

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Aqua)	
Ohio, Inc. and Aqua Ohio Wastewater, Inc.)	
for Approval of a Financial Arrangement with)	Case No. 19-1496-WS-AIS
Aqua America, Inc. for \$8,000,000 in Senior)	
Unsecured Debt.)	

**APPLICATION FOR APPROVAL OF A FINANCIAL ARRANGEMENT
AND REQUEST FOR EXPEDITED TREATMENT OF
AQUA OHIO, INC. AND AQUA OHIO WASTEWATER, INC.**

In accordance with R.C. 4905.40 and 4905.41, Aqua Ohio, Inc. (Aqua) and Aqua Ohio Wastewater, Inc. (AWI) respectfully request the Commission’s authorization to enter into a financing arrangement with their parent company, Aqua America, Inc., as set forth below:

1. Aqua is a “public utility” and “waterworks company” subject to Commission jurisdiction as defined, respectively, in R.C. 4905.02(A) and 4905.03(G).
2. Aqua is a wholly-owned subsidiary of Aqua America, Inc. Aqua’s principal place of business is 6650 South Avenue, Boardman, Ohio 44512. Aqua provides water service to the public in accordance with its various certificates of public convenience and necessity issued by the Commission and its tariffs applicable to its service areas, including Lake Erie, Masury, and areas formerly served by Tomahawk Utilities, Inc., Mohawk Utilities, Inc., Ohio American Water Company, and Firestone Trace.
3. AWI is a wholly-owned subsidiary of Aqua and operates as a “public utility” and “sewage disposal system company” subject to Commission jurisdiction as defined, respectively, in R.C. 4905.02(A) and 4905.03(M). AWI provides sewer service to the public in accordance with its certificate of public convenience and necessity issued by the Commission and its tariff applicable to the Franklin Division service area.

4. Aqua and AWI are seeking a financial arrangement that will consist of Two Promissory Notes – one held by Aqua in the amount of \$3,648,000 and one held by AWI in the amount of \$4,352,000 – each payable to Aqua America, Inc., attached as Exhibit A.

5. The purpose of the proposed financial arrangement is to refinance the Notes issued in the financial arrangement approved in Case. No. 10-2408-WW-AIS at more favorable rates. The Notes have terms between 10 and 30 years and will bear interest rates between 3.556% and 4.276%.

6. Aqua America, Inc., by pooling the financing requirements of its subsidiaries is able to create larger and more cost-efficient debt issues at more attractive interest rates and lower transaction costs than would otherwise be available to individual subsidiaries attempting to secure financing individually.

7. In accordance with R.C. 4905.41, Aqua and AWI submit the following as a part of this Application:

- Exhibit A: Note agreements between Aqua and AWI and Aqua America, Inc.;
- Exhibit B: Aqua's Balance Sheets as of June 30, 2019, and June 30, 2018;
- Exhibit C: Aqua's Statement of Income and Reinvested Earnings for the twelve months ended June 30, 2019, and the six months ended June 30, 2019;
- Exhibit D: Financial Forecast for the periods ending December 31, 2019, and December 31, 2020;
- Exhibit E: Aqua's Statement of Capitalization as of the Balance Sheet date and pro-forma capitalization as of December 31, 2019;
- Exhibit F: Aqua's Statement of Cash Flows for the year ended December 31, 2018, and the six months ended June 30, 2019; and
- Exhibit G: Aqua's Statement of Common Stockholder Equity as of June 30, 2019.

8. Aqua and AWI state that approval of this Application is to meet its present and prospective obligation to provide for required utility service; that approval is necessary, just, and reasonable; that there will be no immediate effect on Aqua or AWI's current revenue requirement as a result of the approval of this financial arrangement.


9. To enable the timely consummation of the proposed transactions, Aqua and AWI respectfully request expedited treatment of this Application in accordance with Ohio Adm. Code 4901-1-12 and request that it be approved on or before September 15, 2019.

