

**Application of Pennsylvania-American Water Company for Acquisition of
the Water Assets of the Steelton Borough Authority**

66 Pa. C.S. § 1329

Application Filing Checklist – Water/Wastewater

Docket No. A-2019-_____

8. State the total fees paid to the utility valuation experts for providing the completed appraisals for the acquisition and provide documentation, i.e., the valuation service agreement and all associated invoices, justifying the subject fee amounts.

RESPONSE: The fees paid to Jerome C. Weinert, P.E., Principal and Director for AUS Consultants, Inc. on behalf of PAWC and by Dylan A. D'Ascendis, Director for ScottMadden, Inc. on behalf of the Authority are reflected on the enclosed valuation service agreements and associated invoices for services received to date.

**Agreement to Provide Valuation Consulting Services
Between**

AUS Consultants

And

**Pennsylvania America Water Company
For the Appraisal of**

Steelton Borough Authority's Water Utility

As of the most recent period (4th Quarter 2018)

Agreement for Valuation Consulting Services

This Agreement for Valuation Consulting Services ("Agreement") is by and between AUS Consultants, a New Jersey corporation ("Supplier") and Pennsylvania-American Water Company, a Pennsylvania corporation ("PA-American") and is entered into as of September 18, 2018. In consideration of the covenants hereinafter contained, and intending to be legally bound, the Parties hereto agree to as follows:

Section 1. Description of Services:

Supplier is being engaged to act as a Utility Valuation Expert, as such term is defined in Pennsylvania Act 12 of 2016, amending Chapter 13 of the Pennsylvania Public Utility Code and the Final Implementation Order entered by the Public Utility Commission at Docket No. M-2016-2543193 (collectively, "Act 12"). Supplier is being engaged with respect to the proposed acquisition by PA-American of the water system assets currently owned by Steelton Borough Authority, Dauphin County, Pa. (the "Project"). Upon the issuance of a notice to proceed by PA-American, Supplier shall prepare and produce the following appraisals and/or studies suitable for the Project, including if requested (collectively, the "Services"):

1. An Appraisal (Valuation study) consistent with the 2016-2017 & 2017-2018 Uniform Standards of Appraisal Practices (USPAP) as of the date requested by PA-American and consistent with the requirements of Act 12.
2. If applicable, provide expert witness testimony and documentation for the Valuation studies as required by Act 12.
3. If requested by PA-American, updates to the Valuation studies as of the date requested by PA-American.
4. Provide the documentation required by Act 12 with respect to the Services and the fees charged by Supplier pursuant to this Agreement.
5. If requested by PA-American, perform such other services as are consistent with Supplier's engagement as a Utility Valuation Expert.

Section 2. Duration:

Unless amended, the Project subject to this Agreement is anticipated to be approximately two years in duration and will be performed for the period beginning upon the issuance of a notice to proceed by PA-American and continuing through September 17, 2020. Supplier acknowledges and agrees that it shall not and shall have no obligation to provide the Services until such time as PA-American has issued a notice to proceed. To the extent Act 12 imposes any requirements with respect to the timing for the completion of the Services, the commencement date for such Services shall not be deemed to be any earlier than the date PA-American issues the notice to proceed.

Proprietary and Confidential

This Agreement and information contained therein is not for use or disclosure outside of PA-AMERICAN, its Affiliates, and third party representatives, and Supplier except under written agreement by the contracting parties or as may be required by applicable law or regulation.

Section 3. Effective & Expiration Dates:

This Agreement shall be effective as of the date set forth in the first paragraph hereof ("Effective Date") and shall continue until the earlier to completion on the Project or September 17, 2020 ("Expiration Date") unless earlier terminated as set forth in this Agreement.

Section 4. Personnel to Perform the Services:

Jerome C. Weinert, Principal and Director, shall be in charge of the Services on behalf of Supplier. Supplier shall call upon additional experienced professional staff as required. In the event that this Project or Agreement should not continue for any reason, or should PA-American replace the need for Supplier, PA-American shall give notice as soon as feasibly possible for Supplier to re-deploy their resources elsewhere without any penalty to PA-American.

Both parties recognize the importance of maintaining a continuity of Supplier's personnel on this Project. Supplier agrees that any of its employees, staff, professionals, experts, partners, and/or other personnel: (a) identified as the "Project Team" identified in Section 6 of this Agreement, and/or (b) assigned to this Project subsequent to the execution of this Agreement, shall continue to be staffed on this Project throughout the entire length of time Project Services are provided under this Agreement. Further, said personnel shall be used in the same capacities in which they are initially intended as of the execution date of this Agreement, or as of the date they are assigned to the Project subsequent to execution date of this Agreement, so long as they continue to be employed by Supplier, or so long as PA-American continues to desire their services.

Should Supplier terminate its relationship and/or employment with said personnel, or if said personnel terminates the relationship with Supplier and/or resigns from employment with Supplier, to the extent that Supplier, for any reason, enters into non-compete or similar agreement(s) and/or arrangement (s) with any of its employees, staff, professionals, experts, partners, and/or other personnel, Supplier agrees to immediately release said personnel from non-compete or similar agreement(s) and/or arrangement(s) with respect to being able to work for PA-American in any capacity PA-American sees fit.

Should any or all of Suppliers employees, staff, professionals, experts, partners, and/or other personnel staffed on this Project leave the employ of Supplier during the terms of this Agreement, Supplier agrees to immediately notify PA-American and suggest alternative personnel to be staffed on the Project. In no event shall any Supplier employee, staff, professional, expert, partner, and/or other personnel be assigned to this Project (whether identified in this Section 4, or identified elsewhere subsequent to the execution of this Agreement) without the express written permission and approval by PA-American. Further, PA-American reserves the right to terminate the Services of any of Supplier employee, staff, professional, expert, partner, and/or other personnel working on this Project at any time, and for any reason, without penalty.

Section 5. Location:

Supplier's (AUS Consultants') offices in Harrisburg, Pennsylvania, Mt. Laurel, New Jersey, Greenfield, Wisconsin and various PA-American Company's sites as may be required.

