




CITY OF BETHLEHEM
OFFICE OF THE CITY SOLICITOR

INTEROFFICE MEMORANDUM

To: Louise M. Kelchner, City Clerk
From: William P. Leeson, Esq., City Solicitor
Re: Intermunicipal Agreement between City of Bethlehem, the Bethlehem Authority
and Upper Saucon Township
Date: July 11, 2017

Attached is a proposed Ordinance and associated intermunicipal agreement for Council's consideration.

Please place this matter on City Council's agenda for review and appropriate action.



William P. Leeson, Esq., Solicitor

Cc: Robert J. Donchez, Mayor
Edward Boscola

BILL NO. ____ - 2017

ORDINANCE NO. 2017-____

AN ORDINANCE OF THE CITY OF BETHLEHEM, COUNTIES OF LEHIGH AND NORTHAMPTON, COMMONWEALTH OF PENNSYLVANIA, AUTHORIZING AN INTERMUNICIPAL AGREEMENT BETWEEN THE CITY OF BETHLEHEM, THE BETHLEHEM AUTHORITY AND UPPER SAUCON TOWNSHIP RELATED TO WATER SERVICE TO BE PROVIDED WITHIN THE CITY'S FRANCHISE SERVICE TERRITORY ENCOMPASSING A PORTION OF UPPER SAUCON TOWNSHIP.

THE COUNCIL OF THE CITY OF BETHLEHEM HEREBY ORDAINS AS FOLLOWS:

Section 1. There is hereby adopted and ratified an Agreement for intergovernmental cooperation between the City of Bethlehem, the Bethlehem Authority and Upper Saucon Township. A copy of the Agreement is attached hereto and incorporated by reference herein. The Mayor and Controller are hereby authorized to execute the Agreement on behalf of the City of Bethlehem

Section 2. This Agreement is entered into pursuant to the provisions of 53 Pa.C.S.A. §2303-2307.

Section 3. The purposes and objectives of the Agreement are as follows:

- A. To establish terms and conditions under which water service will be provided within the City's franchise service territory encompassing a portion of Upper Saucon Township, and other related matters to be addressed by and between the City of Bethlehem, the Bethlehem Authority and Upper Saucon Township as detailed in the Agreement.

Section 4. The Agreement shall be subject to all the conditions and terms specified and set forth in the Agreement which is attached hereto, and incorporated by reference herein.

Section 5. The duration of the Agreement shall be twenty (20) years ("Initial Term"), and shall automatically renew for another twenty (20) year period ("Extended Term") unless a Party provides written notice to terminate the Agreement at least 60 days prior to the end of the Initial Term. Notwithstanding the preceding summary of the term established under the Agreement, the express terms and conditions of the Agreement shall control over this summary.

Section 6. The invalidity of any section or provision of this ordinance herein adopted shall not invalidate other sections or provisions thereof.

Section 7. All Ordinances and parts of Ordinances inconsistent herewith be, and the same are hereby repealed.

Sponsored by _____

Passed finally in Council on the _____ day of _____, 2017.

President of Council

ATTEST:

City Clerk

This Ordinance approved this _____ day of _____, 2017.

Mayor

AGREEMENT

THIS AGREEMENT is made and entered into this day of , 2017, by and between THE CITY OF BETHLEHEM, a third class city, organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 10 East Church Street, Bethlehem, Northampton County, Pennsylvania 18018 (hereinafter referred to as “City”) THE BETHLEHEM AUTHORITY, an entity organized and existing under the Pennsylvania Municipal Authorities Act, with its principal place of business located at 10 East Church Street, Bethlehem, Northampton County, Pennsylvania 18018 (hereinafter referred to as “Authority”)(the City and Authority sometimes referred to as “Bethlehem”) and UPPER SAUCON TOWNSHIP, a Township of the Second Class, organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal place of business located at 5500 Camp Meeting Road, Center Valley, Lehigh County, Pennsylvania 18034 (hereinafter referred to as “Township” or “UST”). The City, Authority and Township sometimes referred to as “Party” or “Parties”.

WITNESSETH:

WHEREAS, Township is authorized under provisions of the Second Class Township Code to operate a water distribution system serving water users within the Township’s geographical boundaries; and

WHEREAS, the Township has created a water system within its geographical boundaries to provide water service to its residents; and

WHEREAS, the City has filed for and obtained from the Pennsylvania Public Utilities Commission (“PUC”) a franchise service territory which encompasses a portion of the Township (the “FST”); and

WHEREAS, the Authority is the owner of the water lines and water system facilities which are leased to the City which operates the Bethlehem Water System with PUC authorizations; and

WHEREAS, various disputes have arisen between the City and the Township concerning water service in the Township; and

WHEREAS, the Parties desire to resolve these issues so as to eliminate past, present and future problems between the Parties as relates to the provision of water service within the Township in accordance with the terms and provisions of this Agreement; and

WHEREAS, the various items and issues in dispute will be addressed serially by this Agreement under their individual headings.

NOW, THEREFORE, in consideration of their mutual promises, and intending to be legally bound hereby, it is hereby agreed between the Parties as follows:

1. Water Service Area Delineation

A. The Parties acknowledge that Bethlehem has a FST in a portion of the Township, although, several properties served by the City in the Township are outside of the FST. The Parties further acknowledge that the Township has its own water system which can serve residents within the geographical confines of the Township including properties in the FST. To clarify and delineate which properties should be served in the FST by the City and the Township, the Parties hereby agree that the City will serve the properties denoted in the green areas on the map attached hereto as Exhibit "A". The City formally recognizes the property occupied by Fitzpatrick Law Offices, located at 4001 Schoolhouse Lane, Center Valley, Pennsylvania 18034 as a customer of the Township for water service purposes. The City will waive all water use charges, penalties for delinquencies against Fitzpatrick Law Offices property for the period of time that Fitzpatrick Law Offices was connected to the Township water, and that the City had not recognized the Fitzpatrick Law Offices as a Township customer. The list of properties served or to be served by the City, pursuant to the terms of this Agreement, is attached hereto as Exhibit "B", and as denoted in the green areas on the map attached hereto as Exhibit "A". The Township will serve the properties denoted in the blue areas on the map attached hereto as Exhibit "A". A complete list of the properties currently served or to be served by the Township within the FST is attached hereto as Exhibit "C".

B. The Township will retain water service customers within the Township which it has been serving and are located within the FST as follows:

- (1) Promenade Shops;
- (2) Portion of Stabler Center north and west of Promenade Shops;
- (3) Penn State Lehigh Valley Campus;
- (4) Village of Valley Green Townhouses;
- (5) Swim in Zone;
- (6) Micro Matic;
- (7) Saucon Creek Business Center;
- (8) Benchmark; and
- (9) Saucon Creek Senior Living (as to currently built plans only).

C. Prospective New Water Service Customers for Bethlehem and the Township.

The Parties agree that the City will serve prospective, new or future properties located within the green area on Exhibit "A". The Township will serve prospective, new or future properties located within the blue area on Exhibit "A". It is intended that Exhibit "A" with the areas of blue and green will identify areas where the City and Township will be the exclusive water provider to those properties located within the Township and within those delineated zones. The City will have the right to provide water services to properties within the green area as follows:

- (1) Properties owned by Lehigh University located east of the Promenade Shops;
- (2) Proposed Old Saucon Development at the intersection of Center Valley Parkway and Route 378;
- (3) Proposed Posh commercial development at the northeast corner of Saucon Valley Road and Saucon Creek Road; and
- (4) Any future development by Saucon Creek Senior Living on the lands currently occupied by the "zinc mine homes" between Saucon Creek Road and Old Bethlehem Pike excluding property in yellow zone on Exhibit "A".

The Township will have the right to provide water services within the blue area as follows:

(If there is any conflict, the map, Exhibit “A”, controls.)

- (1) HMB Hotel;
 - (2) Any future development on former Center Valley Golf Course property;
- and
- (3) Undeveloped areas north and west of Promenade Shops.

This delineation of properties for water service shall only survive so long as the City has and continues to maintain its existing FST.

D. Transfer of Existing City Customers to Township. The City is currently serving water customers in the area depicted in yellow on Exhibit “A”. These properties are being razed or demolished and all new structures in the yellow zone will be served solely by the Township. This includes but is not limited to the proposed Sacred Heart Senior Living. The PIN numbers for the properties in the yellow zone are enumerated on Exhibit “D”. The Township will become the exclusive water provider to the properties in the yellow zone (as demolished and other buildings or structures are built). City will continue to provide water service to the houses and structures located in the yellow area on Exhibit A until the houses or structures are demolished or removed. It is intended that this be done on an individual house or structure demolition basis.

E. The Parties agree that the water service areas established under this Agreement can be adjusted or modified only by written agreement between the Parties. The Parties recognize that under certain circumstances, it may be impractical to provide water service in accordance with this Agreement for economic, engineering reasons or the Party with the right to provide water service is unable or unwilling to serve a property in its delineated water service area. Under those circumstances and with the written consent of all Parties, a Party may provide the water service to that property which is not in its water service area as designated by this Agreement. This provision does not exempt the City from its obligations under the provisions of the PA Public Utility Code.

