

**Pennsylvania-American Water Company
Exeter Wastewater System
Wastewater System
Potential Purchaser: Investor-Owned Utility
As of January 1, 2018
Discounted Cash Flow Analysis**

Discount Rate: 7.19%														
Capitalization Rate: 5.67%														
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Period	Age	Revenues	O&M Expenses	Tax Depreciation	Cash Flow from Operations	Taxable Income before State & Federal Taxes	State and Federal Taxes @ 28.89%	Capital Expenditures	Change in Working Capital	Net Cash Flows	Period Present Worth Factor (PW)	PW of Cashflow	Accumulated PW of Cashflows	
						(3)-(4)	(7) *28.89%			(3)-(4)-(8)-(9)-(10)			Sum (13)	
1	0.5	9,664,515	2,566,310	3,912,895	7,098,205	3,185,310	920,236	1,411,155	(213,383)	4,980,197	0.966	4,810,870	4,810,870	
2	1.5	9,761,160	2,647,124	3,961,115	7,114,036	3,152,921	910,879	1,429,959	(5,605)	4,778,803	0.901	4,305,702	9,116,572	
3	2.5	9,858,772	2,730,555	4,010,755	7,128,217	3,117,462	900,635	1,449,037	(5,662)	4,784,207	0.841	4,023,518	13,140,090	
4	3.5	9,957,360	2,816,691	4,061,846	7,140,669	3,078,823	889,472	1,468,397	(5,718)	4,788,518	0.784	3,754,198	16,894,288	
5	4.5	11,052,670	2,905,623	4,114,421	8,147,047	4,032,626	1,165,026	1,488,038	(63,528)	5,557,511	0.732	4,068,098	20,962,386	
6	5.5	11,273,723	2,997,447	4,168,513	8,276,276	4,107,763	1,186,733	1,507,965	(12,821)	5,594,399	0.683	3,820,975	24,783,361	
7	6.5	11,499,197	3,092,260	4,283,302	8,406,937	4,123,635	1,191,318	1,750,771	(13,077)	5,477,925	0.637	3,489,438	28,272,799	
8	7.5	11,729,181	3,190,168	4,353,324	8,539,013	4,185,689	1,209,246	1,781,820	(13,339)	5,561,286	0.594	3,303,404	31,576,203	
9	8.5	12,667,515	3,291,272	4,425,889	9,376,243	4,950,354	1,430,157	1,813,467	(54,424)	6,187,043	0.554	3,427,622	35,003,825	
10	9.5	13,427,566	3,395,679	4,501,072	10,031,887	5,530,815	1,597,853	1,845,726	(44,083)	6,632,391	0.517	3,428,946	38,432,771	
11	10.5	13,696,117	3,503,505	4,578,949	10,192,612	5,613,663	1,621,787	1,878,610	(15,576)	6,707,791	0.482	3,233,155	41,665,926	
12	11.5	13,970,039	3,614,865	4,659,597	10,355,174	5,695,577	1,645,452	1,912,130	(15,887)	6,813,479	0.450	3,066,066	44,731,992	
13	12.5	15,087,642	3,729,879	4,730,149	11,357,763	6,627,614	1,914,718	1,946,302	(64,821)	7,561,564	0.420	3,175,857	47,907,849	
14	13.5	15,389,395	3,848,672	4,816,514	11,540,723	6,724,209	1,942,624	1,981,137	(17,502)	7,634,464	0.392	2,992,710	50,900,559	
15	14.5	16,312,759	3,971,376	4,905,898	12,341,383	7,435,485	2,148,112	2,016,650	(53,555)	8,230,176	0.365	3,004,014	53,904,573	
16	15.5	16,312,759	4,098,124	4,764,210	12,214,635	7,450,425	2,152,428	1,686,951	-	8,375,256	0.341	2,855,962	56,760,535	
17	16.5	17,291,525	4,229,050	4,836,367	13,062,475	8,226,108	2,376,523	1,710,730	(56,768)	9,031,990	0.318	2,872,173	59,632,708	
18	17.5	17,291,525	4,364,305	4,841,729	12,927,220	8,085,491	2,335,898	1,734,870	-	8,856,452	0.297	2,630,366	62,263,074	
19	18.5	17,291,525	4,504,038	4,847,193	12,787,487	7,940,294	2,293,951	1,759,376	-	8,734,160	0.277	2,419,362	64,682,436	
20 and beyond	19.5	17,983,186	4,648,405	4,923,552	13,334,781	8,411,229	2,430,004	1,784,260	(40,117)	9,160,634	4.550	41,680,885	106,363,321	
			70,145,348					34,357,351						
Age										19.5				
PW(Age) = 1/(1+Discount Rate) ^(Age)										0.258				
PW to Perpetuity = 1/Capitalization Rate										17.637				
PW _(20and Beyond) = PW to Perpetuity * PW Factor _(19.5)										4.55				