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Section 6. Prices:

Supplier fees for the Services are as follows:

| Appraisal Activity | Fees (not to exceed) | Expenses (not to exceed) |
|--|-------------------------------------|---|
| Appraisal | | |
| Initial Appraisal | \$30,000 | \$2,500 |
| Appraisal updates | \$3,500 | \$500 |
| Pre-filed Direct testimony related to the above described Valuation studies | \$3,000 | \$500 |

| Valuation Activity performed by AUS Consultants staff following completion of pre-filed testimony | Hourly Rates plus expenses |
|--|---|
| Jerome C. Weinert | \$250 |
| David Sheffer | 175 |
| David Weiler | 175 |
| Michael Diedrich | 225 |
| Elizabeth A. Weinert | 150 |
| Earl Robinson | 200 |
| Susan Macchia | 50 |

The expenses in the above tables are for travel and living, report production and shipping.

Supplier recognizes that its fees for the Project are subject to disclosure pursuant to Act 12 and so that Pa-American can include such fees as part of the transaction and closing costs associated with the proposed acquisition of the Project. Supplier further recognizes that its fees shall not exceed five percent (5%) of the fair market value of the assets to be acquired as part of the Project unless such fees are approved by the Pennsylvania Public Utility Commission ("PUC"). Supplier agrees that its fees shall comply with the requirements of Act 12 and the PUC Implementation Order regarding Act 12.

Section 7. Payment:

Payment all undisputed amounts shall be made within 60 days upon PA-American being invoiced each month for all work completed during the prior month, or partial payment upon being invoiced should this appraisal engagement be suspended.

All payment terms are Net 60.

Section 8. Non-Disclosure:

Proprietary and Confidential

This Agreement and information contained therein is not for use or disclosure outside of PA-AMERICAN, its Affiliates, and third party representatives, and Supplier except under written agreement by the contracting parties or as may be required by applicable law or regulation.

A. The Parties agree as follows:

1. In connection with the Project, PA-American may find it beneficial to disclose to Supplier certain confidential or proprietary information in written, oral or other tangible or intangible forms, which may include, but is not limited to, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, tracings, diagrams, models, samples, flow charts, data, computer programs, disks, diskettes, tapes, marketing plans, customer names and other technical, financial or business information (individually and collectively, "Information"). All Information which is disclosed by PA-American to Supplier, whether provided in tangible or intangible form, including, but not limited to, electronic mail or other electronic communications, shall be deemed to be confidential or proprietary. Further, if Information is provided orally, including Information conveyed to an answering machine, voice mailbox or similar medium, it shall too be deemed to be confidential or proprietary.
2. Supplier shall:
 - a. Hold such Information in confidence with the same degree of care with which Supplier protects its own confidential or proprietary Information, but no less than reasonably prudent care;
 - b. Restrict disclosure of the Information solely to its employees, contractors and agents with a need to know such Information, advise those persons of their obligations hereunder with respect to such Information, and assure that such persons are bound by obligations of confidentiality no less stringent than those imposed in this Agreement;
 - c. Use the Information only as needed for the purposes of the Project;
 - d. Except for the purposes of the Project, not copy, distribute, or otherwise use such Information or knowingly allow anyone else to copy, distribute, or otherwise use such Information; any and all copies shall bear the same notices or legends, if any, as the originals; and,
 - e. Upon request, promptly return to PA-American all Information that is in tangible form; as to Information that was disclosed or is stored in intangible form, including, but not limited to electronic mail or other electronic communications, upon request by the PA-American, Supplier shall certify in writing within five (5) business days to PA-American that all such Information has been destroyed or, if the Information was recorded on an erasable storage medium, that Supplier has used reasonable efforts to erase all such Intangible Information.
3. Except for customer Information, Supplier shall have no obligation to preserve the confidential or proprietary nature of any Information which:
 - a. Was already known to the Supplier free of any obligation to keep it confidential at the time of its disclosure by PA-American as evidenced by Supplier's written records prepared prior to such disclosure; or
 - b. is or becomes publicly known through no wrongful act of Supplier; or

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- c. is rightfully received from a third person having no direct or indirect secrecy or confidentiality obligation to PA-American with respect to such Information; or
 - d. is independently developed by an employee, contractor or agent of Supplier or a third party not associated with the Project and who did not have any direct or indirect access to the Information, as evidenced by the Supplier's written records; or
 - e. is approved for release by written authorization by PA-American; or,
 - f. it is required to disclose pursuant to a written request or demand of a duly empowered government agency or a court of competent jurisdiction, provided due notice and an adequate opportunity to intervene is given to PA-American, unless such notice is prohibited by such written request or demand, in which case, the Supplier shall disclose only such Information as is required and shall use reasonable efforts to obtain confidential treatment for any Information that is so disclosed.
4. Any Information relating to the Project that is disclosed by PA-American to Supplier shall remain confidential for five (5) years from the date of termination of the Agreement. Notwithstanding anything to the contrary herein, Customer Information shall remain confidential indefinitely and shall never be disclosed or used without the prior written approval of an authorized representative of PA-American. "Customer Information" includes, but is not limited to, customer name, address, phone number, information concerning a customer's calling patterns, unlisted customer numbers, any other information associated with a customer or with persons in the household of a customer, and any information available to PA-American and/or its suppliers by virtue of PA-American's relationship with its customers as a provider of telecommunications, Internet, information or other services, including, but not limited to, the quantity, technical configuration, location, type, destination, amount of use of telecommunications or other services subscribed to, and information contained on the telephone bills of PA-American's customers pertaining to telephone exchange service, telephone toll service or other services received by a customer of PA-American.
 5. Any disclosed Information by PA-American shall be deemed the property of PA-American, who shall retain exclusively rights to such Information. Nothing contained in this Agreement shall be construed as granting or conferring any patent, copyright, trademark or other proprietary rights by license or otherwise in any such Information to Supplier, except for the right to use such Information in accordance with this Agreement.
 6. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, PA-AMERICAN MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY NATURE WHATSOEVER WITH RESPECT TO ANY INFORMATION FURNISHED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR WARRANTIES AGAINST INFRINGEMENT.
 7. In the event Supplier discloses, disseminates, or releases any confidential or proprietary Information received from PA-American, except as expressly permitted herein, such

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disclosure, dissemination, or release shall be deemed a material breach of this Agreement. In the event of such breach, PA-American may demand prompt return of all confidential and proprietary Information previously provided to Supplier and terminate this Agreement. The provisions of this Section are in addition to any other legal rights or remedies PA-American may have in law or in equity.

8. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, irrespective of its choice of law principles. Both Parties agree to comply with all laws, including, but not limited to, laws and regulations regarding the export of information outside the United States. Supplier shall not knowingly transmit, directly or indirectly, in whole or in part, any Information of PA-American or export, directly or indirectly, any product or Information in contravention of the laws of the United States or the laws of any other country governing the aforesaid activities. Supplier shall not transfer any Information received hereunder or any product made using such Information to any country prohibited from receiving such data or product by the U.S. Department of Commerce Export Administration Regulations without first obtaining a valid export license. In the event Supplier violates the foregoing, Supplier shall defend, indemnify, and hold harmless PA-American from and against any claim, loss, liability, expense or damage including fines or legal fees, incurred PA-American with respect to the export or re-export activities contrary to the foregoing. Notwithstanding any other provision of this Agreement, this Section shall survive any termination or expiration of this Agreement.

Section 9. Ownership of Paid-For Development, Use and Reservation of Rights:

PA-American shall be the exclusive owner of all right, title, and interest in and to all Paid-For Development (defined below), including, without limitation, all Intellectual Property Rights therein and thereto. Supplier shall assign or have assigned to PA-American and hereby assigns to PA-American all Intellectual Property Rights in and to the Paid-For Development. "Paid-For Development" shall mean any and all Items to the extent produced or developed by or on behalf of Supplier or its employees, agents, or direct or indirect contractors or suppliers (and whether completed or in-progress), or forming part of any deliverable, pursuant to this Agreement (including, without limitation under any statement of work, exhibit, order or other document under, subordinate to, or referencing this Agreement or the Project) (collectively "Agreements") for the development of which PA-American has been charged monies in one or more of the Agreements ("Development Fees"). Paid-For Development shall always exclude all Excluded Materials, but shall include (without limitation) any modifications, alterations or updates of any Excluded Materials ("Enhancements") that otherwise fall within the definition of Paid-For Development ("Paid-For Enhancements"). PA-American's ownership of Paid-For Enhancements shall be subject to Supplier's underlying rights and ownership in Supplier's Excluded Materials.

"Items" shall mean any or all inventions, discoveries, ideas, (whether patentable or not), and all works and materials, including but not limited to products, devices, computer programs, source codes, designs, files, specifications, texts, drawings, processes, data or other

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information or documentation in preliminary or final form, and all Intellectual Property rights in or to any of the foregoing.

“Excluded Materials” shall mean: i) Supplier’s Pre-Existing Materials; ii) Supplier’s Independently Developed Materials; and iii) Supplier’s Mere Reconfigurations.

“Supplier’s Pre-Existing Materials” shall mean those Items owned by Supplier to the extent and in the form that they both existed prior to the date Supplier began any work under this Agreement and were created without any use of any PA-American Items. Supplier’s Pre-Existing Materials shall not, however, include Paid-For Enhancements thereto.

“Supplier’s Independently Developed Materials” shall mean those Items that have been developed by Supplier, or on Supplier’s behalf, both i) without use of any PA-American Items; and ii) independently of any work performed under any Agreements.

“Supplier’s Mere Reconfigurations” means those specific reconfigurations of Supplier’s pre-existing software performed by Supplier, or on Supplier’s behalf, but only to the extent that such reconfiguration is an alteration to such software which is strictly required to permit Supplier’s software to function on PA-American’s network or service platform. In no event shall Supplier’s Mere Reconfigurations include enhancements, modifications, or updates that are not contained in Supplier’s Pre-Existing Materials and that add any features, functionality, or capabilities.

“Intellectual Property Rights” means all patents (including all reissues, divisions, continuations, and extensions thereof) and patent applications, trade names, trademarks, service marks, logos, trade dress, copyrights, trade secrets, mask works, rights in technology, know-how, rights in content (including but not limited to performance and synchronization rights), or other intellectual property rights, protected under the laws of any governmental authority having jurisdiction.

Section 10. Right to Terminate:

PA-American has the right to terminate this Agreement, in its entirety or any portion thereof, at any time without penalty. Should PA-American terminate this Agreement at any time, Supplier shall be entitled to keep and collect all fees billed to PA-American prior to the termination date which are not the subject of a dispute between the parties. Further, Supplier shall be entitled to charge, and PA-American agrees to pay for all properly performed Services as of the termination date in accordance with the rates set forth in Section 6 or, in the case of a fixed fee, a prorata share of the monthly billing during the month in which the Agreement was terminated. Said prorata share shall be calculated by dividing the total number of days worked by Supplier during the month in which the Agreement is terminated, by the total number of calendar days in the month in which the Agreement was terminated.

Section 11. Invoices/Billing Information:

The Supplier agrees to submit invoices in paper and or electronic form with appropriate references to the PA-American Point of Contact identified in Section 12.