2. Water Charges by Bethlehem to Township

A. Township will be responsible for paying to the City, the PUC-approved customer charge (which is currently \$3,295.11 per quarter) for the 10 inch meter at the Promenade

Interconnect (the “Customer Charge”). This Customer Charge will not be retroactively applied and will start with the first bill issued by the City after the Effective Date of this Agreement (as hereinafter defined).

B. Township will continue to pay to the City the Customer Charge for Promenade Interconnect, Weyhill Woods/Augusta Drive Interconnect and Zinc Mine Blending Facility Interconnect (the “Active Interconnections”).

C. If any Active Interconnection has two meters (fire flow and non-fire flow), the Customer Charge will be based solely on the larger size of the two meters not on a combination of the charges for both meters.

D. The City will not assess a Customer Charge to the Township for the following emergency interconnection points (the “Emergency Interconnections”):

- (1) Route 378 at Old Bethlehem Pike (entry point 107)
- (2) Route 309 – to be abandoned
- (3) Camp Meeting Road at Friedens Lane (entry point 105)

E. The Parties acknowledge that the City’s rates are approved and regulated by the PUC and that the rates for the Customer Charge for the meters may vary in the future based upon approvals of the PUC. It is also acknowledged by the parties that any future increase in the Customer Charge will not exceed the Customer Charges approved by the PUC.

3. Township Minimum Water Purchases

A. Township agrees to the following minimum water purchases from the City at the Zinc Mine Blending Facility Interconnection:

- (1) Year 1 – 6 million gallons
- (2) Year 2 – 4 million gallons
- (3) Year 3 – 3 million gallons
- (4) Year 4 through 15 – 2 million gallons per year

The year will be calculated on the City’s annual billing cycle beginning January 1, 2018. There is no minimum water purchase requirement for the year 2017.

B. Township agrees to the following minimum water purchase from the City for the Active Interconnections and Emergency Interconnections points:

- (1) Year 16 through 20 – 2 million gallons per year (total from Active and Emergency Interconnection points) (the “Minimum Purchase Obligation”).

C. This Minimum Purchase Obligation expires after 20 years, and there will be no Minimum Purchase Obligation if this Agreement is renewed as herein provided.

D. City agrees to continue to provide the Township with water in accordance with PUC approvals and PA DEP approvals, if any.

E. The minimum purchase obligation shall not apply during any time frame where an emergency restricts or prohibits the same. (If less than one year amounts to be pro-rated).

4. Active and Emergency Interconnection Ownership and Maintenance

Responsibilities

A. Ownership and maintenance responsibilities for the Active and Emergency Interconnections:

- (1) Township will own/maintain meter pits, piping, valves and all appurtenances, except for the meters.
- (2) Authority will own the meters at Promenade Interconnection, Zinc Mine Blending Facility Interconnection, Weyhill Woods/Augusta Drive Interconnection and at the emergency interconnection points as identified in Paragraph 2.D. above (including any fire flow meters at those interconnection points). Township will provide a bill of sale to the Authority for the meter (including fire flow meter) at the Promenade Interconnection.
- (3) City will maintain and annually calibrate the meters at Promenade Interconnection, Zinc Mine Blending Facility Interconnection, Weyhill Woods/Augusta Drive Interconnection and at the emergency interconnection points as identified in Paragraph 2.D. above.

B. The Route 309 Interconnection is no longer in service and will be abandoned by the City. The Township shall assume ownership and all maintenance responsibilities for the Route

309 Interconnection. The Authority and City will provide a bill of sale and easement for items to be transferred to the Township which shall include all lines, hydrants and any other items which are part of the Route 309 Interconnection line. The Authority will transfer the line and any appurtenances to the Township at no charge as part of this Agreement (within 90 days from the signing of this Agreement).

5. Water Billing Dispute – Promenade Interconnection

A. The Parties acknowledge that the City began billing the Township for estimated water use at the Promenade Interconnection beginning in the first quarter of 2011. The Parties acknowledge that Township paid this sum even though the Parties were aware that there was a meter for that amount and the actual water use was negligible. The Township has overpaid the City for that quarter for water usage by an amount of \$15,750.29. The City has continued to send bills for estimated amounts since that quarter and the Township has deducted the actual metered water use from its credit. As of the date of this Agreement, the credit remaining to the Township from the City is \$8,275.36. The City agrees that it will only bill for actual water use by the Township at the Promenade Interconnection (and all other Active and Emergency Interconnections except for Minimum Purchase Obligations) and it will release and relinquish all claims for water charges, penalties, interest or any other related fees for potential water usage which was estimated by the Township from January 15, 2011 forward. The Township will be billed by the City only for its actual water use at the Promenade Interconnection and the Township will be entitled to any continuing credit as set forth above to be applied to its actual metered use at the Promenade Interconnect commencing on the Effective Date of this Agreement.

6. Cancellation of Water Purchase Agreement and Retention of Down Payment

The Parties acknowledge that on April 20, 1993, The Township and the City entered into an agreement of sale (the “1993 Agreement of Sale”) whereby the Township was to purchase the water lines owned by the Authority and operated by the City in the Township. The Township made a down payment in the amount of \$10,000.00 pursuant to the 1993 Agreement of Sale. Although the 1993 Agreement of Sale has not been officially terminated, it has not been completed

and the Parties are desirous of terminating and cancelling the 1993 Agreement of Sale. Accordingly, the Parties agree that the 1993 Agreement of Sale to purchase the water lines of the City located in the Township is hereby declared null and void and terminated. The City will be allowed to retain the \$10,000.00 down payment and any interest related thereto. It is the intent of the Parties that this provision will resolve all rights and obligations under the 1993 Agreement of Sale.

7. City's Obligation to Provide Water to Township

The City agrees to provide bulk water service to the township in accord with the Pa. DEP Modification Order of February 26, 2014 and hereby grants the township the right to purchase up to 300,000 gpd from the city for 20 years (or as modified by DEP order). The 1993 Agreement also provided for the 300,000 gpd and that provision is hereby readopted.

8. Waiver of Claims by City against the Township

The City hereby relinquishes and waives any of the claims, charges, fees or costs which the City may have against the Township for water services as follows:

A. City relinquishes and waives its right to pursue all claims including but not limited to any lost revenue claims against the Township as a result of the Township's decision to provide water services to properties in the FST.

B. City recognizes and agrees not to challenge the Township's right to serve water customers in the FST which is in accord with the areas delineated in Exhibit "A" of this Agreement as areas to receive water service from the Township.

C. The City will not seek redress before the PUC for any claimed violation of the aforesaid but only will seek redress under and pursuant to the terms of this Agreement.

9. Term of Agreement

The initial term of the Agreement shall be for 20 years (the "Initial Term"). This Agreement will automatically renew for another 20 year period unless a Party provides written notice to terminate the Agreement at least 60 days prior to the end of the Initial Term (the "Extended Term") (Initial Term and Extended Term referred to as "Term"). It is understood that the

renewal of this Agreement or the decision of the Parties not to renew the Agreement in no way affects or changes the provisions of this Agreement set forth in Paragraphs 5, 6 and 8, to resolve the water billing dispute (Item 5), the termination of the 1993 agreement to purchase and relinquishment of the down payment (Item 6), and the waiver of claims against the Township (Item 8) of this Agreement. It is intended that those provisions are final and complete and those controversies are completely resolved by this Agreement and may not be reopened or raised at a later date. The Parties agree that this Agreement may be terminated by a Party for the material breach of this Agreement by any Party prior to the expiration of the Term. The existence of the breach may have to be determined by dispute resolution as hereinafter set forth, however, if a party is found to be in a material breach, the Agreement may be terminated at that time. Such termination shall not affect the provisions which end the above listed disputes between the parties.

10. Dispute Resolution

The parties agree that any disputes arising under or pursuant to this Agreement shall be resolved by a Court of competent jurisdiction. Nothing herein shall be construed as submission of the Township to any PUC jurisdiction. The parties will in good faith attempt to resolve any disputes between the parties and if agreed may submit the matter to non-binding mediation with each party paying ½ the cost for same.

11. Invalidation of Whole Agreement

If any court or the Pennsylvania Public Utility Commission invalidates this Agreement in its entirety, then the parties agree that the provisions set forth in Paragraphs 5, 6 and 8 will survive and all claims hereunder are waived.

12. Partial Invalidity

If any portion of this Agreement is declared by the PUC or the courts to be illegal or invalid, then either party shall have the right to elect to terminate the whole agreement except for the resolution of matters set forth in Paragraphs 5, 6 and 8.

13. Future Township and City Water Lines

A. The City agrees that the Township shall be allowed to construct a waterline along Center Valley Parkway between Saucon Creek Road and East Saucon Valley Circle. The purpose of this waterline is to loop the Township system. This waterline will not alter the boundaries of the water service areas as set forth in the Agreement.

