

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Aqua)	
Ohio, Inc. for Approval of a Financial)	
Arrangement with Essential Utilities, Inc.)	Case No. 20-1291-WW-AIS
for \$75,000,000 in Senior Unsecured)	
Debt.)	

**APPLICATION FOR APPROVAL OF A FINANCIAL ARRANGEMENT
AND REQUEST FOR EXPEDITED TREATMENT**

In accordance with R.C. 4905.40 and 4905.41, Aqua Ohio, Inc. (Aqua) respectfully requests the Commission's authorization to enter into a financing arrangement with its parent company, Essential Utilities, 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 Essential Utilities, Inc., f/k/a 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. Aqua is seeking a financial arrangement that will consist of Two Promissory Notes, one in the amount of \$34,954,666 and one in the amount of \$43,693,334, each payable to Essential Utilities, Inc., attached as Exhibit A.

4. The proceeds from the issuance of the Notes will be used by Aqua to rebalance Aqua's capital structure. The proposed debt has been issued by Essential Utilities, Inc. and will be allocated to Aqua upon the Commission's approval of the requests made herein. The Notes will have maturity terms of 10 and 30 years and will bear interest rates of 3.566% and 4.276%.

5. Essential Utilities, 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.

6. In accordance with R.C. 4905.41, Aqua submits the following as a part of this Application:

- Exhibit A: Note agreements between Aqua and Essential Utilities, Inc.;
- Exhibit B: Aqua's Balance Sheets as of June 30, 2020, and June 30, 2019;
- Exhibit C: Aqua's Statement of Income and Reinvested Earnings for the twelve months ended June 30, 2020, and the six months ended June 30, 2020;
- Exhibit D: Financial Forecast for the periods ending December 31, 2020, and December 31, 2021;
- Exhibit E: Aqua's Statement of Capitalization as of the Balance Sheet date and pro-forma capitalization as of December 31, 2020;
- Exhibit F: Aqua's Statement of Cash Flows for the year ended December 31, 2019, and the six months ended June 30, 2020; and
- Exhibit G: Aqua's Statement of Common Stockholder Equity as of June 30, 2020.

7. Aqua states 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's current revenue requirement as a result of the approval of this financial arrangement.

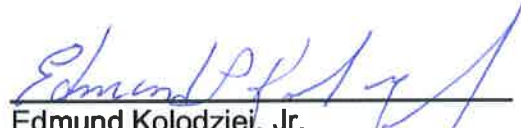
8. To enable the timely consummation of the proposed transactions, Aqua respectfully requests expedited treatment of this Application in accordance with Ohio Adm. Code 4901-1-12 and request that it be approved on or before October 1, 2020.

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

Dated: July 21, 2020

Respectfully submitted,

AQUA OHIO, INC.


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

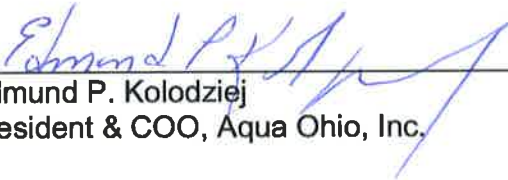

Rebekah J. Glover (Reg. No. 0088798)
(Counsel of Record)
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rglover@mcneeslaw.com
mpritchard@mcneeslaw.com

COUNSEL FOR AQUA OHIO, 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., the Applicant herein; and that the statements in the foregoing Application are true.



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

Sworn to and subscribed in my presence this 20 day of July,
2020.



Notary Public



CHRISTINE SNAREY
NOTARY PUBLIC
FOR THE
STATE OF OHIO
My Commission Expires
May 11, 2024

EXHIBIT A

AQUA OHIO, INC.

