
EXHIBIT S2

AUS CONSULTANTS SERVICE AGREEMENT AND INVOICES



JEROME C. WEINERT
Principal & Director

8555 West forest Home Avenue, Suite 201
Greenfield, WI 53228
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414-698-8371 ▪ Cell
weinertj@auswest.net

April 2, 2019

Mr. Dave Crist
Finance Director
East Norriton Township
2501 Stanbridge Street
East Norriton, PA

Re: East Norriton Township Wastewater Collection System Fair Market Value Appraisal

Dear Mr. Crist:

AUS Consultants is please to respond to your request for a proposal for a valuation of East Norriton Township's wastewater collection system. We understand the nature and purpose of the request is to determine the fair market value of the Township's wastewater collection property and its operation for compliance with Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes Section 1329 of the "Valuation of Acquired water and wastewater systems" collectively referred to as Act 12 of the Commonwealth of Pennsylvania's 2016 legislative session. AUS Consultants is a Utility Valuation Expert (UVE) as designated by the Pennsylvania Public Utility Commission (PUC) Docket No. A-2016-2566251 Entity Code 9919181 renewed January 24, 2019 with an expiration date of December 3, 2019. Our appraisal will assume an investor-owned utility as the purchaser and that the purchaser would be successful in establishing the purchase price, assumed to be the appraised value, as rate-base for regulatory purposes under Section 1329 of the Public Utility Code of Pennsylvania.

Our response to your request will include the scope of our services, a list of AUS Consultants staff and their qualifications, an initial listing of data required to perform the appraisal and a range of project costs through the completion of the appraisal report; activities subsequent to the delivery of our final report will be billed at our hourly per diems defined below. The appraisal will be prepared under the 2018-2019 edition of the Uniform System of Professional Appraisal Practices (USPAP).

property to be appraised in any fashion so all property of the Township subject to the sale whether Township constructed and/or developer contributed is subject to the appraisal. The cost approach will give consideration to the Township's wastewater collection plant and equipment's replacement cost adjusted for appraisal depreciation. The replacement cost new will be developed using either trending the property's investment by account and installation year or by application of appraisal date unit costs to property's inventory by account and installation year. Next, appraisal depreciation, physical, function and economic, will be assessed and deducted from the replacement cost new. The physical and functional depreciation will be determined based on the age-life depreciation methods using aging from the Engineer's Assessment, the service lives applicable to wastewater industry depreciation lives and physical inspections of the property.

The property subsequent to its acquisition, will be regulated by the Pennsylvania PUC utilizing a rate base/rate of return regulation. This form regulation allows for the fair return on and of the Company's capital invested for the provision of wastewater services. The last step in the Cost Approach's we will consider the property's economic returns under PUC regulation in order to determine if economic obsolescence exists in the preliminary Cost Approach conclusion discussed above. We will use the results of Income Approach (discussed below) in making this determination.

The **income approach** provides an indication of value by evaluation the future returns of the operation of the property as wastewater collection system. There are two commonly used methods of the income approach: the discounted cash flow (DCF) approach and the capitalized income approach. Both procedures discount the future returns of the property using a recognized cost of capital for the wastewater industry.

In the DCF, the expected or future cash flows of the operation of the property are discounted to the appraisal date (present value) using a recognized cost of capital for the wastewater industry. Future cash flows are based on historical results from operation in terms of revenues and expenses as the basis forecast of future operations. The projected cash flow levels must provide for additional cash investment and working capital additions, as well as reflect the specific growth potential of the system being valued.