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Section 12. Project Manager/Point of Contact/Legal Counsel:

The project manager and/or point of contact of Supplier shall be:

Jerome C. Weinert
Principal and Director
AUS Consultants
Suite 201
8555 West Forest Home Avenue
Greenfield, Wisconsin 53228
E-Mail: weinertj@auswest.net
414-529-5755 (office)
414-529-5750 (fax)
414-698-8371 (cell)

The point of contact for PA-American shall be:

Scott D. Fogelsanger, Senior Business Development Manager
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055-4475
717-790-3044 (office)
717-875-2282 (cell)
717-790-3058 (fax)
Email: Scott.Fogelsanger@amwater.com

The Legal Counsel contact for PA-American shall be:

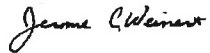
Brian A. Ardire, Director, Corporate Counsel
Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033
Office: 717.531.3362
Mobile: 717.454.7606

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Section 13. Signatures:

AUS Consultants (Supplier)



Jerome C. Weinert
September 18, 2018

Pennsylvania American Water Company



Bernard J. Grundusky
September 18, 2018

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Contract 10-0662 PA American - Steelton

| | Fees | Expenses | Total |
|--------------------------------|------------------|-----------------|------------------|
| Initial Appraisal | 30,000.00 | 2,500.00 | 32,500.00 |
| Update Appraisals | 3,500.00 | 500.00 | 4,000.00 |
| Direct Testimony | 3,000.00 | 500.00 | 3,500.00 |
| Total Initial Appraisal | 36,500.00 | 3,500.00 | 40,000.00 |

Post Appraisal Fees & Expenses per hour

| | |
|-------------------|----------|
| Jerome Weinert | \$250.00 |
| David sheffer | \$175.00 |
| David Weiler | \$175.00 |
| Micheal Diedrich | \$225.00 |
| Elizabeth Weinert | \$150.00 |
| Earl Robinson | \$200.00 |
| Sue Macchia | \$50.00 |

Billings

| Job No. | Date | Description | Fees | Expenses | Total |
|-----------------------------------|------------|---|------------------|---------------|------------------|
| 10-0662-01 | 9/28/2018 | Progress Billing | 12,000.00 | - | 12,000.00 |
| 10-0662-02 | 12/13/2018 | Final Billing for Appraisal & Testimony | 21,000.00 | 152.00 | 21,152.00 |
| Subtotal Professional Fees | | | 33,000.00 | 152.00 | 33,152.00 |

Expenses

| | |
|-----------------------|----------|
| Report Processing | - |
| FedX | - |
| Travel and Living | - |
| Subtot Expense | - |

This Invoice

- - -

Total Invoice to Date 33,000.00 152.00 33,152.00

Activities

- 9/18/2018 Contract Signed
- 9/28/2018 Set up Appraisal spreadsheets and Report Narrative
- 11/30/2018 Inspections
- 12/7/2018 Finalize report



AUS CONSULTANTS

8555 West Forest Home Avenue
Suite 201
Greenfield, WI 53228
414 529 5755 * Tel
414 529 5750 * Fax
www.ausconsultants.com

Jerome C. Weinert, PE, ASA, CDP
Principal and Director, Depreciation and Valuation
e-mail: weinertj@auswest.net

October 1, 2018

Mr. Scott D. Fogelsanger
Senior Business Development Manager
Pennsylvania American Water Company
50 Utley Drive
Suite 100
Camp Hill, PA 17011

Dear Scott:

Re: Steelton

Enclosed is our progress invoice for AUS Consultants appraisal of the Steelton Water Utility System. This invoice is for appraisal activities through setting up appraisal spreadsheets and report documents.

Very truly yours,

A handwritten signature in black ink that reads 'Jerome Weinert'.

eaw
Enclosure

INVOICE

Pennsylvania American Water Company

October 1, 2018

Re: Steelton

Enclosed is our progress invoice for AUS Consultants appraisal of the Steelton Water Utility System. This invoice is for appraisal activities through setting up appraisal spreadsheets and report documents.

Professional Fee

PROFESSIONAL FEE THIS INVOICE.....\$12,000.00

Expenses

Report Processing..... \$0

Fed Ex..... \$0

EXPENSES THIS INVOICE \$ 0

GRAND TOTAL THIS INVOICE..... \$12,000.00

Please remit with a duplicate copy of this invoice to:

**AUS Consultants, Inc.
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054**

CUSTOMER I.D. 70-PAA-01

INVOICE NO. 150146

Reference No. 10-0662-0
(G/L No. 441036)

Employer I.D. No.22-194-3906
INCORPORATED

Remit Wires to:

AUS, Inc. at Webster Bank, N.A.
Account 10974951, ABA# ACH211170101
International Swift# WENAUS31

28-Sep-18

Jerome Weinert

| | | | | |
|-----------|------------|------|-----|----------|
| 9/24/2018 | 9/30/2018 | 7.5 | 250 | 1,875.00 |
| 11/5/2018 | 11/11/2018 | 18.0 | 250 | 4,500.00 |

Elizabeth Weinert

| | | | | |
|-----------|-----------|------|-----|-----------|
| 9/24/2018 | 9/30/2018 | 15 | 150 | 2,250.00 |
| 10/1/2018 | 10/7/2018 | 22.5 | 150 | 3,375.00 |
| | | | | 12,000.00 |

| | |
|--------------------------|------------------|
| Professional Fees | 12,000.00 |
|--------------------------|------------------|

Expenses

Report Processing

Fed X

Subtotal Expenses

-
-
-

Total Invoice

12,000.00



Jerome C. Weinert, PE, ASA, CDP
Principal and Director, Depreciation and Valuation
e-mail: weinertj@auswest.net

AUS CONSULTANTS

855 29th Street, Forest Home Zephyr
Suite 200
Greenfield, WI 53226
414 529 5755 - Tel
414 529 5750 - Fax
www.ausconsultants.com

December 13, 2018

Mr. Scott D. Fogelsanger
Senior Business Development Manager
Pennsylvania American Water Company
50 Utley Drive
Suite 100
Camp Hill, PA 17011

Dear Scott:

Re: Steelton

Enclosed is our final invoice for AUS Consultants appraisal of the Steelton Water Utility System.
This invoice is for appraisal activities through issuing our report and testimony.

Very truly yours,

A handwritten signature in black ink, appearing to read 'J Weinert', written in a cursive style.

eaw
Enclosure

INVOICE

Pennsylvania American Water Company

December 13, 2018

Re: Steelton

Enclosed is our final invoice for AUS Consultants appraisal of the Steelton Water Utility System. This invoice is for appraisal activities through issuing our report and testimony.