No. 2020-1

XXXXXXX 30, 2020

\$34,954,666

FOR 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 Essential Utilities, Inc. or its registered assigns (the "Holder"), the principal sum of THIRTY FOUR MILLION NINE HUNDRED FIFTY-FOUR THOUSAND SIX HUNDRED SIXTY-SIX DOLLARS (\$34,954,666) 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 of 3.566% per annum. Interest shall accrue and be due and payable on May 1, 2029 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 Record of Payments 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 OHIO, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Ed Kolodziej
Title: President

ATTEST:

ESSENTIAL UTILITIES, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Sr. Vice President Finance and Treasurer

RECORD OF PREPAYMENTS

[illegible]

AMENDMENT TO AQUA OHIO, INC. NOTE

This Amendment, dated as of XXXXXX 30, 2020, is attached to and made part of the following instrument:

Promissory Note dated November 30, 2019, by Aqua Ohio, Inc., an Ohio corporation, in favor of Essential Utilities, Inc., a Pennsylvania corporation, in the original principal sum of \$1,621,333.

The undersigned parties hereby confirm the principal amount of the above-referenced Promissory Note has been increased by \$33,333,333.00.

ATTEST:

AQUA OHIO, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Ed Kolodziej
Title: President

ATTEST:

ESSENTIAL UTILITIES, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Sr. Vice President Finance and Treasurer

AQUA OHIO, INC.

No. 2020-2

XXXXXXX 30, 2020

\$43,693,334

FOR 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 Essential Utilities, Inc. or registered assigns (the "Holder"), the principal sum of FORTY-THREE MILLION SIX HUNDRED NINETY-THREE THOUSAND THREE HUNDRED THRITY-FOUR DOLLARS (\$43,693,334) 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 of 4.276% per annum.. Interest shall accrue and be due and payable on May 1, 2049 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 Record of Payments 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 OHIO, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Ed Kolodziej
Title: President

ATTEST:

ESSENTIAL UTILITIES, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Sr. Vice President Finance and Treasurer

RECORD OF PREPAYMENTS

[illegible]

AMENDMENT TO AQUA OHIO, INC. NOTE

This Amendment, dated as of XXXXXX 30, 2020, is attached to and made part of the following instrument:

Promissory Note dated November 30, 2019, by Aqua Ohio, Inc., an Ohio corporation, in favor of Essential Utilities, Inc., a Pennsylvania corporation, in the original principal sum of \$2,026,667.

The undersigned parties hereby confirm the principal amount of the above-referenced Promissory Note has been increased by \$41,666,667.00.

ATTEST:

AQUA OHIO, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Ed Kolodziej
Title: President

ATTEST:

ESSENTIAL UTILITIES, INC.

By: _____
(Assistant) Secretary

By: _____
Name: Stanley F. Szczygiel
Title: Sr. Vice President Finance and Treasurer

EXHIBIT B

Aqua Ohio, Inc.
Balance Sheet
As of June 30, 2020
(Unaudited)

ASSETS	Current Year	Prior Year
	June 30, 2020	June 30, 2019
Property, Plant, and Equipment, Net of Accum. Depr.	\$496,595,570	\$488,614,299
Construction Work In Progress	\$10,684,958	\$20,125,992
Utility Plant Acquisition Adjustment, Net of Accum Amort.	(\$2,069,233)	(\$1,956,758)
Net Plant	\$505,211,295	\$506,783,533
Current Assets:		
Cash	\$746,381	\$691,719
Accounts Receivable , Net	\$7,061,804	\$7,784,370
Accounts Receivable, Other Affiliates	\$11,132	\$435
Unbilled Revenue	\$5,377,303	\$4,777,898
Materials And Supplies	\$3,320,006	\$2,492,010
Prepayments and Other Current Assets	\$4,496,568	\$4,547,865
Other		
Sub-Total	\$21,013,194	\$20,294,297
Deferred Debits:		
Regulated Assets	\$6,152,455	\$7,019,484
Goodwill	\$2,286,108	\$2,286,108
Other Non-Current Assets	\$1,129,515	\$2,156,308
Sub-Total	\$9,568,078	\$11,461,900
Total Assets	<u>\$535,792,567</u>	<u>\$538,539,730</u>

Aqua Ohio, Inc.

