to further amend the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- A. The first sentence of Section 3.02 of the Agreement shall be replaced in its entirety by the following:

The negotiated purchase price for the Acquired Assets shall be One Hundred Fifty-Nine Million Dollars (\$159,000,000)(the “Purchase Price”) which shall be paid as follows:

- B. Paragraph F of the First Amendment, which concerns PAWC’s obligation in the first base rate case following closing of the transaction to propose rates that, if adopted by the Commission, would ensure that McKeesport-system customers benefit from 66 Pa. C.S. § 1311(c) in the same manner as PAWC’s other customers, is hereby modified to add, as a last sentence, the following: “PAWC will seek to utilize 66 Pa. C.S. § 1311(c) for the benefit of McKeesport system customers so long as such use is not inconsistent with PAWC’s obligations under the Settlement Agreement entered into as part of PaPUC Docket No. A-2017-2606103”.
- C. Except as modified hereby, the rest and remainder of the Agreement shall remain in full force and effect.

EXHIBIT 1

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed as of the day and year first above written.

CITY OF MCKEESPORT

By: _____
Name:
Title:

**MUNICIPAL AUTHORITY OF THE CITY OF
MCKEESPORT**

By: *Dale McCall*
Name: Dale McCall
Title: Chairman

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

By: _____
Name:
Title:

An Ordinance of the
City of McKeesport

Folder 200



A handwritten signature in black ink, appearing to be "JF", is written over the right side of the seal.

SERIES: 2017

ORDINANCE NO.: 17-017

Presented By: Administration

Bill No.: 117

Introduced By: Jamie Brewster-Filotei

Date: 11-1-17

Public Notice:

Public Hearing:

AN ORDINANCE OF THE CITY OF MCKEESPORT, ALLEGHENY COUNTY, PENNSYLVANIA, AUTHORIZING THE PROPER CITY OFFICIALS TO EXECUTE THE ATTACHED ASSET PURCHASE AGREEMENT SECOND AMENDMENT RELATING TO THE TERMS OF THE ASSET PURCHASE AGREEMENT COVERING THE SALE OF SUBSTANTIALLY ALL OF THE SEWER SYSTEM ASSETS OF THE MUNICIPAL AUTHORITY OF THE CITY OF MCKEESPORT.

WHEREAS, the City of McKeesport, Allegheny County, a City of the Third Class (the "City"), incorporated the Authority, which currently owns and operates a sanitary sewer system, (the "Sewer System"), for the benefit and use of the residents of the Cities of McKeesport and Duquesne, the Boroughs of Glassport, Liberty, Lincoln, Port Vue, Versailles, East McKeesport, White Oak and Dravosburg, and the Townships of North Versailles and Elizabeth: and

WHEREAS, Public Financial Management, Inc. and Boenning & Scattergood, Inc. serve as financial advisors (the "Financial Advisors"), and Dilworth Paxson LLP and Grogan & Graffam, P.C. and Dickie McCamey & Chilcote, P.C. as outside counsel ("Counsel") to the City and the Authority in connection with the sale of the Sewer System; and

Bill No. 117 Cont.

WHEREAS, the City and the Authority on June 4, 2015, issued a Request for Qualifications (the "RFQ") for expressions of interest from qualified companies and entities for the lease or sale of the Sewer System, and received responses from interested potential bidders; and

WHEREAS, the City and the Authority, on June 3, 2016, issued a Request for Bids (the "RFB") to solicit bids from interested and qualified entities, based on a form of asset purchase agreement approved by the Authority and the City, and acceptable to the qualified bidders for the sale of the Sewer System (the "Agreement"); and

WHEREAS, two (2) qualified bids were received on July 29, 2016; and

WHEREAS, the Authority and the City desire to award the bid and sell the Sewer System to the highest bidder, Pennsylvania American Water ("PAW"); and

WHEREAS, in the judgement of City Council, entering into the Agreement with the Authority and PAW for the sale of the Sewer System is in the best interests of the City and the public which it serves; and

WHEREAS, on or about the date that the sale is closed pursuant to the Agreement (the "Closing Date") and all of the bonds and system obligations are refunded and/or defeased to maturity, the City intends to dissolve and terminate the Authority; and

WHEREAS, as a result of the terms of the Asset Purchase Agreement, the parties were required to negotiate an increased purchase price and extension of the "End Date" of said agreement in order to comply with all applicable statutes and/or regulations.