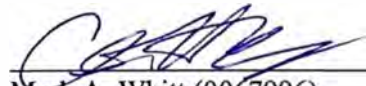
WHEREFORE, Aqua and AWI respectfully request that the Commission approve this Application according to the terms set forth above.

Dated: July 30, 2019

Respectfully submitted,

AQUA OHIO, INC. AND AQUA OHIO
WASTEWATER, INC.


Edmund Kolodziej Jr.
President and COO, Aqua Ohio, Inc.
President, Aqua Ohio Wastewater, Inc.

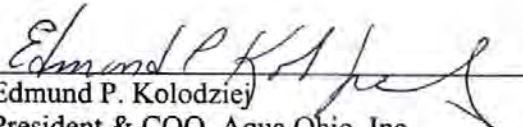

Mark A. Whitt (0067996)
Christopher T. Kennedy (0075228)
Rebekah J. Glover (0088798)
WHITT STURTEVANT LLP
The KeyBank Building, Suite 1590
88 East Broad Street
Columbus, Ohio 43215
Telephone: (614) 224-3946
Facsimile: (614) 224-3960
whitt@whitt-sturtevant.com
kennedy@whitt-sturtevant.com
glover@whitt-sturtevant.com

ATTORNEYS FOR AQUA OHIO, INC. AND
AQUA OHIO WASTEWATER, INC.

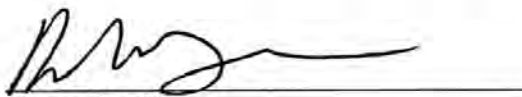
AFFIDAVIT

STATE OF OHIO)
)
MAHONING COUNTY) ss:

Edmund P. Kolodziej, Jr., personally appeared before me, a Notary Public, in and for said State, and being first duly sworn, said that he is President & COO of Aqua Ohio, Inc., and President of Aqua Ohio Wastewater, Inc., the Applicants herein; and that the statements in the foregoing Application are true.


Edmund P. Kolodziej
President & COO, Aqua Ohio, Inc.
President, Aqua Ohio Wastewater, Inc.

Sworn to and subscribed in my presence this 30th day of July, 2019.


Notary Public



Rebekah Glover
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

EXHIBIT A

AQUA OHIO, INC

No. 2019-1

[], 2019

\$3,648,000

FOR EQUAL VALUE RECEIVED, the undersigned, AQUA OHIO, INC. (the "Company"), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to Aqua America, Inc. or registered assigns (the "Holder"), the principal sum of THREE MILLION SIX HUNDRED FOURTY EIGHT THOUSAND DOLLARS (\$3,648,000.00), together with interest (computed on the basis of a 360 day year of twelve 30-day months) on the unpaid balance thereof at the rate per annum from the date hereof as noted on Exhibit A. Interest shall accrue and be due and payable on a monthly basis as noted on Exhibit A, provided, however, that the Company shall have the option, but not an obligation, to prepay accrued interest as and when the Company in its sole and absolute discretion deems such payment desirable.

Payments of principal of and interest on this Note are to be made in lawful money of the United States of America at the principal office of the Holder in Bryn Mawr, Pennsylvania or at such other place as the Holder shall have designated by written notice to the Company.

The Company represents that (a) it has full power and authority, not restricted by any law or governmental regulation, to execute and deliver this Note and to perform hereunder; (b) this Note evidences its valid and legally binding obligation, enforceable in accordance with its terms; and (c) its execution, delivery and performance of this Note do not and will not contravene any bylaw or contractual restriction binding on or affecting it.

This Note is subject to optional prepayment, in whole or in part, from time to time, at a redemption price of 100% of the principal amount prepaid, plus accrued interest thereon. Prepayments of this Note shall be noted on Exhibit B attached hereto and made a part hereof.

This Note may not be changed or modified orally, nor any right or provision hereof be waived orally, but in each instance only by an instrument in writing signed by the party against which enforcement of such change, modification or waiver is sought.