Balance Sheet

As of June 30, 2020

(Unaudited)

	Current Year	Prior Year
LIABILITIES AND CAPITAL	June 30, 2020	June 30, 2019
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	\$69,196,240	\$68,662,618
Reinvested Earnings	\$119,116,330	\$98,581,035
Sub-Total	\$190,910,570	\$169,841,653
Long-Term Debt:		
Long-Term Debt, Excluding Current Portion	\$107,354,033	\$109,721,756
Long-Term Debt, Affiliates	\$8,000,000	\$8,000,000
Unamortized Debt Expense	(\$2,494,738)	(\$2,616,421)
Sub-Total	\$112,859,295	\$115,105,335
Current Liabilities:		
Current Portion Of Long-Term Debt	\$2,066,614	\$363,940
Loans Payable	\$0	\$0
Accounts Payable, Trade	\$4,374,511	\$3,728,887
Accounts Payable, Affiliates	\$49,520,165	\$40,285,284
Accrued Income Taxes, Federal	\$1,601,786	\$2,880,743
Accrued Interest	\$796,571	\$810,108
Accrued Other Taxes	\$8,652,155	\$10,046,280
Other Current Liabilities	\$3,035,134	\$3,120,819
Sub-Total	\$70,046,936	\$61,236,061
Deferred Credits & Other Non-Current Liabilities		
Customers' Advances For Construction	\$2,612,439	\$3,090,295
Deferred Federal Income Taxes	\$35,801,736	\$32,068,433
Unamortized Investment Tax Credit	\$0	\$15,081
Regulatory Liabilities	\$42,130,467	\$43,472,151
Other Non-Current Liabilities	\$5,594,001	\$5,430,227
Sub-Total	\$86,138,643	\$84,076,187
Contributions In Aid Of Construction	\$75,837,123	\$108,280,494
Total Liabilities And Capital	<u>\$535,792,567</u>	<u>\$538,539,730</u>

EXHIBIT C

Aqua Ohio, Inc.

Statement of Income and Reinvested Earnings (Unaudited)

	Twelve Months Ended June 30, 2020	Six Months Ended June 30, 2020
Operating Revenue	\$110,242,757	\$54,511,413
Operating Expenses:		
Operations and Maintenance	\$41,316,375	\$21,150,735
Depreciation	\$15,692,960	\$8,008,530
Amortizations	\$144,024	\$69,538
Taxes, Other Than Income Taxes	\$23,580,574	\$11,944,502
Total Operating Expenses	\$80,733,933	\$41,173,305
Operating Income	\$29,508,824	\$13,338,108
Other Expense (Income):		
Interest On Long-Term Debt	\$5,265,960	\$2,640,461
Other Interest Expense (income)	\$254,995	\$100,476
Allowance for funds used during construction	(\$1,423,309)	(\$450,426)
Other net periodic benefit costs	\$555,078	\$155,220
Gains (Loss) From Sale of Property	(\$1,555)	(\$1,555)
Total Other Expense (Income)	\$4,651,169	\$2,444,176
Income Before Income Taxes	\$24,857,655	\$10,893,932
Income Taxes: Federal	\$4,322,359	\$1,579,925
Net Income	\$20,535,296	\$9,314,007
Net Income Available For Common	\$20,535,296	\$9,314,007
Common Dividend Declared	\$0	\$0
Other	\$0	\$0
Reinvested Earnings For Period	\$20,535,296	\$9,314,007
Reinvested Earnings Beginning Of Period	\$98,581,035	\$109,802,324
Reinvested Earnings End Of Period	<u>\$119,116,331</u>	<u>\$119,116,331</u>

EXHIBIT D

AQUA OHIO, Inc.