B. The Township agrees that the City is allowed to construct waterlines within the Township as needed to facilitate the terms of this Agreement.

14. Changes in Township Policy/Zoning Ordinance

Township will make all necessary changes to zoning, subdivision and land development, and other related ordinances of the Township to implement the provisions of this Agreement, including but not limited to, and by way of example the Township requiring all subdivisions/land developments in the Stabler Center to connect to Township water as a condition of plan approval.

15. Amendments

No amendment to or modification of this Agreement shall be effective unless it shall be in writing and signed by all of the Parties hereto.

16. Authorization

There are three parties to this Agreement, Upper Saucon Township, the City of Bethlehem, and the Bethlehem Authority. Each party has had an opportunity to review the same and certifies that the signatures that have been placed hereon were done so by its authorized representative after approval of the appropriate governing body.

17. Prior Agreement

The Parties recognize that (i) a master agreement between the parties was executed on July 2, 1981, (ii) an agreement involving various disputes between the Parties was executed on December 31, 1998 (sometimes referred to as the PUC dispute agreement) and (iii) an agreement dated October 3, 2001 referred to as the Augusta Drive agreement was executed by the Parties (the "Prior Agreements"). It is agreed by the Parties that to the extent that the Prior Agreements are not

altered, changed or abrogated by any terms in this Agreement, the Prior Agreements will survive and continue to be in full force and effect. Copies of the Prior Agreements will be attached respectively as Exhibits “E”, “F” and “G”.

18. Incorporation

All terms, conditions, provisions and understandings between the Parties concerning the provision of water services are contained in this Agreement. There are no other understandings, oral or otherwise, between the Parties with respect to water service, except those contained herein.

19. Selection of Law and Forum

This Agreement shall be interpreted only under the laws of the Commonwealth of Pennsylvania and any disputes (if not subject to arbitration) shall be litigated in the Lehigh County Court of Common Pleas.

20. Effective Date

This Agreement shall become effective as of the date that the final signatures of the three parties are placed on the Agreement.

21. No Third-Party Beneficiaries.

This Agreement is for the sole benefit of the Parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person or entity, other than the Parties hereto and such assigns, any legal or equitable rights hereunder.

22. Interpretation

The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The Parties acknowledge and agree that (a) each Party and its counsel have reviewed the terms and provisions of this Agreement and have contributed to its drafting, (b) the normal rule of construction, to the effect that any ambiguities are resolved against the drafting Party, shall not be employed in the interpretation of it, and (c) the terms and provisions of this Agreement shall be constructed fairly as to all Parties hereto and not in favor of or against any Party, regardless of which Party was generally responsible for preparation of this Agreement.

23. Waiver.

Waiver of any term or condition of this Agreement by a Party shall be effective if in writing and shall not be construed as a waiver of any subsequent breach or failure of the same term or condition, or a waiver of any other term of this Agreement. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

24. Counterparts.

This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each Party and delivered to the other Party or Parties.

25. PUC Powers

UST recognizes that the City's provision of water service within the Township is regulated by the PUC which sets its rates and conditions of service. As obligated by the provisions of the Public Utility Code, the City will submit this Agreement to the PUC for review and approval. Should the PUC attempt to impose different terms and conditions than those contained in this Agreement, both parties will oppose such changes in front of the PUC. It is intended that the settlement provisions set forth in Paragraphs 5, 6 and 8 will survive as between the parties.

THIS SPACE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have hereunto set their hands and seals the day and year first above written.

ATTEST:

CITY OF BETHLEHEM

BY: _____

ATTEST:

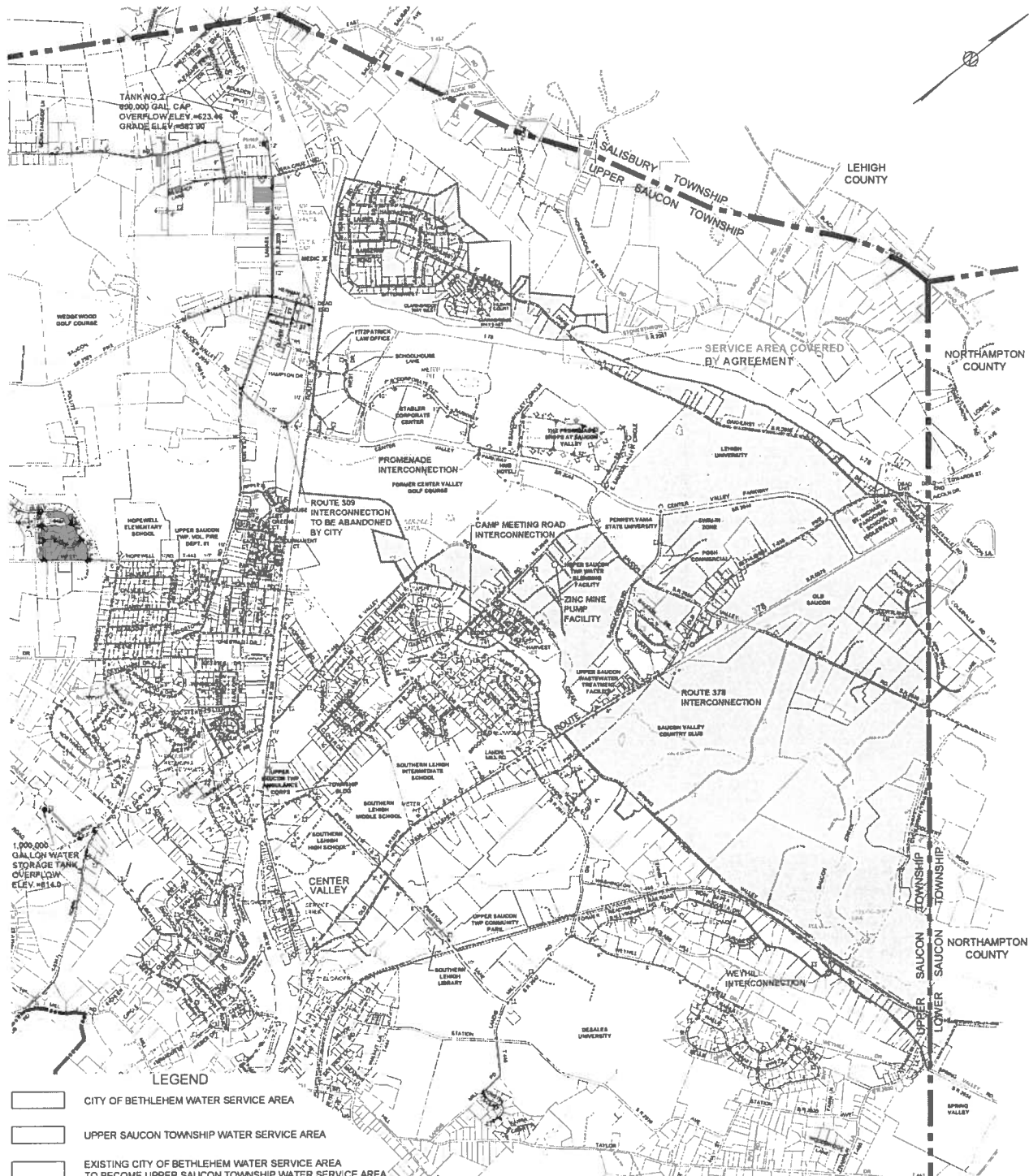
BETHLEHEM AUTHORITY

BY: _____

ATTEST:

UPPER SAUCON TOWNSHIP

BY: _____



- LEGEND**
- CITY OF BETHLEHEM WATER SERVICE AREA
 - UPPER SAUCON TOWNSHIP WATER SERVICE AREA
 - EXISTING CITY OF BETHLEHEM WATER SERVICE AREA TO BECOME UPPER SAUCON TOWNSHIP WATER SERVICE AREA
 - PIPE SIZE DESIGNATION
 - FIRE HYDRANTS
 - VALVES
 - AIR RELEASE VALVES
 - NORMALLY CLOSED VALVE
 - BLOW OFFS
 - METER PIT
 - UPPER SAUCON TOWNSHIP
 - ABANDONED
 - CITY OF BETHLEHEM

- NOTES:**
1. BASE PLAN IS MAP FROM KEYSTONE CONSULTING ENGINEERS, INC. DATED SEPTEMBER 28, 1993.
 2. THE LOCATIONS AND IDENTIFYING NAMES OF STREETS, LANDMARKS, ETC. INCLUDED ON THE PLAN ARE FOR GENERAL INFORMATION ONLY. UPPER SAUCON TOWNSHIP AND THE PIDCOCK COMPANY DO NOT GUARANTEE THE ACCURACY OF THE INFORMATION SHOWN AND RECOMMEND THAT IT BE CHECKED FOR ACCURACY BY THE USER.
 3. THE CITY OF BETHLEHEM WILL ABANDON WATER LINE, METER AND RELATED APPURTENANCES AT THE INTERSECTION OF ROUTE 309 AND CENTER VALLEY PARKWAY.