Professional Fee

PROFESSIONAL FEE THIS INVOICE.....\$21,000.00

Expenses

Report Processing..... \$117

Fed Ex..... \$35

EXPENSES THIS INVOICE \$ 152

GRAND TOTAL THIS INVOICE..... \$21,152.00

Please remit with a duplicate copy of this invoice to:

**AUS Consultants, Inc.
155 Gaither Drive, Suite A
Mt. Laurel, NJ 08054**

CUSTOMER I.D. 70-PAA-01

INVOICE NO. 150806

Reference No. 10-0662-01
(G/L No. 441036)

Employer I.D. No.22-194-3906
INCORPORATED

Remit Wires to:
AUS, Inc. at Webster Bank, N.A.
Account 10974951, ABA# ACH211170101
International Swift# WENAUS31



13-Dec-18

Jerome Weinert

| | | | | |
|------------|------------|------|-----|----------|
| 11/5/2018 | 11/11/2018 | 4.5 | 250 | 1,125.00 |
| 11/19/2018 | 11/25/2018 | 15 | 250 | 3,750.00 |
| 11/26/2018 | 12/2/2018 | 15 | 250 | 3,750.00 |
| 12/3/2018 | 12/9/2018 | 22.5 | 250 | 5,625.00 |
| 12/10/2018 | 12/16/2018 | 22.5 | 250 | 5,625.00 |

Elizabeth Weinert

| | | | | |
|------------|------------|------|-----|----------|
| 11/5/2018 | 11/11/2018 | 22.5 | 150 | 3,375.00 |
| 11/19/2018 | 11/25/2018 | 15.0 | 150 | 2,250.00 |
| 11/26/2018 | 12/2/2018 | 15.0 | 150 | 2,250.00 |
| 12/3/2018 | 12/9/2018 | 15.0 | 150 | 2,250.00 |
| 12/10/2018 | 12/16/2018 | 22.5 | 150 | 3,375.00 |

Dave Sheffer

| | | | | |
|------------|-----------|-----|-----|--------|
| 11/26/2018 | 12/2/2018 | 4.0 | 175 | 700.00 |
|------------|-----------|-----|-----|--------|

34,075.00

Professional Fees

21,000.00

Limit to contracted amount of:

\$ 33,000.00

Expenses

Report Processing

117.00

Fed X

35.00

Subtotal Expenses

152.00

Total Invoice

21,152.00



Smart. Focused. Done Right.™

ScottMadden, Inc.
1900 West Park Drive
Suite 250
Westborough, MA 01581
508-202-7918
scottmadden.com

February 13, 2018

Mr. Doug Brown
Borough Manager / Secretary
Steelton Borough / Steelton Water Authority
275 Christian Street
Steelton, PA 17113

Dear Mr. Brown:

In response to our conversation on December 11, 2017, ScottMadden, Inc. ("ScottMadden") is pleased to provide the Steelton Water Authority and Steelton Borough ("Steelton") with our proposed fees for a valuation study and associated valuation report for Steelton's water and sewer operations to be completed on or about May 15, 2018. The study will establish a fair value for the operations of Steelton in accordance with Public Utility Code (66 PA.C.S.) - Valuation of Acquired Water and Wastewater Systems for Ratemaking Purposes.

PROPOSED COMMERCIAL TERMS

Our proposed fee for the valuation study, associated report, and related appendices is \$30,000 (\$15,000 charged to Steelton Borough Authority and \$15,000 charged to Steelton Borough). Any travel related to the study, will be billed at our direct cost with no markup and is not included in the \$30,000 fee.

Any additional services required after delivery of the report will be billed at the following hourly rates:

| Position | Hourly Rate |
|--------------------|-------------|
| Executive Director | \$335 |
| Director | \$295 |
| Manager | \$270 |
| Senior Associate | \$225 |
| Associate | \$200 |
| Senior Analyst | \$140 |
| Analyst | \$125 |
| Secretarial Costs | \$65 |

Every effort will be made to utilize our support staff in order to minimize the composite post-delivery billing rate. Again, any out-of-pocket costs will be billed at our direct cost, with no markup. Our normal practice is to invoice monthly, with payment to be remitted by check or wire in United States dollars.

Should you have any questions, or wish to discuss these estimates, please feel free to contact me directly at your convenience via phone (609 680 8695) or email (ddascendis@scottmadden.com). I look forward to working with you and your staff.

Please indicate your acceptance of these terms by signing in the space provided below.

Sincerely,



Dylan W. D'Ascendis, CRRA, CVA
Director

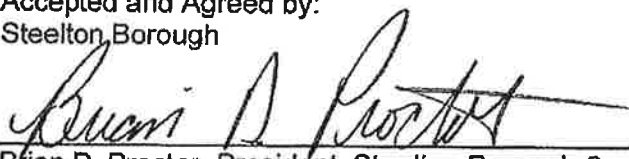
Accepted and Agreed by:
Steelton Borough Authority