If any provisions hereof shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document or instrument in which such provision is contained, and this Note shall not be affected thereby but, instead, shall be enforceable to the maximum extent permitted by law.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the Commonwealth of Pennsylvania

excluding choice-of-law principles of the law of such Commonwealth that would require the application of the laws of a jurisdiction other than such Commonwealth.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the day and year first above written.

ATTEST:

AQUA AMERICA, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Treasurer

ATTEST:

AQUA OHIO, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Edmond Kolodziej
Title: President

AQUA OHIO, INC.

EXHIBIT A

LONG TERM DEBT SCHEDULE

Structure	Interest Rate	Issue Date	Maturity Date	Amount
Senior Unsecured Notes	3.556%	04/26/19	05/01/29	1,621,334
Senior Unsecured Notes	4.276%	04/26/19	05/01/49	<u>2,026,666</u>
Total				<u>3,648,000</u>

AQUA OHIO, INC.

EXHIBIT B

RECORD OF PREPAYMENTS

Amount Prepaid	Date Prepaid

AMENDMENT TO AQUA OHIO, INC. NOTE

This Amendment, dated as of [], 2019, is attached to and made part of the following instrument:

Promissory Notes 2010-1, 2010-2, 2010-3 AND 2010-4 dated November 29, 2010, by Aqua Ohio, Inc., an Ohio corporation, in favor of Aqua America, Inc., a Pennsylvania corporation, in the aggregate original principal sum of \$3,648,000.

The undersigned parties hereby confirm the refinancing of \$3,648,000 principal amount of the above-referenced Promissory Notes.

ATTEST:

AQUA OHIO, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Edmond Kolodziej
Title: President

ATTEST:

AQUA AMERICA, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Treasurer

AQUA OHIO WASTEWATER, INC

No. 2019-1

[], 2019

\$4,352,000

FOR EQUAL VALUE RECEIVED, the undersigned, AQUA OHIO WASTEWATER, INC. (the "Company"), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to Aqua America, Inc. or registered assigns (the "Holder"), the principal sum of FOUR MILLION THREE HUNDRED FIFTY TWO THOUSAND DOLLARS (\$4,352,000.00), together with interest (computed on the basis of a 360 day year of twelve 30-day months) on the unpaid balance thereof at the rate per annum from the date hereof as noted on Exhibit A. Interest shall accrue and be due and payable on a monthly basis as noted on Exhibit A, provided, however, that the Company shall have the option, but not an obligation, to prepay accrued interest as and when the Company in its sole and absolute discretion deems such payment desirable.

Payments of principal of and interest on this Note are to be made in lawful money of the United States of America at the principal office of the Holder in Bryn Mawr, Pennsylvania or at such other place as the Holder shall have designated by written notice to the Company.

The Company represents that (a) it has full power and authority, not restricted by any law or governmental regulation, to execute and deliver this Note and to perform hereunder; (b) this Note evidences its valid and legally binding obligation, enforceable in accordance with its terms; and (c) its execution, delivery and performance of this Note do not and will not contravene any bylaw or contractual restriction binding on or affecting it.

This Note is subject to optional prepayment, in whole or in part, from time to time, at a redemption price of 100% of the principal amount prepaid, plus accrued interest thereon. Prepayments of this Note shall be noted on Exhibit B attached hereto and made a part hereof.

This Note may not be changed or modified orally, nor any right or provision hereof be waived orally, but in each instance only by an instrument in writing signed by the party against which enforcement of such change, modification or waiver is sought.

If any provisions hereof shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document or instrument in which such provision is contained, and this Note shall not be affected thereby but, instead, shall be enforceable to the maximum extent permitted by law.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the Commonwealth of Pennsylvania

excluding choice-of-law principles of the law of such Commonwealth that would require the application of the laws of a jurisdiction other than such Commonwealth.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the day and year first above written.