UPPER SAUCON TOWNSHIP AND CITY OF BETHLEHEM
EXHIBIT A
WATER SERVICE AREAS
 UPPER SAUCON TOWNSHIP AND CITY OF BETHLEHEM
 LEHIGH COUNTY, PENNSYLVANIA
 NOVEMBER 19, 2015



THE PIDCOCK COMPANY
 CIVIL ENGINEERING AND LAND PLANNING ARCHITECTURE LAND SURVEYING
 OFFICE DRIVE AT FISH HATCHERY ROAD
 ALLENTOWN, PENNSYLVANIA



EXHIBIT B

Properties within City of Bethlehem (Lehigh County) Water Service Area

County PINs

1.	641514396074	51.	641525989527	101.	641545203883	151.	641545348287
2.	641515403478	52.	641535078596	102.	641545230121	152.	641545338595
3.	641514580577	53.	641535290107	103.	641545241819	153.	641545329792
4.	641514660978	54.	641524154687	104.	641545260612	154.	641544588928
5.	641514752758	55.	641524276212	105.	641524432384	155.	641545732000
6.	641514656010	56.	641524490158	106.	641524542669	156.	641545418889
7.	641514844103	57.	641524245630	107.	641524662053	157.	641545513002
8.	641514936100	58.	641524356920	108.	641524772475	158.	641545600580
9.	641524014803	59.	641524580047	109.	641524882871	159.	641545700669
10.	641524123957	60.	641525518508	110.	641524992974	160.	641545815613
11.	641515519526	61.	641525732096	111.	641524523289	161.	641545727445
12.	641515720662	62.	641525940069	112.	641524632435	162.	641545730081
13.	641514699578	63.	641535048955	113.	641524741751	163.	641545631467
14.	641515801705	64.	641525609792	114.	641524860048	164.	641545645288
15.	641515846130	65.	641525814978	115.	641534083768	165.	641545653272
16.	641515958205	66.	641535033053	116.	641524618053	166.	641545756399
17.	641515925477	67.	641535230960	117.	641524728028	167.	641545858310
18.	641525037805	68.	641535268302	118.	641524835057	168.	641545848102
19.	641525164709	69.	641535377262	119.	641524942097	169.	641545935018
20.	641525252610	70.	641535486255	120.	641534050004	170.	641555130819
21.	641525370473	71.	641535594834	121.	641524801356	171.	641555145911
22.	641525483578	72.	641535697430	122.	641523887978	172.	641555152935
23.	641525597670	73.	641535452140	123.	641533090523	173.	641555064797
24.	641526703287	74.	641535555901	124.	641534014343	174.	641545972051
25.	641526729514	75.	641535663760	125.	641534122414	175.	641545984098
26.	641526934302	76.	641535783133	126.	641534139592	176.	641546907013
27.	641536212719	77.	641535769864	127.	641534346122	177.	641546807156
28.	641536318761	78.	641523475691	128.	641534455474	178.	641545795348
29.	641536526967	79.	641523199597	129.	641534565726	179.	641545785359
30.	641536849025	80.	641524207239	130.	641534498686	180.	641545776119
31.	641536807643	81.	641524310721	131.	641534687433	181.	641545676012
32.	641535992153	82.	641524400739	132.	641534797829	182.	641545672799
33.	641535979727	83.	641523499886	133.	641535605784	183.	641545589641
34.	641545088944	84.	641523589941	134.	641535513519	184.	641556510315
35.	641514874656	85.	641523688070	135.	641535423722	185.	641556723387
36.	641514986929	86.	641523860967	136.	641535228042	186.	641556741236
37.	641525007405	87.	641523966446	137.	641535113360	187.	641556841493
38.	641514968712	88.	641533170113	138.	641535201179	188.	641556849740
39.	641524088176	89.	641533189445	139.	641535633748	189.	641566037086
40.	641524198596	90.	641533298607	140.	641535749398	190.	641566341201
41.	641525220213	91.	641534306869	141.	641535725699	191.	641566557632
42.	641525239584	92.	641534425140	142.	641535818579	192.	641576694413
43.	641525440715	93.	641534534219	143.	641535926755	193.	641577708247
44.	641525551718	94.	641534642467	144.	641545040057	194.	641577901981
45.	641525664605	95.	641534751756	145.	641535952240	195.	641587021539
46.	641525312328	96.	641534765267	146.	641545053854	196.	641587019681
47.	641525422787	97.	641534888046	147.	641545378600	197.	641587665394
48.	641525545126	98.	641534996169	148.	641545460602	198.	641597079623
49.	641525750310	99.	641545005430	149.	641545454817	199.	641597189028
50.	641525868947	100.	641545114657	150.	641545358031	200.	641597293595

EXHIBIT B

Properties within City of Bethlehem (Lehigh County) Water Service Area

201.	641598309142	246.	642546487702	291.	642592184757	336.	642534135598
202.	641598508798	247.	642547813581	292.	643513140803	337.	642534063403
203.	641598237041	248.	642557344179	293.	642592994960	338.	642535017095
204.	641598735140	249.	642557962324	294.	643502190934	339.	642535362136
205.	642508156203	250.	642567485537	295.	643503402741	340.	642535104798
206.	642508588625	251.	642558934560	296.	643503810899	341.	642525823195
207.	642509809609	252.	642558636159	297.	643513026797	342.	642525830056
208.	642509918476	253.	642558421517	298.	643513234398	343.	642525930359
209.	642519028095	254.	642558114012	299.	643513431889	344.	642525924487
210.	642519126483	255.	642547893540	300.	643513547477	345.	642525843958
211.	642519223768	256.	642547593368	301.	643513744930	346.	642525769293
212.	642519228987	257.	642548636483	302.	643523064527	347.	642525777322
213.	642519333018	258.	642558043851	303.	643523170822	348.	642525783858
214.	642519337165	259.	642548971292	304.	643523154268	349.	642526700445
215.	642519432283	260.	642548660871	305.	643523350311	350.	642526615567
216.	642519535465	261.	642549504355	306.	643523355368	351.	642526626540
217.	642519749141	262.	642549810002	307.	643523644294	352.	642526638547
218.	642519932927	263.	642558197246	308.	643523737437	353.	642526539854
219.	642519949423	264.	642558484627	309.	642507659190	354.	642526549907
220.	642529140595	265.	642535630114	310.	642529627872	355.	642537100356
221.	642529352025	266.	642543988174	311.	642516317468	356.	642527896398
222.	642529665276	267.	642556136381	312.	642527414553	357.	642538276255
223.	642529548928	268.	642556558791	313.	642527408082	358.	642539323202
224.	642529860068	269.	642566064833	314.	642526486014	359.	642539044930
225.	642529877610	270.	642567108435	315.	642526286480	360.	642539056454
226.	642529961339	271.	642555481480	316.	642526451305	361.	642539069007
227.	642529950477	272.	642556800846	317.	642526323881	362.	642539572404
228.	642539070112	273.	642566124313	318.	642526423040	363.	642630305236
229.	642539084290	274.	642565977148	319.	642526414164	364.	642630403507
230.	642539183919	275.	642576972796	320.	642526405277	365.	642630514741
231.	642539199792	276.	642586040507	321.	642525397756	366.	642630602886
232.	641571825029	277.	642585376394	322.	642525481603	367.	642630711672
233.	641581218537	278.	643504020740	323.	642525472676	368.	642630705961
234.	641581627695	279.	642586637977	324.	642525473071	369.	642548134563
235.	641581949969	280.	642595192120	325.	642525446824	370.	642536947758
236.	641591099933	281.	642595437397	326.	642515945202	371.	642541974252
237.	641592648531	282.	642594892743	327.	642515500995	372.	641567834096
238.	641592822967	283.	642595914006	328.	642514679073	373.	641566595937
239.	641591689716	284.	643505015849	329.	642524383479	374.	641566287683
240.	641591875533	285.	643505128452	330.	642525617183	375.	641566263985
241.	642503246841	286.	643505328744	331.	642524784813	376.	641556970678
242.	642503074625	287.	642583138732	332.	642524776739	377.	641556350290
243.	641593994202	288.	642532388850	333.	642524878400	378.	642534015564 *
244.	642513336739	289.	642533398809	334.	642524865153		
245.	642546250983	290.	642582463426	335.	642524055432 **		

* Existing City of Bethlehem Water Service Area to become Upper Saucon Township Water Service Area upon development of the Sacred Heart Senior Living Land Development Plan.

** Southeast portion of property currently within City of Bethlehem Water Service Area to become Upper Saucon Township Water Service Area upon development of the Sacred Heart Senior Living Land Development Plan.