Allan Ausman, Chair, Steelton Borough Authority

2/20/2018 Date

Accepted and Agreed by:
Steelton Borough



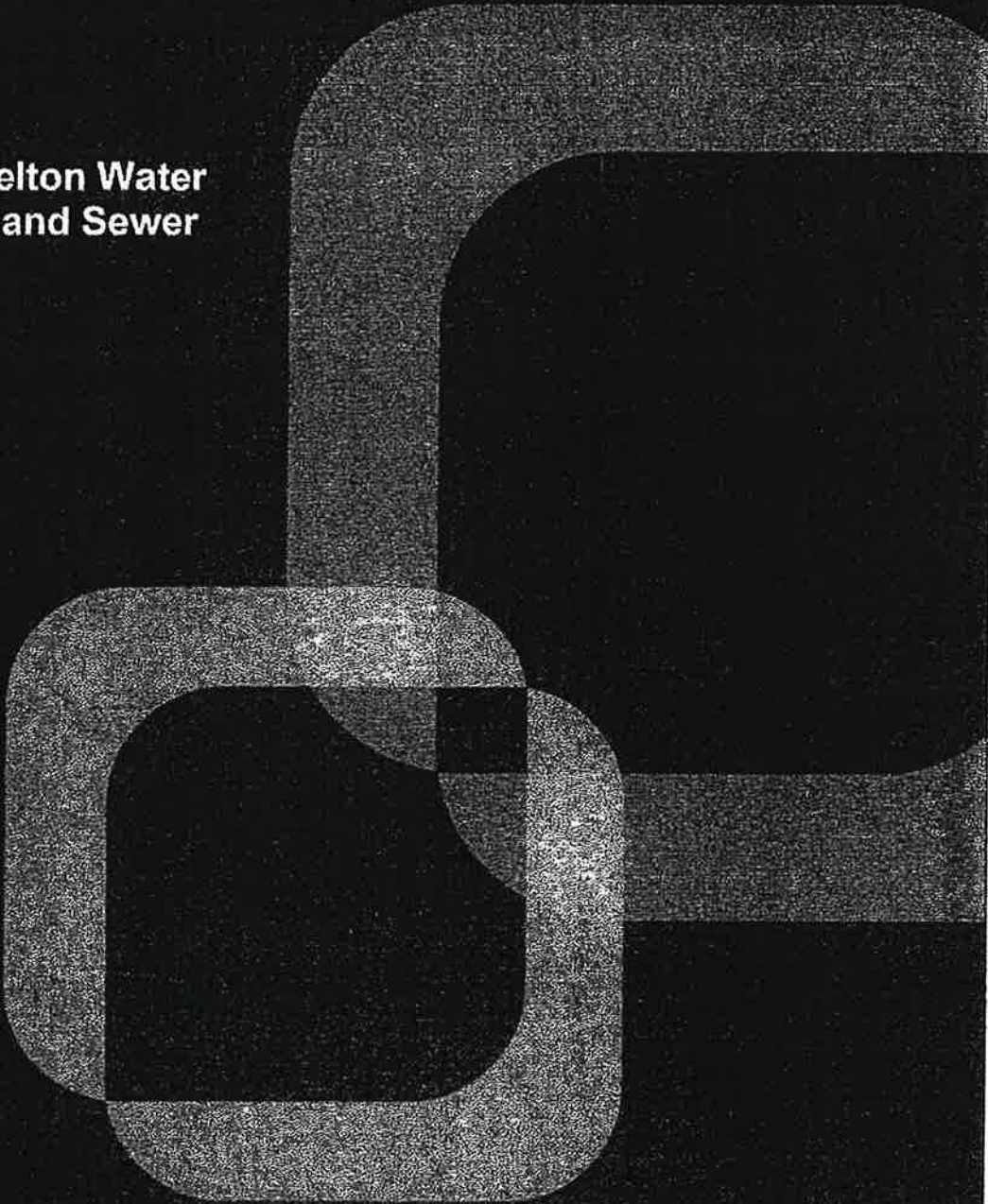
Brian D. Proctor, President, Steelton Borough Council

02/20/18
Date

Valuation of Steelton Water Authority Water and Sewer Operations

Scope of Work

December 11, 2017



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scottmadden
MANAGEMENT CONSULTANTS

VALUATION STUDY AND ASSOCIATED VALUATION REPORTS

Description of Analysis, Work Plan, and Schedule

The overall requirements of this assignment fall into four general categories: (1) planning and administration; (2) data collection and verification; (3) analysis and financial modeling; and (4) report generation. These general categories are discussed in the context of our proposed approach, which consists of the following tasks.

Task 1: Kick Off Meetings

The purpose of this task is to begin the planning and administration as well as better understand the Client's goals. We plan to accomplish this task by holding a kickoff meeting. Specific activities related to this task include:

- Gathering of relevant data and information relating to the valuation study, including, but not limited to:
 - Asset listing by NARUC account (if available);
 - Date in Service
 - Original Cost
 - Accumulated Depreciation
 - Historical Financial Statements;
 - Income statements from 2012-2016
 - Cash flow statements (if available) from 2012-2016
 - History of last 5 rate increases (% increase, year enacted)
 - Forecasted Financial Statements;
 - Assumptions regarding revenues long-term (20 years)
 - Assumptions regarding operating expenses (20 years)
 - Assumptions regarding capital expenditures (20 years)
 - Assumptions regarding financing of capital (20 years)
 - Type of debt financing (sinking funds?)

Task 2: Data Analysis and Interviews

After compiling the data outlined in Task 1, it will be necessary to meet with people familiar with the operations of Steelton (in person or via telephone) to discuss trends in the data to determine the appropriate approach to take. It will also be necessary to tour the facilities to determine the condition of

the assets. After these meetings, we will solidify our assumptions and determine the value of the assets under the Asset (Cost), Market, and Income approaches, which are discussed below.

Task 3: Development of Valuation Study

After gathering the data and discussing with the Client, the valuation study will be developed. The study will consider the national, regional, and local economy and its impact on the Company as well as industry trends and competition in the space. The study will consider three valuation approaches; the Asset (or Cost) approach, the Market approach, and the Income approach, to determine our conclusion.

Asset Approach

The asset (or cost) based approach is used to estimate the value of property based on the current cost of the subject assets, minus physical deterioration, functional obsolescence and economic obsolescence. In the asset approach, an analysis must be made of the property that is actually and physically being valued. The method we will be using to determine the current cost of the assets and will be a trended original cost study. This will be completed by trending each individual asset forward to current cost by use of the Handy-Whitman Index of Public Utility Construction Costs. This current value will be subtracted by the accumulated depreciation of those assets to indicate a value of the assets using the asset approach.

Market Approach

The market approach develops the value through an analysis of recent sales of comparable property. These transactions must be actual transactions (or current offerings) involving similar property. The transactions can be broken down into specific multiples (e.g. purchase price per customer / connection, purchase price / EBIT, etc.) to translate it to the Company or the actual purchase price can be adjusted to reflect differences between the completed transactions and the Company. Unfortunately, an active market may or may not exist, which means there can be too few transactions or non-representative transactions for the approach to be meaningful. We will make searches for similar market transactions for regulated water /wastewater companies and will apply our judgment on which adjustments we use or which multiples are applicable to regulated water / wastewater companies. We will also determine if the transactions we find are meaningful and if the market approach is valid in this case.