Bill #117 cont.

WHEREAS, In order to achieve a settlement with the Office of Consumer Advocate and the PUC Investigation and Enforcement Division, the City and Authority determined that adjusting the purchase price and rate base calculation would be in the best interests of the City.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the City of McKeesport, in Council assembled, and it is hereby ordained and enacted by the authority of the same as follows:

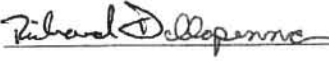
SECTION 1. The proper City Officials are hereby authorized to execute the attached "Second Amendment to the Asset Purchase Agreement".

SECTION 2. Any and all provisions of any Ordinances, Resolutions, or Motions that are in conflict with the provisions hereof are hereby repealed.

ENACTED this 1st day of November, A.D. 2017.

ATTEST:


Clerk of Council


President of Council

EXAMINED AND APPROVED this 1st day of November, A.D., 2017

ATTEST:


Mayor

SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT (the “**Second Amendment**”) is made and entered into as of the ____ day of October, 2017 by and among the City of McKeesport, Allegheny County, Pennsylvania (the “**City**”), a city of the third class under the Constitution and laws of the Commonwealth of Pennsylvania and the City’s Home Rule Charter, the Municipal Authority of the City of McKeesport, a body corporate and politic, duly authorized under the Pennsylvania Municipal Authorities Act (“**Seller**”), and Pennsylvania-American Water Company, a Pennsylvania corporation (“**Buyer**”).

WHEREAS, the parties hereto executed an Asset Purchase Agreement dated September 9, 2016 (the “**Agreement**”);

WHEREAS, the parties hereto executed a First Amendment to the Agreement on May 15, 2017 (the “**First Amendment**”); and

WHEREAS, the parties hereto intend to further amend the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

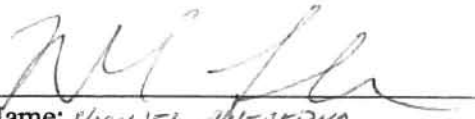
- A. The first sentence of Section 3.02 of the Agreement shall be replaced in its entirety by the following:

The negotiated purchase price for the Acquired Assets shall be One Hundred Fifty-Nine Million Dollars (\$159,000,000)(the “Purchase Price”) which shall be paid as follows:

- B. Paragraph F of the First Amendment, which concerns PAWC’s obligation in the first base rate case following closing of the transaction to propose rates that, if adopted by the Commission, would ensure that McKeesport-system customers benefit from 66 Pa. C.S. § 1311(c) in the same manner as PAWC’s other customers, is hereby modified to add, as a last sentence, the following: “PAWC will seek to utilize 66 Pa. C.S. § 1311(c) for the benefit of McKeesport system customers so long as such use is not inconsistent with PAWC’s obligations under the Settlement Agreement entered into as part of PaPUC Docket No. A-2017-2606103”.
- C. Except as modified hereby, the rest and remainder of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed as of the day and year first above written.

CITY OF MCKEESPORT

By: 
Name: MICHAEL JHERETKO
Title: MAYOR

**MUNICIPAL AUTHORITY OF THE CITY OF
MCKEESPORT**

By: _____
Name:
Title:

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

By: _____
Name:
Title:

PENNSYLVANIA-AMERICAN WATER COMPANY

I, ANDREW L. SWOPE, Secretary of Pennsylvania-American Water Company, a Pennsylvania corporation (the "Company") DO HEREBY CERTIFY that below is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company at a meeting thereof duly convened and held on November 9, 2017, at which meeting a quorum was present and acting throughout, and that such resolutions have not been amended or rescinded and are still in full force and effect.

WHEREAS, the Board of Directors of the Company by Unanimous Written Consent dated September 9, 2016, adopted resolutions approving the purchase of the wastewater system assets of the Municipal Authority of the City of McKeesport ("MACM") for the higher of a cash price of \$156,000,000 or the fair market value as determined by the Act 12 appraisal process; and

WHEREAS, the Company and MACM entered into an Asset Purchase Agreement ("APA") for the sale and purchase of MACM's wastewater system assets; and

WHEREAS, the Board of Directors of the Company at its regularly-scheduled meeting on August 10, 2017, adopted a resolution approving the First Amendment of the APA to authorize a purchase price not to exceed \$162,000,000 and to increase the amount of the deposit to \$9,000,000; and