EXHIBIT C

Properties within Upper Saucon Township Water Service Area

County PINs

1.	641532781492	40.	642523925413	79.	642502523663	118.	642502810145
2.	641543130846	41.	642533038576	80.	642502527699	119.	642502814234
3.	641542397975	42.	642533038222	81.	642502623752	120.	642502816334
4.	641542664320	43.	642533028813	82.	642502637136	121.	642502910457
5.	641532835329	44.	642533028403	83.	642502720584	122.	642502917205
6.	641542055655	45.	642533017895	84.	642502731431	123.	642512000836
7.	641542103560	46.	642533007664	85.	642502725758	124.	642512002863
8.	641542333136	47.	642523812177	86.	642502739201	125.	642512016006
9.	641541596911	48.	642523915386	87.	642502834294	126.	642501694460
10.	641551184529	49.	642523906729	88.	642502839236	127.	642501698577
11.	641552220054	50.	642523906171	89.	642502931355	128.	642501791512
12.	641541791884	51.	642523806083	90.	642502934395	129.	642501793536
13.	641543540627	52.	642523802010	91.	642512029968	130.	642501796614
14.	641553194519	53.	642522885527	92.	642501086539	131.	642501890804
15.	641564031896	54.	642522874454	93.	642501183823	132.	642501897946
16.	641552381987	55.	642522877455	94.	642501185942	133.	642501991639
17.	641552546168	56.	642522879446	95.	642501187939	134.	642501993784
18.	641553710237	57.	642522988009	96.	642501281958	135.	642501995567
19.	641563552017	58.	642522866046	97.	642501297166	136.	642501998352
20.	641574472361	59.	642522857133	98.	642501391369	137.	642501873959
21.	641585325998	60.	642522969417	99.	642501393542	138.	642501683213
22.	641595188042	61.	642522958899	100.	642501395656	139.	642501152301
23.	642505517822	62.	642522944439	101.	642501399835	140.	642501255607
24.	642515340110	63.	642511495120	102.	642502407771	141.	642501357927
25.	642514749737	64.	642502713446	103.	642502408255	142.	642501349736
26.	642514830320	65.	642502004517	104.	642501499837	143.	642501245500
27.	642514809494	66.	642502100777	105.	642501499660	144.	642501134411
28.	642523363629	67.	642502102877	106.	642501499389	145.	642501210353
29.	642523768983	68.	642502104994	107.	642501590036	146.	642501318888
30.	642523994442	69.	642502117052	108.	642501581203	147.	642501426874
31.	642534015564 *	70.	642502212115	109.	642501470848	148.	642501534683
32.	642523217506	71.	642502217437	110.	642501279671	149.	642501547852
33.	642522574365	72.	642502310685	111.	642501179315	150.	642501564279
34.	642523930800	73.	642502313709	112.	642501078038	151.	641586528154
35.	642523728551	74.	642502326063	113.	642502602841	152.	641566503377
36.	642523821585	75.	642502422204	114.	642502606838	153.	641594335185
37.	642523824682	76.	642502426355	115.	642502608940	154.	641594077314
38.	642523935128	77.	642502428466	116.	642502700965	155.	642524055432 **
39.	642523924881	78.	642502520586	117.	642502714215		

* Existing City of Bethlehem Water Service Area to become Upper Saucon Township Water Service Area upon development of the Sacred Heart Senior Living Land Development Plan.

** Southeast portion of property currently within City of Bethlehem Water Service Area to become Upper Saucon Township Water Service Area upon development of the Sacred Heart Senior Living Land Development Plan.

EXHIBIT “D”

PROPERTIES WITHIN CITY OF BETHLEHEM WATER SERVICE AREA TO BE TRANSFERRED TO UPPER SAUCON TOWNSHIP WATER SERVICE AREA

County PINs

1. 642534015564 *
2. 642524055432 **

*Existing City of Bethlehem Water Service Area to become Upper Saucon Township Water Service Area upon development of the Sacred Heart Senior Living Land Development Plan.

**Southeast portion of property currently within City of Bethlehem Water Service Area to become Upper Saucon Township Water Service Area upon development of the Sacred Heart Senior Living Land Development Plan.

AGREEMENT

THIS AGREEMENT for the sale and purchase of water is entered into as of the 2nd day of July, 1981, between the CITY OF BETHLEHEM, Pennsylvania, hereinafter referred to as the "CITY" and UPPER SAUCON TOWNSHIP, hereinafter referred to as "UST".

WITNESSETH:

WHEREAS, UST is authorized under the provisions of law of the Commonwealth of Pennsylvania, to operate a water distribution system serving water users within the township and to accomplish this purpose UST will require a supply of treated water; and

WHEREAS, Bethlehem Authority owns and the CITY operates a water supply and distribution system currently serving the present customers of the CITY system, and among others, UST as a suburban bulk customer; and

WHEREAS, the consumption of water by UST's customers for a number of years has been exceeding the allocated volume of 130,000 gallons per day under the old contract and UST and CITY are desirous of entering into a new water supply/purchase contract; and

WHEREAS, by Resolution of the Board of Supervisors of UST, enacted on the 9th day of June, 1981, the purchase of additional water from the CITY in accordance with the

terms set forth in this Agreement was approved, and the execution of this contract by the Chairman, and attested by the Secretary, was duly authorized:

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The CITY agrees:

1. (Quality and Quantity). To furnish UST, at the point of delivery hereinafter specified or such other or additional points of connection as may be mutually agreed, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Pennsylvania Department of Environmental Resources, United States Environmental Protection Agency (or other governmental agency having jurisdiction) in a quantity not to exceed over a period of three consecutive months the "daily allocation", as hereinafter defined; it being understood and agreed that CITY will supply UST with its needs on a day to day basis regardless of whether demand and use by UST on any particular day or in any 24 hour period exceeds said "daily allocation" (subject, of course, to CITY's right to restrict UST's use in the same manner and on the same basis as CITY's own customers' use is restricted in any emergency); it being further understood and agreed that UST shall be found to be exceeding the quantity allocated to it under this contract if its use over a period of three consecutive months shall exceed the product of (a) the total

number of days in the three months times (b) the "daily allocation" as hereinafter defined.

2. (Points of Delivery and Metering Equipment). That water will be furnished at a reasonable constant pressure from a "master meter pit". Said meter pit is to be constructed, outfitted and maintained at the sole cost of UST at a mutually agreeable site approximately located on Old Philadelphia Road north of Colesville Road just inside the UST boundary line. Said meter pit shall be outfitted with a new 3-inch compound meter combined with a 6-inch fire flow meter approved by CITY. Further, said meter pit shall be equipped with a check valve and controlled bypass. UST will install and have said meter pit operational within one (1) year after the date of the execution of this Agreement. CITY, at its sole cost, agrees to inspect said installation upon completion and periodically check and calibrate said metering equipment. A meter registration not more than two (2%) percent above or below the test result shall be deemed to be accurate. The previous registrations of a meter disclosed by test to be inaccurate shall be corrected in accordance with the percentage of inaccuracy found by such tests. If a meter fails to register for any period, the amount of water furnished during said period shall be deemed to be the amount of water delivered in the corresponding period of the previous year unless same would be unfair, in which case CITY

and UST shall agree upon a different amount. The metering equipment shall be read on a monthly basis.

It is understood and agreed that the aforesaid proposed new master meter pit location will result in the water used by some direct CITY water customers in Upper Saucon Township flowing through said master meter pit and that to charge UST for such water usage would be inequitable. Accordingly, it is agreed that after the aforesaid "master meter pit" is installed and operational, for the purposes of calculating the water consumption chargeable to UST and ultimately for all billings, CITY will deduct from the metered flows the total metered consumption of its direct water customers serviced by water flowing through said master meter plus ten (10%) percent for line losses.

It is further understood and agreed that the installation of the aforesaid master meter pit was proposed by CITY and that CITY has represented to and assured UST that same is feasible without further costs or adjustments or modifications to the existing CITY system.

3. (Billing Procedure). To furnish the Secretary of UST, not later than the 15th day of January, April, July, and October, with a bill with a due date of the first day of the following month, for water furnished to UST during the preceding quarter.

B. UST agrees:

1. (Rates and Payment Date). To pay the CITY, not later than the due date shown on the bill, for water delivered in accordance with the CITY's prevailing suburban bulk water rate (see schedule attached) subject to the limitations set forth in C-4 hereof. Bills not paid within the above mentioned time shall be subject to a penalty of five percent (5%),

2. (Additional Points of Delivery). In the event that UST requires additional points of delivery of water (other than as specified in paragraph A-2 above), written approval from the CITY must be gained by UST. Such written approval shall not be unreasonably withheld. If such approval by the CITY is granted, UST agrees to share equally with the CITY the costs to furnish, construct and install a meter pit at such location(s) containing the necessary metering equipment, all in conformity with CITY's specifications.

3. (Increase in the Contracted Volume of Water). Should UST desire, during the term of the agreement to increase its agreed upon allocation of water, written approval of the CITY must be gained by UST. It is expressly understood by UST that said approval by the CITY shall be solely at the option of the CITY, and that the CITY may refuse to sell any increase in water to UST other than the quantity of water agreed upon by CITY and UST in the instant agreement.