ATTEST:

AQUA AMERICA, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Treasurer

ATTEST:

AQUA OHIO WASTEWATER, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Edmond Kolodziej
Title: President

AQUA OHIO WSTEWATER, INC.

EXHIBIT A

LONG TERM DEBT SCHEDULE

Structure	Interest Rate	Issue Date	Maturity Date	Amount
Senior Unsecured Notes	3.556%	04/26/19	05/01/29	1,934,222
Senior Unsecured Notes	4.276%	04/26/19	05/01/49	<u>2,417,778</u>
Total				<u><u>4,352,000</u></u>

AQUA OHIO WASTEWATER, INC.

EXHIBIT B

RECORD OF PREPAYMENTS

Amount Prepaid	Date Prepaid

AMENDMENT TO AQUA OHIO WASTEWATER, INC. NOTE

This Amendment, dated as of [], 2019, is attached to and made part of the following instrument:

Promissory Notes 2017-1, 2017-2, 2017-3 AND 2017-4 dated November 30, 2017, by Aqua Ohio Wastewater, Inc., an Ohio corporation, in favor of Aqua America, Inc., a Pennsylvania corporation, in the aggregate original principal sum of \$4,352,000.

The undersigned parties hereby confirm the refinancing of \$4,352,000 principal amount of the above-referenced Promissory Notes.

ATTEST:

AQUA OHIO WASTEWATER, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Edmond Kolodziej
Title: President

ATTEST:

AQUA AMERICA, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Treasurer

EXHIBIT B

Aqua Ohio, Inc.
Balance Sheet
As of June 30, 2019
(Unaudited)

ASSETS	Current	Prior
	Year	Year
	June 30, 2019	June 30, 2018
Property, Plant, and Equipment, Net of Accum. Depr.	\$488,614,299	\$457,874,887
Construction Work In Progress	\$20,125,992	\$9,161,935
Utility Plant Acquisition Adjustment, Net of Accum Amort.	(\$1,956,758)	(\$1,406,365)
Net Plant	\$506,783,533	\$465,630,457
Current Assets:		
Cash	\$691,719	\$703,119
Accounts Receivable , Net	\$7,784,370	\$7,917,825
Accounts Receivable, Other Affiliates	\$435	
Unbilled Revenue	\$4,777,898	\$4,796,574
Materials and Supplies	\$2,492,010	\$1,932,128
Prepayments and Other Current Assets	\$4,547,865	\$4,326,520
Other		
Sub-Total	\$20,294,297	\$19,676,166
Deferred Charges & Other Non-Current Assets:		
Regulated Assets	\$7,019,484	\$8,411,215
Goodwill	\$2,286,108	\$2,286,108
Other Non-Current Assets	\$2,156,308	\$1,627,394
Sub-Total	\$11,461,900	\$12,324,717
Total Assets	<u>\$538,539,730</u>	<u>\$497,631,340</u>

Aqua Ohio, Inc.

Balance Sheet

As of June 30, 2019

(Unaudited)

	Current Year	Prior Year
LIABILITIES AND CAPITAL	June 30, 2019	June 30, 2018

Shareholders' Equity:

Common Shares @\$10 Stated Value, 300,000 shares authorized & 259,800 shares served and outstanding	\$2,598,000	\$2,598,000
Capital Surplus	\$68,662,618	\$68,217,857
Reinvested Earnings	\$98,581,035	\$80,020,149
Sub-Total	\$169,841,653	\$150,836,006

Long-Term Debt:

Long-Term Debt, Excluding Current Portion	\$109,721,756	\$110,338,837
Long-Term Debt, Affiliates	\$8,000,000	\$8,000,000
Unamortized Debt Expense	(\$2,616,421)	(\$2,805,829)
Sub-Total	\$115,105,335	\$115,533,008

Current Liabilities:

Current Portion Of Long-Term Debt	\$363,940	\$361,373
Loans Payable	\$0	\$0
Accounts Payable, Trade	\$3,728,887	\$3,338,311
Accounts Payable, Affiliates	\$40,285,284	\$23,453,063
Accrued Income Taxes, Federal	\$2,880,743	\$4,604,133
Accrued Interest	\$810,108	\$823,583
Accrued Other Taxes	\$10,046,280	\$10,161,672
Other Current Liabilities	\$3,120,819	\$2,645,194
Sub-Total	\$61,236,061	\$45,387,329

Deferred Credits & Other Non-Current Liabilities

Customers' Advances For Construction	\$3,090,295	\$3,995,065
Deferred Federal Income Taxes	\$32,068,433	\$31,004,651
Unamortized Investment Tax Credit	\$15,081	\$68,314
Regulatory Liabilities	\$43,472,151	\$40,690,809
Other Non-Current Liabilities	\$5,430,227	\$5,588,055
Sub-Total	\$84,076,187	\$81,346,894

Contributions In Aid Of Construction	\$108,280,494	\$104,528,103
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Total Liabilities And Capital	<u>\$538,539,730</u>	<u>\$497,631,340</u>
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EXHIBIT C

Aqua Ohio, Inc.

Statement of Income and Reinvested Earnings (Unaudited)

	Twelve Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating Revenue	\$105,331,097	\$52,066,979
Operating Expenses:		
Operations and Maintenance	\$40,022,526	\$20,319,482
Depreciation	\$14,536,501	\$7,480,459
Amortizations	\$129,338	\$78,650
Taxes, Other Than Income Taxes	\$22,871,780	\$11,230,642
Total Operating Expenses	\$77,560,145	\$39,109,233
Operating Income	\$27,770,951	\$12,957,746
Other Expense (Income):		
Interest On Long-Term Debt	\$5,292,416	\$2,645,363
Other Interest Expense (income)	\$311,230	\$223,119
Allowance for funds used during construction	(\$1,012,082)	(\$636,809)
Other net periodic benefit costs	\$195,029	\$399,858
Gains (Loss) From Sale of Property	\$0	\$0
Total Other Expense (Income)	\$4,786,593	\$2,631,531
Income Before Income Taxes	\$22,984,359	\$10,326,215
Income Taxes: Federal	\$4,423,473	\$2,002,490
Net Income	\$18,560,886	\$8,323,725
Net Income Available For Common	\$18,560,886	\$8,323,725
Common Dividend Declared	\$0	\$0
Other	\$0	\$0
Reinvested Earnings For Period	\$18,560,886	\$8,323,725
Reinvested Earnings Beginning Of Period	\$80,020,149	\$90,257,310
Reinvested Earnings End Of Period	<u>\$98,581,035</u>	<u>\$98,581,035</u>

EXHIBIT D

AQUA OHIO, Inc.

FINANCIAL FORECAST

	<u>2019</u>	<u>2020</u>
Operating Revenues	\$ 107,866,909	\$ 111,508,907
O&M Expenses	41,145,798	41,988,900
Depreciation	14,704,645	16,163,452
Amortization's	166,400	78,537
Other Components Benefits	799,716	(455,304)
Taxes Other	22,903,364	23,829,643
Income Taxes	<u>4,706,694</u>	<u>4,416,676</u>
Sub total	84,426,617	86,021,904
Gross Income	23,440,292	25,487,003
Interest (net)	4,475,505	6,458,886
Net Income	<u>\$ 18,964,787</u>	<u>\$ 19,028,117</u>

EXHIBIT E

AQUA OHIO,INC
PRO-FORMA CAPITALIZATION
ASSUMING NEW ISSUE
(as of March 31,2005)