WHEREAS, the Company filed an application with the Pennsylvania Public Utility Commission seeking approval of the APA and the transaction (the "Application"), and the Application was opposed by the Office of Consumer Advocate and the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement; and

WHEREAS, the Company negotiated a settlement with the City of McKeesport, MACM, the Office of Consumer Advocate, and the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement resolving all objections to the Application; and

WHEREAS, the settlement provided for, among other things, a reduction of the negotiated purchase price to \$159,000,000 and a modification of the Company's obligations to utilize 66 Pa.C.S. § 1311(c) for the benefit of McKeesport system customers; and

WHEREAS, the Pennsylvania Public Utility Commission adopted an Order dated October 26, 2017, approving the settlement; and

WHEREAS, the Order requires the APA to be further amended to reflect the terms of the settlement, and that such amended terms be approved by the Board of Directors of the Company.

NOW THEREFORE, be it resolved, that the transaction be amended to: (a) adjust the negotiated purchase price to the amount of \$159,000,000 and (b) modify Paragraph F of the First Amendment to the APA such that the Company will seek to utilize 66 Pa.C.S. § 1311(c) for the benefit of McKeesport system customers so long as such use is not inconsistent with the Company's obligations under the Commission's October 26, 2017 Order;

BE IT FURTHER RESOLVED, that the duly appointed officers and representatives of the Company are hereby authorized to enter into such amendments of the APA and other documents relating to the APA and the transaction as are necessary or appropriate so as to consummate the transaction as amended by this Resolution;

BE IT FURTHER RESOLVED, all other terms of the resolutions adopted by the Unanimous Consent of the Board of Directors dated September 9, 2016, and the resolutions adopted by the Board of Directors at the meeting on August 10, 2017, relating to the purchase of the wastewater system assets of MACM are incorporated herein and shall remain in full force and effect; and

BE IT FURTHER RESOLVED, that any and all actions previously taken by the duly appointed officers and representatives of the Company to effectuate the full intent and purpose of the purchase of the wastewater system assets of MACM are hereby ratified, confirmed and approved.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of this Company this 9th day of November, 2017.




Secretary

SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO THE ASSET PURCHASE AGREEMENT (the “**Second Amendment**”) is made and entered into as of the ____ day of October, 2017 by and among the City of McKeesport, Allegheny County, Pennsylvania (the “**City**”), a city of the third class under the Constitution and laws of the Commonwealth of Pennsylvania and the City’s Home Rule Charter, the Municipal Authority of the City of McKeesport, a body corporate and politic, duly authorized under the Pennsylvania Municipal Authorities Act (“**Seller**”), and Pennsylvania-American Water Company, a Pennsylvania corporation (“**Buyer**”).

WHEREAS, the parties hereto executed an Asset Purchase Agreement dated September 9, 2016 (the “**Agreement**”);

WHEREAS, the parties hereto executed a First Amendment to the Agreement on May 15, 2017 (the “**First Amendment**”); and

WHEREAS, the parties hereto intend to further amend the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:


- A. The first sentence of Section 3.02 of the Agreement shall be replaced in its entirety by the following:

The negotiated purchase price for the Acquired Assets shall be One Hundred Fifty-Nine Million Dollars (\$159,000,000)(the “Purchase Price”) which shall be paid as follows:

- B. Paragraph F of the First Amendment, which concerns PAWC’s obligation in the first base rate case following closing of the transaction to propose rates that, if adopted by the Commission, would ensure that McKeesport-system customers benefit from 66 Pa. C.S. § 1311(c) in the same manner as PAWC’s other customers, is hereby modified to add, as a last sentence, the following: “PAWC will seek to utilize 66 Pa. C.S. § 1311(c) for the benefit of McKeesport system customers so long as such use is not inconsistent with PAWC’s obligations under the Settlement Agreement entered into as part of PaPUC Docket No. A-2017-2606103”.
- C. Except as modified hereby, the rest and remainder of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Second Amendment to be duly executed as of the day and year first above written.


CITY OF MCKEESPORT

By: 
Name: MICHAEL CHEREPKO
Title: MAYOR

**MUNICIPAL AUTHORITY OF THE CITY OF
MCKEESPORT**

By: _____
Name:
Title:

**PENNSYLVANIA-AMERICAN WATER
COMPANY**

By: 
Name: Jeffrey L. McIntyre
Title: President