4. (Limitations and Penalty). The UST agrees, that the instant agreement is executed by the CITY for the sale of not more than the allocation of water as hereinbelow set forth. UST will be found in violation of this rule if it is using, in three consecutive months, water in excess of the product of (a) the total number of days in the three month period times (b) the agreed upon "daily allocation". Should UST exceed the foregoing limit, it shall pay for the excess water at a penalty rate of four dollars (\$4.00) for each thousand gallons or fraction thereof of such excess.

C. It is further mutually agreed between the CITY and UST as follows:

1. (Water Allocation). UST and the CITY agree that the "daily allocation" of water to UST will be finally determined after said meter has been installed, tested and is operational. The amount of water actually utilized by UST will be ascertained over a one (1) year period by monthly and quarterly meter readings. The average daily water consumption of UST will then be computed.*

*It is understood and agreed that the average daily water consumption of UST shall not be computed by including within the one year period any month during which there existed any kind of water/drought emergency except that if the current drought unexpectedly continues or if a new prolonged water emergency begins and continues after the installation of the master meter pit, the parties hereto agree to renegotiate the method of establishing the "daily allocation" of water to UST.

The CITY agrees that it will then allocate to UST a quantity of water twenty percent (20%) greater than the computed average daily consumption figure and then compute the UST "daily allocation". However, if the CITY deems the actual average daily water consumption quantity arrived at after a year's meter use to be excessive, due to major leaks or other unaccounted-for water use, UST will be given one additional year to correct any problems contributing to an unduly high water use figure. At the end of that period, an allocation figure that protects the interest of both parties will be arrived at.

During the period of time from the date of execution of this agreement to the date that a water-use "daily allocation" figure is arrived at, UST agrees that it will not make or cause to be made any further extensions of water mains within its district (or service area).

2. (Term of Agreement). Service of water pursuant to the instant Agreement shall extend for a term of fifteen (15) years from the date of execution hereof. The Agreement may be renewed or extended only by mutual agreement. The instant Agreement or any renewal or extension thereof may be terminated by CITY by written notice to UST given not less than three (3) years prior to the scheduled date of termination of this Agreement. The instant Agreement may be terminated by UST at any time by written notice to CITY of not less than one (1) year. It is expressly understood by

UST that before any renewal by the CITY shall be granted, UST shall agree to the then current suburban bulk rates charged by the CITY.

3. (Failure to Deliver). That the CITY will, at all times, operate and maintain its system in an efficient manner. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake, drought or other catastrophes shall excuse the CITY from this provision for such reasonable period of time as may be necessary to restore service. In the event of any extended shortage of water, or the supply of water available to the CITY is otherwise diminished over an extended period of time, the supply of water to UST consumers shall be reduced or diminished in the same ratio or proportion as the supply to CITY consumers is reduced or diminished, and that any restrictions imposed on the CITY users shall also apply to UST users. During the period of any such emergency water shortage, any penalty for excess use imposed by CITY on its users shall apply equally to UST users.

4. (Modifications of Contract). The provisions of this contract pertaining to the rate(s) to be paid by UST for water may be adjusted from time to time. However, because bulk suburban water rates are not subject to PUC approval and in recognition of the fact that the UST distribution system consists almost entirely of residential users, it is agreed that the rate charged to UST shall not exceed the lowest rate charged to any suburban bulk customer served by CITY.

5. (Alterations in UST's Distribution System). UST, at CITY's request, shall make available an updated map of its distribution system.

If the total of the average daily flows measured over a period of any three consecutive months equals or exceeds the agreed upon "daily allocation" for such three month period, UST agrees to withhold any permits for water main extensions unless and until the total of the average daily flows measured over a period of any three consecutive months has been reduced below the agreed upon water allocation for such three month period.

6. (Successor to UST). In the event of any occurrence rendering UST incapable of performing under this contract, any successor of UST, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of UST as well as the duties of UST hereunder.

7. (Miscellaneous). All other provisions for the furnishing of water to UST not covered by this contract shall be mutually agreed upon by the parties,

8. (Reduction of Water District). There is presently pending before the Public Utility Commission an application by the CITY to reduce its water district. It is agreed as and between the parties hereto that notwithstanding the petition to reduce its water district, the CITY, if successful in its

application for the said reduction, will continue to supply water to UST in accordance with the terms of this Agreement. UST will withdraw as an objector to said application before the PUC.

9. (Summary). This Agreement sets forth the complete understanding between the CITY and UST and all other contracts or agreements heretofore entered into by the parties are null and void.

IN WITNESS WHEREOF, the parties hereto, acting under an authority of their respective governing bodies, have caused this contract to be duly executed in _____ counterparts, each of which shall constitute an original.

ATTEST:

L. William J. Co. Condon
City Controller

JUL 2 1981

CITY OF BETHLEHEM

BY: *Paul W. Mazzuca*
Mayor

ATTEST:

Bernarda Rodgers
Secretary

UPPER SAUCON TOWNSHIP

BY: *Donald J. ...*
Chairman

LEBOEUF, LAMB, GREENE & MACRAE
L.L.P.

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HARRISBURG, PA 17108-2105

(717) 232-8199

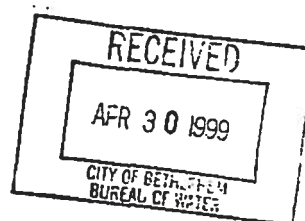
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BRUSSELS
MOSCOW
ALMATY
LONDON
A LONDON BASED
MULTINATIONAL PARTNERSHIP

December 23, 1998

John Roberts, Jr., Esquire
John Roberts, III, Esquire
Roberts, Corkery & Almonti
1515 Martin Luther King Drive
Allentown, PA 18102

Louise A. Knight, Esquire
Malatesta Hawke & McKeon, L.L.P.
Harrisburg Energy Center
100 North Tenth Street
Harrisburg, PA 17101



Re: Pennsylvania Public Utility Commission v. City of Bethlehem
Bureau of Water -- Docket No. R-00984375

Dear Counsel:

This letter is intended to set forth a side agreement between the City of Bethlehem (the "City") and Upper Saucon Township ("UST"). As you know, the City and UST were parties to the City's base rate proceeding at *Pa. Public Utility Commission, et al. v. City of Bethlehem - Bureau of Water*, Docket No. R-00984375, and therein sought to resolve their claims through this underlying agreement between the City and UST.

It is the intent of UST and the City that this Agreement will remain in effect until the expiration of the period set forth at UST-3(ii). It is also the intent of UST and the City that this Agreement may be renewed or extended only by mutual agreement. In consideration hereof, UST and the City agree as follows:

The City agrees as follows:

COB-1. On or before close of business, March 1, 1999, the City will install, at its own expense, a master meter¹ proximate to Upper Saucon Township's ("UST") Water Blending Facility. The City agrees to advise UST at least one week prior to the cutover to the City's master meter. The City is solely responsible for the installation, operation and maintenance of said master meter. Based upon data from the City's master meter, the City will determine UST's consumption and whether UST has satisfied the requirements of UST-3 below. The City agrees that the Township shall have access to the City's master meter proximate to the Water Blending Facility at mutually consensual times to read the meter. The City will also make available all readouts, calibration sheets, or tests of the master meter.

COB-2. At the point at which the City's master meter is installed and operational, the City agrees that the three existing points of interconnection between the City and UST will be closed and all flow to UST from such points will be shut-off. The City agrees that these three points of interconnection shall be reinitiated to provide emergency water service if requested by UST. A request for emergency water service may be made orally, to be followed up in writing.

COB-3. If the City has not installed its master meter by January 31, 1999, then the City will rely upon meter read data taken from UST's meter of the City's supply at UST's Water Blending Facility for billing and consumption purposes beginning in the month of February, 1999, and continuing until the City's master meter is operational, provided that UST:

- (i) Submits factory calibration sheets and/or tests of its meter;

¹ "Master meter" shall mean a 4 inch meter that includes all necessary fittings and devices to measure consumption and rate of flow conditions on an hourly and daily basis, along with necessary recording devices.

- (ii) The City shall be permitted access at mutually consensual times to UST's meter of the City's supply at UST's Water Blending Facility for reading purposes; and
- (iii) UST agrees to the City's closing of the valves at the other points of interconnection with the City noted in COB-2.
- (iv) UST will advise the City at least one week prior to the operational initiation of its master meter at the Water Blending Facility.

If UST's meter of the City's water supply at UST's Water Blending Facility is used for billing and consumption purposes beginning in the month of February 1999, the City agrees to apply consumption as provided by UST's meter of the City's supply at UST's Water Blending Facility, as the beginning of the first consecutive twelve (12) months requirement set forth at UST-3, below.

COB-4. The City agrees that the City's master meter to be installed proximate to UST's Water Blending Facility will be the sole basis for determining UST's water consumption, billing and load from the time in which the master meter begins operation.. In the event the City's master meter malfunctions or is not operational, the City agrees that the data collected or the lack of data during any such period will not affect the determination of whether UST complied with the requirements in UST-3. Moreover, the City will utilize the consumption data registered on UST's meter at the Water Blending Facility for consumption and billing purposes during any such period.