Income Approach

The income approach measures the present value of monetary benefits anticipated to be derived in the future from asset ownership. The present value of monetary benefits is measured by taking into account the duration and pattern of the income stream and the risk inherent in realizing that income stream. We will use historical and projected income statements to determine a realistic pattern of cash flows over a twenty-year time frame, then determine an appropriate capitalization rate to discount those cash flows back to present value to determine the indicated value using the income approach.

Report Generation

The valuation study will be used to generate the valuation report. As mentioned above, each valuation approach will produce an indicated value for the assets. We will incorporate all three valuation approaches for the final report.

PROJECT TEAM

The project will be led by Dylan W. D'Ascendis, CRRA, CVA, Director of ScottMadden, Inc. Mr. D'Ascendis will author the reports and will testify in any subsequent regulatory filing (if needed). Resumes and prior testimonies are available upon request. Robert Hevert, Partner, will be available as needed for technical or strategic support. In addition, the Project Team will be supported by ScottMadden's pool of highly qualified consultants as needed throughout the engagement.



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ScottMadden, Inc.
2626 Glenwood Avenue
Suite 480
Raleigh, NC 27608
919-781-4191
scottmadden.com

April 18, 2018

Invoice Number: 013868

Doug Brown
Steelton Water Authority and Steelton Borough
275 Christian Street
Steelton, PA 17113

In Reference To: Professional services provided in November 2018 for project 456-001
Steelton Valuation Study

| | <i>Amount</i> |
|--------------------------------|---------------------|
| Professional Fees | \$ 10,908.75 |
| Expenses | |
| Travel and Living Expenses | \$ 219.58 |
| Total Fees and Expenses | <u>\$ 11,128.33</u> |
| Total Due | <u>\$ 11,128.33</u> |

If you have any questions regarding this invoice, please let me know. Please remit payment in U.S. funds to: Accounts Receivable, ScottMadden, Inc., 2626 Glenwood Avenue, Suite 480, Raleigh, NC 27608. Thank you for retaining ScottMadden.

Sincerely,

Dylan D'Ascendis
Director

ScottMadden, Inc.
Tax ID: 56-1445505

Project **Steelton Valuation Study**
 In Reference to: **Professional services provided in November 2018 for project 456-001**

| | | <u>Current</u> <u>Hours</u> | <u>Rate</u> | <u>Current</u> <u>Amount</u> |
|--------------------------------------|-----------|--------------------------------|-------------|---------------------------------|
| Professional Fees | | | | |
| Pauline Ahern | 3/8/2018 | 1.00 | 325.00 | 325.00 |
| Review Exhibit | | | | |
| Pauline Ahern | 3/9/2018 | 1.00 | 325.00 | 325.00 |
| Discussions with Dylan | | | | |
| Dylan D'Ascendis | 2/27/2018 | 1.00 | 295.00 | 295.00 |
| Conference call | | | | |
| Dylan D'Ascendis | 3/2/2018 | 2.00 | 295.00 | 590.00 |
| Review data | | | | |
| Dylan D'Ascendis | 3/6/2018 | 1.50 | 295.00 | 442.50 |
| Income approach | | | | |
| Dylan D'Ascendis | 3/12/2018 | 9.00 | 295.00 | 2,655.00 |
| Income approach | | | | |
| Dylan D'Ascendis | 3/26/2018 | 2.00 | 295.00 | 590.00 |
| Travel to Steelton | | | | |
| Dylan D'Ascendis | 3/27/2018 | 6.50 | 295.00 | 1,917.50 |
| Site visit / travel. | | | | |
| Matthew Howard | 3/2/2018 | 4.25 | 200.00 | 850.00 |
| Analysis | | | | |
| Matthew Howard | 3/5/2018 | 1.50 | 200.00 | 300.00 |
| Comps research and common statements | | | | |
| Matthew Howard | 3/6/2018 | 2.25 | 200.00 | 450.00 |
| Organized common statements | | | | |
| Matthew Howard | 3/9/2018 | 0.25 | 200.00 | 50.00 |
| Comps research | | | | |
| Matthew Howard | 3/12/2018 | 0.25 | 200.00 | 50.00 |
| Research and analysis | | | | |
| Matthew Howard | 3/15/2018 | 0.50 | 200.00 | 100.00 |
| Comps research | | | | |
| Matthew Howard | 3/21/2018 | 3.75 | 200.00 | 750.00 |
| Updating Exhibits | | | | |
| Matthew Howard | 3/23/2018 | 1.00 | 200.00 | 200.00 |

Project Steelton Valuation Study

Update Income Approach

Matthew Howard 3/27/2018 0.75 200.00 150.00

Analysis

Matthew Howard 3/28/2018 2.00 200.00 400.00

Updated Income Approach

Steven Woodring 3/2/2018 2.50 125.00 312.50

Updating Exhibit

Steven Woodring 3/5/2018 1.25 125.00 156.25

Updating Exhibit

Professional Fees 44.25 10,908.75



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ScottMadden, Inc.
2626 Glenwood Avenue
Suite 480
Raleigh, NC 27608
919-781-4191
scottmadden.com

July 12, 2018

Invoice Number: 014293

Doug Brown
Steelton Water Authority and Steelton Borough
275 Christian Street
Steelton, PA 17113

In Reference To: Professional services provided in June 2018 for project 456-001
Steelton Valuation Study

| | <i>Amount</i> |
|--------------------------------|---------------------|
| Professional Fees | \$ 21,323.75 |
| Total Fees and Expenses | <u>\$ 21,323.75</u> |
| Total Due | <u>\$ 21,323.75</u> |

If you have any questions regarding this invoice, please let me know. Please remit payment in U.S. funds to: Accounts Receivable, ScottMadden, Inc., 2626 Glenwood Avenue, Suite 480, Raleigh, NC 27608. Thank you for retaining ScottMadden.