In the capitalize income approach the property's future returns are consolidated in to a single estimate for all future periods. The capitalized income approach to value is determined by the

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- 41 years in Appraisal and Depreciation Consulting
- Testimony Experience:
 - Courtroom (Valuations ad valorem taxation and depreciation)
 - Regulatory (Depreciation and Rate Base)

David Weiler

- 34 years in Valuations of Business Enterprises, Closely-held common Stock, Cost of Capital Studies and Valuations of Intangible Property
- Bachelor of Science in Finance-Drexel University (1978)

David A. Sheffer

- 37 years in Regulatory Consulting (Depreciation, Rate Base, Cost of Service, Valuations and Original Cost Studies)

Elizabeth A Weinert

- 17 years in Appraisal and Depreciation Consulting
- B Bachelor of Science in Mechanical Engineering – Milwaukee School of Engineering (2001)
- Master's in Aeronautical Engineering – University of Alabama (2015)

Request for Data

In order to expedite the project upon the East Norriton Township's acceptance of our proposal, AUS Consultants needs the following data:

Inventory of property plant and equipment. Ultimately this inventory needs to be provided by the firm preparing the "Engineer's Assessment" for both the Township and the Purchaser. As stated above:

"In order for the Engineer's Assessment to be of maximum value use it should detail the property by account, type and size of equipment, its date of installation and its original cost. It should be noted that Section 1329 does not restrict the property to be appraised in any fashion so all property whether municipally constructed and/or developer contributed is subject to the appraisal."

The Township provided AUS Consultants with an inventory of the system as of late 2015 it would be useful for the Township to update this inventory to the appraisal date, date of the Asset Purchase Agreement, for use by the engineer performing the Engineer's Assessment. In our previous work for the Township AUS Consultants utilized this inventory and known pricing in order to develop a starting point for the Cost Approach (East Norriton Sewer System

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These activities typically include responding to interrogatories (Commission staff, OCA, Small Business Advocate, and/or other possible intervenors), reviewing the testimony of participating parties, preparing testimony (direct, cross, and possibly sur-rebuttal), attending Commission hearings. If expert testimony is required, Jerome C. Weinert will be the witness and attend any hearings which is required.

Closure

AUS Consultants appreciates the opportunity to respond to East Norriton Township's request for our services. Should you have any questions regarding our response, please contact the undersigned.

Respectfully submitted,
AUS Consultants

Jerome C. Weinert

Accepted by:



East Norriton Township, PA

Date: April 2, 2019

BY: JEROME C. WEINERT

Date: February 27, 2019

DUPLICATE INVOICE

East Norriton Township

May 16, 2019

Enclosed is AUS Consultants invoice relative to our UVE compliant appraisal of East Norriton Township's Sanitary Wastewater Collection System which was shipped to East Norriton May 13, 2019.

15-May-19 Invoice					
Professional Fees		Hours	Per Diems	Fees	
Jerome Weinert					
4/22/2019	4/28/2019	16	\$275.00	4,400.00	
4/29/2019	5/5/2019	24	\$275.00	6,600.00	
5/6/2019	5/12/2019	32	\$275.00	8,800.00	
Elizabeth Weinert					
4/22/2019	4/28/2019	14	\$150.00	2,100.00	
4/29/2019	5/5/2019	0	\$150.00	-	
5/6/2019	5/12/2019	14	\$150.00	2,100.00	
Subtotal Professional Fees				24,000.00	
Expenses				Expenses	
Report Processing				537.79	
Fed X				213.63	
Subtotal Expenses				751.42	
Total this Invoice				24,751.42	

GRAND TOTAL THIS INVOICE..... \$24,751.42

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-EAS03
INVOICE NO. 152096

Reference No. 10-0686-01
(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



DUPLICATE INVOICE

East Norriton Township

July 12, 2019

Enclosed is AUS Consultants invoice related to revisions to our UVE compliant appraisal of East Norriton Township's Sanitary Wastewater Collection System which was shipped to East Norriton July 1, 2019.

		Hours	Pre Diem	Fees
10-0686				
East Norriton Act 12				
JCW	Revised Report	15	275	4,125.00
EAW	Revised Report	37.5	150	5,625.00
Total Fee				9,750.00
Contracted Fee Limit		Not Applicable		
Fee				9,750.00
Expenses				
Report				
FedX				226.59
Travel				
Living				
Total Expenses				226.59
Total Fees Plus Expenses				9,976.59

GRAND TOTAL THIS INVOICE..... \$9,976.59

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-EAS03

INVOICE NO. 152532

Reference No. 10-0686-02
(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