COB-5. The City agrees that it will meet with UST in early October of 1999, for an informational meeting to review relevant metering data and to address any billing and classification issue consistent with this Agreement.

COB-6. If UST can maintain the peak-to-average benchmarks set forth in UST-3 (i) below and can adhere to the provisions set forth in UST-3(ii) below, then the City will bill UST at a consumption rate equal to the City's consumption rate for the Commercial/Industrial class, as well as the applicable customer charge beginning with the billing period beginning October 1, 1999.

UST agrees as follows:

UST-1. Water consumption will be based upon the volumes recorded and estimated by UST's customers, plus ten percent (10%) for unaccounted for water, until the City installs and makes operational its master meter or until UST provides the City with data taken from UST's meter at the Water Blending Facility, whichever occurs first. Should water consumption for UST's customers be based upon meter data from UST's meter located at the Water Blending Facility (COB-3), said data taken from UST's meter at the Water Blending Facility shall continue to be used for billing and consumption purposes until the City's master meter is installed and operational. No more than three (3) business days prior to the installation and operational readiness of the City's or UST's meter, UST will begin reading all of its customers' meters for purposes of implementing new billing and meter-based consumption procedures. For example, if either the City or UST's meter will be installed and operational on February 15, 1999, UST must begin reading its customers' meters on February 10, 1999, and must complete meter reading by February 15, 1999 so as to determine consumption to that point. Should UST's meter be installed and operational prior to the installation of the City's master meter as set forth in COB-3, the data taken from UST's meter at the Water Blending Facility shall be utilized for billing and consumption purposes until the installation and operational readiness of the City's master meter is complete. UST will cooperate with the City regarding any transition from UST's meter to the City's master meter or regarding the transition from the estimated consumption method, as set forth at UST-1 above, to the City's master meter or UST's meter, whichever occurs first.

UST-2. Until at least October 1, 1999, UST agrees to pay rates per Schedule G of the City's tariff as approved by the Commission at Docket No. R-00984375, or as approved by the Commission in any other subsequent proceeding before the Commission.² If the Commission at Docket No. R-00984375 approves a Proposed Joint Petition for Settlement, then UST agrees to pay:

- (i) A consumption rate of \$3.06 per 1,000 gallons as set forth in Schedule G of the Proposed Joint Petition for Settlement, which is attached hereto and incorporated herein; and
- (ii) Applicable customer charges (for the master meter connection only) remain as set forth in Schedule G of that attached Proposed Joint Petition for Settlement.

UST-3. In order to avail itself of the City's Commercial/Industrial consumption and customer rates, UST must successfully adhere to each of the following:

- (i) From the time that proper metering equipment is installed with the necessary recording devices, UST shall maintain a peak day to average day ratio of 1.5 or less and a peak hour to average hour ratio of 2.0 or less; and,
- (ii) From the time that proper metering equipment is installed with the necessary recording devices in accordance with COB-3: (a) UST remains a customer of the City at least three (3) twelve (12) month consecutive periods from the date of the installation of the UST's metering equipment; and (b) agrees during that time period to

² This provision is not intended nor does it preclude UST from filing a complaint or otherwise intervening in any subsequent filings made by the City of Bethlehem before the Commission.

purchase at least 60 million gallons of water from the City during the first consecutive twelve (12) month period, 40 million gallons of water from the City in the next consecutive twelve (12) month period, and 20 million gallons in the third consecutive twelve (12) month period.

- (iii) In the event that the City imposes restrictions on water usage, (including but not limited to drought conditions, other Acts of God, or operational malfunctions) and in the event that UST adjusts the Rate of Flow Controller in its Water Blending Facility, the annual water sales figures set forth in UST-3(ii) above shall be modified to reflect a pro rata reduction in sales. For example, if drought conditions require a 20% reduction in usage for seventy (70) day period, then UST's required volumes for the twelve month period in which the 70 days occurred would be reduced as follows:

$$\frac{70}{365} \times (\text{Annual Contracted Sales Volumes}) \times 20\% = Y$$

$$\frac{\text{Annual Contracted for Sales Volumes}}{-Y}$$

Adjusted Annual Contracted for Sales Volumes

If the condition forcing the reduction in sales spans more than one of the three periods called for in UST-3(ii), then an allocation will be done for each affected time period.

UST-4. If each specific provision in UST-3(i) and UST-3(ii) is not satisfied during any one of the aforementioned twelve-month periods in UST-3(ii) (as modified by COB-6), UST agrees that the consumption rate for that entire 12-month period will be the

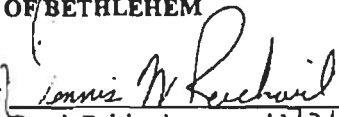
then effective resale rate (consumption and applicable customer charge) contained in Schedule G of the City's tariff for water service. The City will bill within 30 days of the end of the 12-month period for the difference between resale rate (consumption and applicable customer charge) and the commercial/industrial rate (consumption and applicable customer charge).

UST-5. The UST agrees that the City's master meter will be the sole basis for determining UST's water consumption, billing and load during the period in which the City's master meter is in operation (unless as otherwise provided in COB-3 and UST-1 above).

UST-6. Within two (2) business days of execution of this Letter Agreement, UST will promptly submit a letter to the Secretary of the Commission stating that it withdraws its formal complaint at Docket No. R-00984375.

CITY OF BETHLEHEM

BY:


Dennis Reichard 12/31/98
Title: Business Administrator

UPPER SAUCON TOWNSHIP

BY:


Bernard A. Rodgers 12-29-98
Title: Township Manager

**INTERMUNICIPAL WATER SERVICE AGREEMENT
BETWEEN
UPPER SAUCON TOWNSHIP,
BETHLEHEM AUTHORITY
AND
CITY OF BETHLEHEM**

THIS AGREEMENT made this 3rd day of October 2001 between the CITY OF BETHLEHEM (CITY), a Municipal Corporation with its principal address at 10 East Church Street, Bethlehem, PA 18018; the BETHLEHEM AUTHORITY (BETHLEHEM AUTHORITY), a Municipal Authority organized and existing under the Municipality Authorities Act of 1945, as amended, with its principal address at 10 East Church Street, Bethlehem, PA 18018; and the TOWNSHIP OF UPPER SAUCON (TOWNSHIP), a Municipal Government located in Lehigh County and organized and existing as a township of the Second Class pursuant to the laws of the Commonwealth of Pennsylvania with its principal address at 5500 Camp Meeting Road, Center Valley, PA 18034.

WHEREAS, the BETHLEHEM AUTHORITY, owns a certain 42 million gallon per day regional public water supply and distribution system consisting of customers and both real and personal property including reservoirs, treatment facilities, pumping facilities, transmission mains, distribution lines, service connections, valves, meters, wells and pumping/treatment stations, electrical and instrumentation equipment, fire hydrants, and appurtenances with respect to certain easements and right-of-way herein called the "BETHLEHEM WATER SYSTEM"; and

WHEREAS, the CITY operates the Bethlehem Water System pursuant to certain Pennsylvania Department of Environmental Protection (PADEP) permits and to a Certificate of Public Convenience obtained from the Pennsylvania Public Utility Commission (PUC) for a certain Certificated Service Territory; and

WHEREAS, the TOWNSHIP owns and operates a public water reservoir/well and its own municipal public water distribution system all located entirely within (but not servicing all portions of) the TOWNSHIP herein called the "UPPER SAUCON WATER SYSTEM";

WHEREAS, in the mutual interests of all parties hereto, the TOWNSHIP, BETHLEHEM AUTHORITY and CITY, in addition to the three (3) existing emergency interconnections located at Route 378, Camp Meeting Road and Saucon Valley Road, desire to interconnect their two water systems at an additional point for the sale and purchase of public water in the event of an emergency condition in the TOWNSHIP water system; and

WHEREAS, the CITY and BETHLEHEM AUTHORITY desire to allow such connection and sale of public water to the TOWNSHIP; and

WHEREAS, the TOWNSHIP desires to allow such connection.

NOW THEREFORE, the parties hereto, intending to be legally bound, and for the good, sufficient, and valuable consideration herein identified, and the mutual promises and covenants hereinafter set forth, do agree as follows:

1. The whereas clauses herein before set forth are incorporated and made a part of this Agreement.

2. The following conditions precedent shall apply to this Agreement and the rights and obligations of the parties thereto:

a. This Agreement shall become effective upon the formal approval and execution of this Agreement by the parties hereto and receipt by each party of an executed copy of this Agreement.