Sincerely,

Dylan D'Ascendis
Director

ScottMadden, Inc.
Tax ID: 56-1445505

Project **Steelton Valuation Study**
 In Reference to: **Professional services provided in June 2018 for project 456-001**

| | | <u>Current Hours</u> | <u>Rate</u> | <u>Current Amount</u> |
|------------------------------|-----------|--------------------------|-------------|---------------------------|
| Professional Fees | | | | |
| Dylan D'Ascendis | 4/24/2018 | 3.00 | 295.00 | 885.00 |
| Review income approach. | | | | |
| Dylan D'Ascendis | 6/1/2018 | 11.00 | 295.00 | 3,245.00 |
| Conference call. Exhibits. | | | | |
| Dylan D'Ascendis | 6/4/2018 | 8.00 | 295.00 | 2,360.00 |
| Exhibits. Draft report. | | | | |
| Dylan D'Ascendis | 6/5/2018 | 8.00 | 295.00 | 2,360.00 |
| Exhibits / draft report. | | | | |
| Dylan D'Ascendis | 6/6/2018 | 6.25 | 295.00 | 1,843.75 |
| Exhibits / draft report. | | | | |
| Dylan D'Ascendis | 6/7/2018 | 3.50 | 295.00 | 1,032.50 |
| Exhibits / draft report. | | | | |
| Dylan D'Ascendis | 6/11/2018 | 5.00 | 295.00 | 1,475.00 |
| Exhibits / draft report. | | | | |
| Dylan D'Ascendis | 6/12/2018 | 11.00 | 295.00 | 3,245.00 |
| Finalize exhibits / report. | | | | |
| Dylan D'Ascendis | 6/13/2018 | 1.50 | 295.00 | 442.50 |
| Finalize exhibits / report. | | | | |
| Sara Derstine | 6/13/2018 | 1.00 | 65.00 | 65.00 |
| Proofread report | | | | |
| Matthew Howard | 4/4/2018 | 5.00 | 200.00 | 1,000.00 |
| Analysis | | | | |
| Matthew Howard | 6/5/2018 | 5.75 | 200.00 | 1,150.00 |
| Audit | | | | |
| Matthew Howard | 6/6/2018 | 9.00 | 200.00 | 1,800.00 |
| Audit | | | | |
| Ryan Kucan | 6/13/2018 | 3.00 | 140.00 | 420.00 |
| Auditing Report & Appendices | | | | |
| | | <u>81.00</u> | | <u>21,323.75</u> |
| Professional Fees | | | | |



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ScottMadden, Inc.
2626 Glenwood Avenue
Suite 480
Raleigh, NC 27608
919-781-4191
scottmadden.com

October 18, 2018

Invoice Number: 014769

Doug Brown
Steelton Water Authority and Steelton Borough
275 Christian Street
Steelton, PA 17113

In Reference To: Professional services provided in September 2018 for project 456-001
Steelton Valuation Study

| | <i>Amount</i> |
|--------------------------------|--------------------|
| Professional Fees | \$ 3,097.50 |
| Total Fees and Expenses | <u>\$ 3,097.50</u> |
| Total Due | <u>\$ 3,097.50</u> |

If you have any questions regarding this invoice, please let me know. Please remit payment in U.S. funds to: Accounts Receivable, ScottMadden, Inc., 2626 Glenwood Avenue, Suite 480, Raleigh, NC 27608. Thank you for retaining ScottMadden.

Sincerely,

Dylan D'Ascendis
Director

ScottMadden, Inc.
Tax ID: 56-1445505

Project **Steelton Valuation Study**
In Reference to: **Professional services provided in September 2018 for project 456-001**

| | | <u>Current</u> <u>Hours</u> | <u>Rate</u> | <u>Current</u> <u>Amount</u> |
|--|--------------------------|--------------------------------|-------------|---------------------------------|
| Professional Fees | | | | |
| Dylan D'Ascendis | 9/17/2018 | 8.00 | 295.00 | 2,360.00 |
| Develop testimony, report for APA. | | | | |
| Dylan D'Ascendis | 9/20/2018 | 2.50 | 295.00 | 737.50 |
| Conference call, additional edits to report, testimony. | | | | |
| | Professional Fees | <u>10.50</u> | | <u>3,097.50</u> |



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ScottMadden, Inc.
2626 Glenwood Avenue
Suite 480
Raleigh, NC 27608
919-781-4191
scottmadden.com

November 27, 2018

Invoice Number: 014949

Doug Brown
Steelton Water Authority and Steelton Borough
275 Christian Street
Steelton, PA 17113

In Reference To: Professional services provided in October 2018 for project 456-001
Steelton Valuation Study

| | <i>Amount</i> |
|--------------------------------|--------------------|
| Professional Fees | \$ 5,415.00 |
| Total Fees and Expenses | <u>\$ 5,415.00</u> |
| Total Due | <u>\$ 5,415.00</u> |

If you have any questions regarding this invoice, please let me know. Please remit payment in U.S. funds to: Accounts Receivable, ScottMadden, Inc., 2626 Glenwood Avenue, Suite 480, Raleigh, NC 27608. Thank you for retaining ScottMadden.

Sincerely,

Dylan D'Ascendis
Director

ScottMadden, Inc.
Tax ID: 56-1445505

Project **Steelton Valuation Study**
In Reference to: **Professional services provided in October 2018 for project 456-001**

| | | <u>Current</u> <u>Hours</u> | <u>Rate</u> | <u>Current</u> <u>Amount</u> |
|--------------------------|------------|--------------------------------|-------------|---------------------------------|
| Professional Fees | | | | |
| Dylan D'Ascendis | 10/4/2018 | 8.00 | 295.00 | 2,360.00 |
| Update study. | | | | |
| Dylan D'Ascendis | 10/5/2018 | 7.00 | 295.00 | 2,065.00 |
| Update study. | | | | |
| Dylan D'Ascendis | 10/8/2018 | 1.00 | 295.00 | 295.00 |
| Conference call, edits. | | | | |
| Dylan D'Ascendis | 10/11/2018 | 1.00 | 295.00 | 295.00 |
| Finalize updated report. | | | | |
| Matthew Howard | 10/5/2018 | 2.00 | 200.00 | 400.00 |
| Audit updated analysis | | | | |
| Professional Fees | | 19.00 | | 5,415.00 |