
EXHIBIT S2

SCOTTMADDEN SERVICE AGREEMENT AND INVOICES

December 17, 2019

Mr. Robert Willert
Executive Director
Delaware County Regional Water Quality Control Authority
3201 West Front Street
Chester, PA 19016

Dear Mr. Willert:

In response to your email on October 1, 2019, ScottMadden, Inc. ("ScottMadden") is pleased to provide the Delaware County Regional Water Quality Control Authority ("DELCORA" or the "Authority") with our proposed fees for a PA Act 12 valuation study and associated valuation report for DELCORA's wastewater operations to be completed withing the 90 day Act 12 requirements. The study will establish a fair value for the operations of DELCORA 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. 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	\$325
Director	\$295
Manager	\$270
Senior Associate	\$230
Associate	\$200
Senior Analyst	\$150
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.

Mr. Robert Willert
October 7, 2019
Page 2

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

Sincerely,



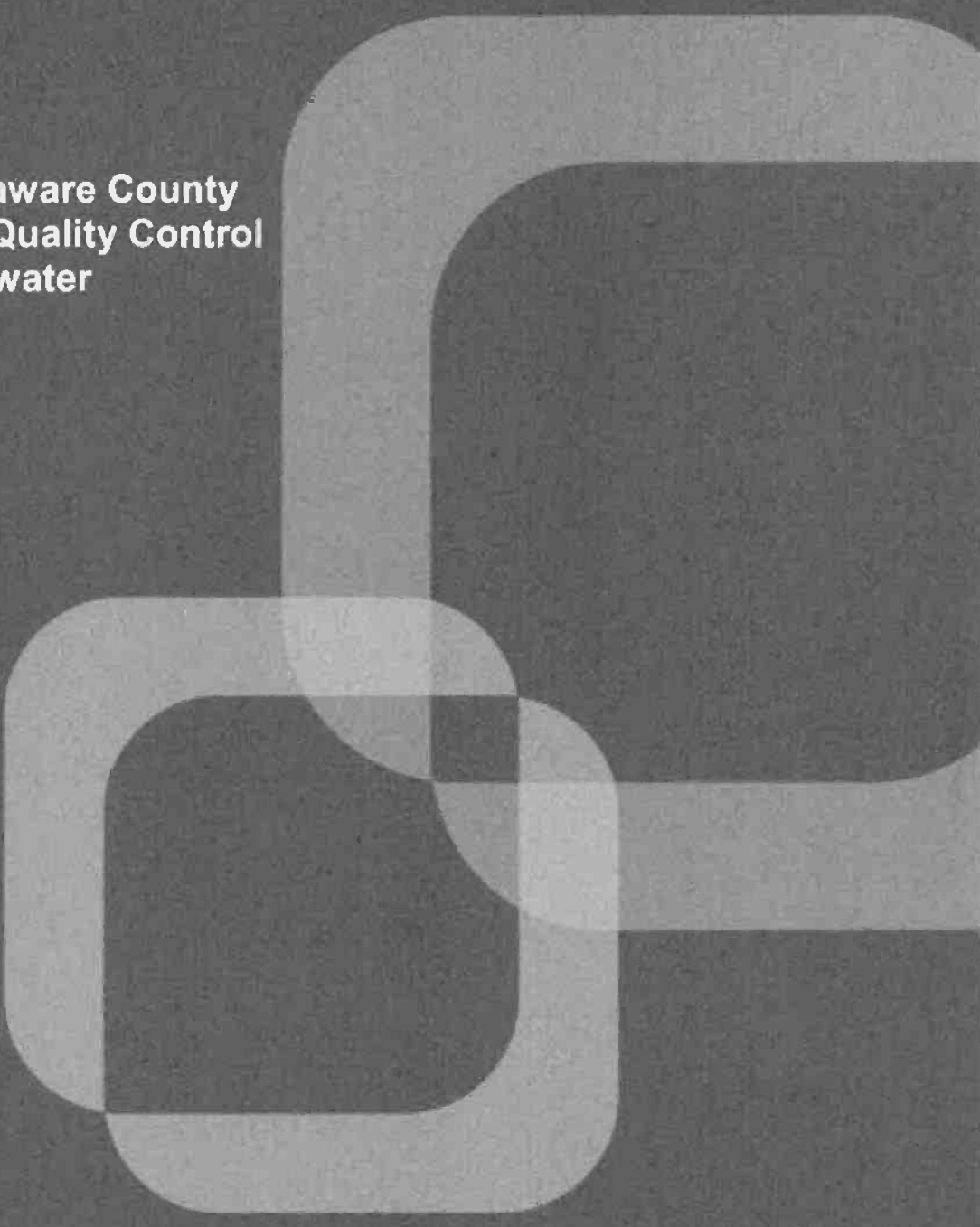
Dylan W. D'Ascendis, CRRA, CVA
Director

Accepted and Agreed by:
Delaware County Regional Water Quality Control Authority



12/17/19

Date



Valuation of Delaware County Regional Water Quality Control Authority Wastewater Operations

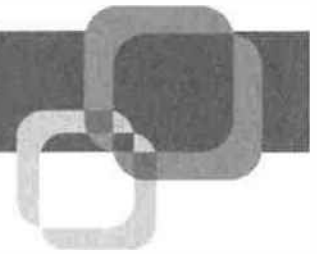
Scope of Work

December 17, 2019

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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 Meeting

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 2014-2018
 - Cash flow statements (if available) from 2014-2018
 - History of last five 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 DELCORA (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.

Task 3: Development of Valuation Study

After gathering the data and discussing with the Authority, the valuation study will be developed. The study will consider the national, regional, and local economy and its impact on the Authority 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) 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 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 Authority, or the actual purchase price can be adjusted to reflect differences between the completed transactions and the Authority. 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 20-year time frame then determine an appropriate capitalization rate to discount those cash flows back to present value which determines the indicated value.

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

February 21, 2020

Invoice Number: 017003

Robert Willert
Delaware County Regional Water Quality Control Authority
3201 West Front Street
Chester, PA 19016

In Reference To: Professional services provided in January 2020 for project 141-001
DELCORA Valuation Study

	<i>Amount</i>
Professional Fees	\$ 30,000.00
Expenses	
Travel and Living Expenses	<u>\$ 663.44</u>
Total Fees and Expenses	<u>\$ 30,663.44</u>
Total Due	<u><u>\$ 30,663.44</u></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