3. a. The CITY, BETHLEHEM AUTHORITY and TOWNSHIP agree to interconnect their water systems via pipe interconnection between their respective water distribution systems at the Augusta Drive vault near Spring Valley Road (Exhibit A).

b. The interconnection shall be available for use of the TOWNSHIP through use of a control valve located in the precast concrete vault on Augusta Drive. In the event of a major fire in the Weyhill Woods Subdivision, and if the TOWNSHIP'S water system cannot provide sufficient pressure or flows, the control valve would open and supplement the fire flow requirements with City water.

c. In short-term emergency situations of less than a continuous four weeks, the TOWNSHIP shall provide information on the nature of the problem and an initial estimate of the

anticipated duration and volume of water needed. Periodic updates shall be made as appropriate. Payment for water used will be based on the metered volume and as provided in Paragraph 6.

d. In long-term emergency situations the TOWNSHIP shall provide information on the nature of the problem and an initial estimate of the anticipated duration and volume of water needed. Payment for water used will be based on the actual volume metered and a customer charge based on meter size as provided in Paragraph 6. A long-term emergency is defined as a loss of supply or treatment capacity for which an alternate or supplementary supply is anticipated for longer than a continuous four weeks, but no longer than three (3) months. Any continuation of supply after three (3) months will be at the sole discretion of the CITY.

e. The CITY shall have the right to disconnect the pipe interconnection in the event of:

(1) any emergency condition which, in the sole discretion of the CITY jeopardizes or threatens the ability of the CITY to supply and provide adequate public water to its customers, including the customers of the TOWNSHIP; or

(2) in the event of a long-term emergency where the CITY, in its sole discretion, determines that the TOWNSHIP is not proceeding diligently or in a prudent manner to correct or remedy the problem causing the emergency.

f. Maximum rate of withdrawal from the CITY'S system by the TOWNSHIP shall be no more than 500 gpm for any 24 hour period of time. **The CITY is not responsible for meeting peak hourly demand.**

4. The interconnection between water systems shall not be made without the separate approval of detailed engineering plans for the exact location and design of the interconnection by the CITY Director of Water and Sewer Resources and TOWNSHIP Manager. The interconnection facilities shall be designed based upon engineering assessments to determine the pressure differential, anticipated operating conditions and valving and metering necessary to properly operate the interconnection. This assessment will, as a minimum, establish the operating pressure range that occurs in each system at the point of interconnection, the instantaneous peak flow that could be transferred through the interconnection in the direction of the TOWNSHIP water system, and the

facilities necessary to control and monitor flow. Each party will be responsible for their specific engineering costs. The parties agree to exchange all engineering information necessary to properly assess design and operation of the interconnection.

5. Unless otherwise approved by the CITY, the interconnection point between the BETHLEHEM AUTHORITY and the TOWNSHIP shall meet the following conditions and, in addition, TOWNSHIP and CITY and BETHLEHEM AUTHORITY design and construction specifications. A schematic of the interconnection is attached as Exhibit A.

a. The TOWNSHIP'S Weyhill Woods developer contractor has provided, installed and paid for a 12-inch by 8-inch diameter tapping sleeve and valve and 8-inch pipe extension from the tap to the control valve chamber at Augusta Drive near Spring Valley Road.

b. The TOWNSHIP'S Weyhill Woods developer contractor has provided, installed and paid for the connection of the Weyhill Woods subdivision water distribution system to the control valve chamber.

c. The TOWNSHIP shall install at its expense, a 6-inch compound meter in the control valve chamber. The CITY will provide the meter.

d. The TOWNSHIP shall own and maintain the tapping sleeve and valve, the pipe extension from the tap to the control valve chamber, the control valve chamber and valve, and the connecting piping to and the distribution system of the Weyhill Woods subdivision. The BETHLEHEM AUTHORITY shall own and the CITY shall maintain the meter.

6. Payment for water service shall be in accordance with the following rate schedule:

a. The CITY will bill the TOWNSHIP quarterly for water supplied based on The General Public Customer consumption charge in effect at the time of billing.

b. For long term emergencies, longer than a continuous four weeks, the CITY will also charge the TOWNSHIP a customer charge based upon meter size in accordance with the schedule of rates in effect at the time of billing.

7. The CITY does not guarantee flows, pressures, or water quality at any point of service connection beyond that which is normally available. Provision of flow, pressures, and quality beyond that which is normally available is the sole responsibility of the TOWNSHIP.

8. At the written request of either party, the emergency interconnection may be developed into a supply interconnect by written amendment to this agreement and approval and execution by all parties and based on receipt of all necessary approvals from regulating agencies.

9. The TOWNSHIP hereto agrees to indemnify and hold harmless the CITY and BETHLEHEM AUTHORITY, its employees, agents, officials, representatives, attorneys and assigns from any and all liability, arising directly out of the TOWNSHIP'S negligent activities conducted in connection with this Agreement. The TOWNSHIP agrees to indemnify and hold harmless the CITY, BETHLEHEM AUTHORITY, their employees, agents, officials, representatives, attorneys and assigns from any and all liability from any third party claims. Third party is to include but is not limited to any and all residents, businesses, property owners, etc. to whom water service is provided by the CITY.

10. This Agreement and the obligations of CITY, BETHLEHEM AUTHORITY and TOWNSHIP are contingent upon receipt of all applicable approvals and consents required from the Pennsylvania Public Utility Commission and Pennsylvania Department of Environmental Protection.

11. Term of Agreement shall be five (5) years from the date of execution unless agreement is extended by mutually written concurrence of all parties.

IN WITNESS WHERE OF, the parties hereto have hereunder set their hands and seals the day and year first above written.

CITY OF BETHLEHEM

ATTEST: William J. DeAntonio
City Controller
OCT 3 2001

BY: Donald T. Cunningham, Jr.
Acting Mayor

(SEAL)

BETHLEHEM AUTHORITY

ATTEST: [Signature]
Secretary

BY: Ronald J. Donchez
Chairman

(SEAL)

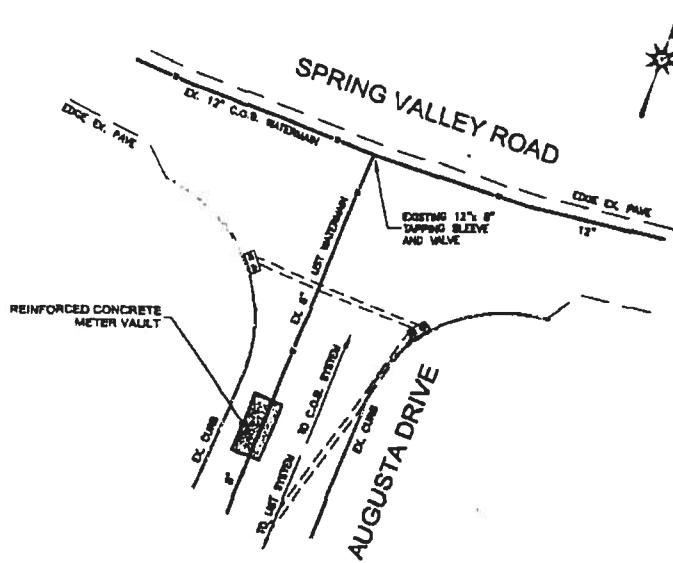
UPPER SAUCON TOWNSHIP

ATTEST: Bernard A. Rodgers
Manager

BY: Philip W. Spaeth
Chairman

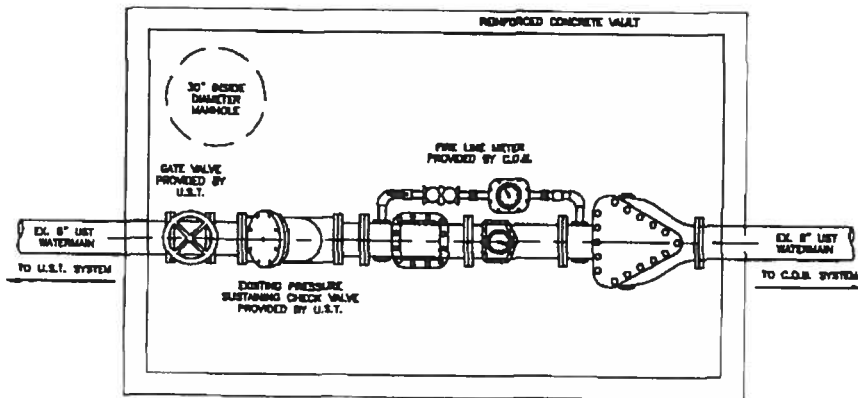
(SEAL)

EXHIBIT "A"



METER VAULT LOCATION PLAN

SCALE: 1" = 30'



METER VAULT DETAIL

NO SCALE

DWG. UVY-00-021
 SCALE: AS NOTED
 DWG. BY: LSH
 DATE: 7-17-01
 SHEET 1 OF 1

DESIGN 'A'
 PLAN SHOWS PROPOSED LOCATION OF METER VAULT AND
 UPPER SALEM TOWNSHIP
 AND
 CITY OF BETHLEHEM



KEYSTONE CONSULTING ENGINEERS, INC.
 433 EAST BROAD STREET, BETHLEHEM, PA 18018 610-865-6555
 1335 HAMILTON BOULEVARD, WESCOHVILLE, PA 18086 610-396-0671