Shareholder's Investment	As of June 30, 2019	Adjustments	As of December 31, 2019
Common Stock	\$ 2,598,000		\$ 2,598,000
Paid-in-Capital	68,662,618		68,662,618
Earned Surplus	<u>98,581,035</u>	<u>10,641,063</u>	<u>109,222,098</u>
	169,841,653	10,641,063	180,482,716
<u>Long-Term Debt</u>			
Note to Aqua america Inc.	8,000,000	(8,000,000)	-
New Note to Aqua america Inc.	-	8,000,000	8,000,000
First Mortgage Bonds	99,385,696	-	99,385,696
Ohio Water Development Bonds	<u>10,700,000</u>	<u>-</u>	<u>10,700,000</u>
	118,085,696	-	118,085,696
<u>Short-Term Debt</u>			
	-	-	-
TOTAL CAPITALIZATION	<u>\$ 287,927,349</u>	<u>\$ 10,641,063</u>	<u>\$ 298,568,412</u>

EXHIBIT F

AQUA OHIO INC
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31,2018 AND SIX MONTHS ENDED JUNE 30,2019

	PRIOR YEAR PER AUDIT 12/31/18	CURRENT YR ENDING 6/30/19
Cash flows from operating activities:		
Net income	18,819,837	8,323,725
Noncash items in net income:		
Depreciation & amortization	14,002,930	7,559,109
Deferred income taxes	487,987	1,468,363
Stock based compensation	302,657	181,392
Gain on sale of other assets	0	0
Net change in A/R, invent & prepayments	10,359,069	10,606,451
Net change in A/P & other accruals	(1,510,429)	(6,706,745)
Net change in accrued interest	(14,398)	(12,793)
Payment of Competitive Transition Charge	0	0
Other	2,113,014	384,474
Net cash flows from operating activities	<u>44,560,668</u>	<u>21,803,976</u>
Cash flows from investing activities:		
Purchase of fixed assets	(44,697,488)	(21,779,161)
Acquisitions of water/ww systems	0	8,597
Increase in funds restricted for construction	0	0
Decrease in funds restricted for construction	0	0
Net proceeds from sale(purchases) of other assets	0	0
Other ROUNDING	0	0
Net cash flows from investing activities	<u>(44,697,488)</u>	<u>(21,770,564)</u>
Cash flows from financing activities:		
CAC & CIAC	1,067,522	376,513
Repayments of customers' advances	(210,310)	(207,142)
Net proceeds (repayments) of short-term debt	0	0
Proceeds from long-term debt	0	0
Repayments of long-term debt	(360,128)	16,351
Proceeds from issuing preferred stock	0	0
Payments to redeem preferred stock	0	0
Proceeds from issuing common stock	0	0
Repurchase of common stock	0	0
Dividends paid on preferred stock	0	0
Dividends paid on common stock	0	0
Other	0	0
Net cash flows from financing activities	<u>497,084</u>	<u>185,722</u>
Net increase (decrease) in cash	360,264	219,134
Cash and equivalents at beginning of year	<u>112,320</u>	<u>472,584</u>
Cash and equivalents at end of period	<u><u>472,584</u></u>	<u><u>691,718</u></u>

EXHIBIT G

AQUA OHIO INC
STATEMENT OF COMMON STOCKHOLDER'S EQUITY
PERIOD ENDED JUNE 30, 2019

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2018	\$ 2,598,000	\$ 68,438,577	\$ 90,257,310	\$ 161,293,887
Net Income	\$ -	\$ -	\$ 8,323,725	\$ 8,323,725
Common Stock Dividends	\$ -	\$ -	\$ -	\$ -
Balance at June 30, 2019	\$ 2,598,000	\$ 68,662,618	\$ 98,581,035	\$ 169,841,653

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/30/2019 3:18:19 PM

in

Case No(s). 19-1496-WS-AIS

Summary: Text In the Matter of the Application for Approval of a Financial Arrangement with Aqua America, Inc. electronically filed by Ms. Rebekah J. Glover on behalf of Aqua Ohio, Inc. and Aqua Ohio Wastewater, Inc.