FINANCIAL FORECAST

	<u>2020</u>	<u>2021</u>
Operating Revenues	\$111,554,660	\$ 115,464,806
O&M Expenses	40,622,994	41,948,647
Depreciation	16,462,029	18,914,502
Amortizations	120,520	101,940
Other Components Benefits	310,434	(519,058)
Taxes Other	23,820,509	24,034,282
Income Taxes	3,980,318	3,704,113
Sub total	<u>85,316,804</u>	<u>88,184,426</u>
Gross Income	26,237,856	27,280,380
Interest (net)	4,669,049	7,002,951
Net Income	<u><u>\$ 21,568,807</u></u>	<u><u>\$ 20,277,429</u></u>

EXHIBIT E

AQUA OHIO, INC
PRO-FORMA CAPITALIZATION
ASSUMING NEW ISSUE

Shareholder's Investment	As of June 30, 2020	Adjustments	As of December 31, 2020
Common Stock	\$ 2,598,000		\$ 2,598,000
Paid-in-Capital	69,196,240		69,196,240
Earned Surplus	<u>119,116,330</u>	<u>12,254,799</u>	<u>131,371,129</u>
	190,910,570	12,254,799	203,165,369
<u>Long-Term Debt</u>			
Note to Aqua america Inc.	8,000,000	75,000,000	83,000,000
First Mortgage Bonds	98,768,614	(2,000,000)	96,768,614
Ohio Water Development Bonds	<u>10,685,000</u>	<u>-</u>	<u>10,685,000</u>
	117,453,614	73,000,000	190,453,614
<u>Short-Term Debt</u>			
TOTAL CAPITALIZATION	<u><u>\$ 308,364,184</u></u>	<u><u>\$ 85,254,799</u></u>	<u><u>\$ 393,618,983</u></u>

EXHIBIT F

AQUA OHIO INC
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31,2019 AND SIX MONTHS ENDED JUNE 30,2020

	PRIOR YEAR PER AUDIT 12/31/2019	CURRENT YR ENDING 6/30/2020
Cash flows from operating activities:		
Net income	19,545,014	9,314,006
Noncash items in net income:		
Depreciation & amortization	15,318,025	8,078,068
Deferred income taxes	2,747,446	1,350,883
Stock based compensation	252,642	113,195
Gain on sale of other assets	0	(1,555)
Net change in A/R, invent & prepayments	6,841,046	12,192,727
Net change in A/P & other accruals	(1,281,164)	(8,336,005)
Net change in accrued interest	(14,415)	(11,915)
Payment of Competetive Transition Charge	0	0
Other	1,459,761	(2,387,684)
Net cash flows from operating activities	<u>44,868,356</u>	<u>20,311,722</u>
Cash flows from investing activities:		
Purchase of fixed assets	(45,033,983)	(12,879,710)
Acquisitions of water/ww systems	8,597	(7,499,569)
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	2,956
Other	0	0
Net cash flows from investing activities	<u>(45,025,386)</u>	<u>(20,376,323)</u>
Cash flows from financing activities:		
CAC & CIAC	851,168	407,822
Repayments of customers' advances	(220,955)	(147,666)
Net proceeds (repayments) of short-term debt	0	0
Proceeds from long-term debt	0	0
Repayments of long-term debt	(362,643)	(32,297)
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>267,570</u>	<u>227,858</u>
Net increase (decrease) in cash	110,540	163,257
Cash and equivalents at beginning of year	472,584	583,124
Cash and equivalents at end of period	<u>583,125</u>	<u>746,381</u>

EXHIBIT G

AQUA OHIO INC
STATEMENT OF COMMON STOCKHOLDER'S EQUITY
PERIOD ENDED JUNE 30, 2020

	Common Stock	Capital in excess of par value	Retained Earnings	Total Common Stockholder's Equity
Balance at December 31, 2019	\$ 2,598,000	\$ 68,967,492	\$ 109,802,324	\$ 181,367,816
Net Income	\$ -	\$ -	\$ 9,314,006	\$ 9,314,006
Common Stock Dividends	\$ -	\$ -	\$ -	\$ -
Capital Contribution Aqua America Inc	\$ -	\$ 228,747	\$ -	\$ 228,747
Balance at June 30, 2020	<u>\$ 2,598,000</u>	<u>\$ 69,196,239</u>	<u>\$ 119,116,330</u>	<u>\$ 190,910,570</u>

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/21/2020 2:29:16 PM

in

Case No(s). 20-1291-WW-AIS

Summary: Application Application for Approval of a Financial Arrangement and Request for Expedited Treatment electronically filed by Ms. Rebekah J. Glover on behalf of Aqua Ohio, Inc.