

**Application of Pennsylvania-American Water Company for Acquisition of
the Wastewater Assets of Royersford Borough
66 Pa. C.S. §1329
Application Filing Checklist – Water/Wastewater
Docket No. A-2020-3019634**

7. 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, supporting the subject fee amounts.

RESPONSE: The valuation services assessments and fees paid to Jerome C. Weinert, P.E., Principal and Director for AUS Consultants on behalf of PAWC and by Harold Walker III, Manager – Financial Studies for Gannett Fleming Valuation and Rate Consultants, LLC. on behalf of the Borough are reflected in **Appendix A-7.1 (AUS Consultants) and Appendix A-7.2 (Gannett Fleming).**

Agreement to Provide Valuation Consulting Services
Between

AUS Consultants

And

Pennsylvania America Water Company
For the Appraisal of

Royersford Borough's Sanitary Sewer System

As of the most recent period (First Quarter 2019)

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 July 19, 2019. 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 First and Second Implementation Orders 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 sanitary sewer system assets currently owned by Royersford Borough (Royersford, Pa.). Upon the issuance of a notice to proceed by PA-American for each appraisal phase, 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 2019-2020 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 May 31, 2021. 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 May 31, 2021 ("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 Supplier's 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	Preliminary Appraisal	Appraisal completion to a Section 1329 Compliant Appraisal	Total Appraisal	Expenses (not to exceed)
	Fees	Fees	Fees	Expense
Appraisal				
Initial Appraisal	\$13,900	\$11,300	\$25,200	\$3,200
Appraisal updates		\$2,500	\$2,500	\$800
Pre-filed Direct testimony related to the above described Valuation studies		\$3,000	\$3,000	\$500

Valuation Activity performed by AUS Consultants staff following the filing of the PUC Application	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.

Pursuant to current USPAP requirements, Supplier is required to inform PA-American that the Supplier, AUS Consultants, has performed a preliminary appraisal and depreciated original cost study for the Project's subject property for Aqua Pennsylvania, Inc. over the last three years.

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.

Section 7. Payment:**Proprietary and Confidential**

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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:

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 mail box 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.

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Appendix A-7.1 (AUS)

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
 - 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.

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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 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

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(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 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

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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.

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 17055717-550-1509 (office)
717-875-2282 (cell)
Email: Scott.Fogelsanger@amwater.com

The Legal Counsel contact for PA-American shall be:

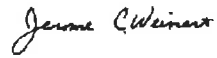
Andrew L. Swope, Vice President, General Counsel
Pennsylvania-American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055
717-550-1560 (office)
717-574-2691 (cell)
Email: Andrew.Swope@amwater.com

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Section 13. Signatures:

AUS Consultants (Supplier)



Jerome C. Weinert
July 19, 2019

Pennsylvania American Water Company



Bernie J. Grundusky
July 19, 2019

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Appendix A-7.1 (AUS)

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

May 29, 2020

Mr. Scott D. Fogelsanger
Senior Business Development Manager
Pennsylvania American Water Company
852 Wesley Drive
Mechanicsburg, PA 17055-4475

Dear Scott:

RE: Royersford Sewer System's Preliminary Appraisal

Enclosed is our AUS Consultants invoice for our UVE appraisal and testimony of Royersford Sewer System Assets which was delivered via email on 5/21/2020.

Very truly yours,

A handwritten signature in black ink, appearing to read 'J Weinert', is written over a faint, larger version of the same signature.

eaw
Enclosure

INVOICE

Pennsylvania American Water Company

May 29, 2020

Enclosed is our AUS Consultants invoice for our UVE appraisal and testimony of Royersford Sewer System Assets which was delivered via email on 5/21/2020.

Proposed Fee & Expenses

Appraisal	\$11,300
Testimony	\$3,000
TOTAL FEE THIS INVOICE.....	\$14,300

GRAND TOTAL THIS INVOICE..... \$14,300.00

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. 154785

Reference No. 10-0693-02
(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

DUPLICATE INVOICE

Pennsylvania American Water Company

May 29, 2020

Enclosed is our AUS Consultants invoice for our UVE appraisal and testimony of Royersford Sewer System Assets which was delivered via email on 5/21/2020.

Proposed Fee & Expenses

Appraisal	\$11,300
Testimony	\$3,000
TOTAL FEE THIS INVOICE.....	\$14,300

GRAND TOTAL THIS INVOICE..... \$14,300.00

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. 154785

Reference No. 10-0693-02

(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

Appendix A-7.1 (AUS)

AUS Consultants UVE Contract with PAWC for Royersford Appraisal Proposed Fees and Expenses

	Preliminary Appraisal	Appraisal 1329 Compliant	Total Fees	Expenses	Total
Appraisal					
Initial Appraisal	13,900	11,300	25,200	3,200	28,400
Appraisal Update		2,500	2,500	800	3,300
Prefiled Testimony		3,000	3,000	500	3,500
	13,900	16,800	30,700	4,500	35,200

Dates	Dates	JCW	EAW	DAS	SM	Total
9/30/2019	10/6/2019	15	15			
12/2/2019	12/8/2019	13.5	22.5			
12/9/2019	12/15/2019	22.5	22.5			
12/16/2019	12/22/2019	15	15			
12/23/2019	12/29/2019		7.5			
5/4/2020	5/10/2020	22.5	22.5			
5/11/2020	7/12/2020	22.5	22.5			
5/18/2020	5/24/2020	22.5	22.5	7.5	3	
		133.5	150	7.5	3	
		250	150	175	50	
		33,375	22,500	1,313	150	57,338

Fee Limited by contract to \$30,700 minus \$2,500 (Appraisal Update) 28,200

	Fee	Expenses	Total
AUS Invoices			
151996 5/7/2019	13,900.00	-	13,900.00
154785 5/29/2020	14,300.00	-	14,300.00
	28,200.00	-	28,200.00



Excellence Delivered As Promised

March 18, 2020

Via email to mleonard@royersfordborough.org

Mr. Michael Leonard, Manager
Royersford Borough
300 Main Street
Royersford, PA 19468

Dear Mr. Leonard:

Fair Market Value Appraisal

In response to your request, Gannett Fleming Valuation and Rate Consultants, LLC ("Gannett Fleming") is pleased to submit this cost proposal to provide Royersford Borough ("Royersford") with a fair market value appraisal of Royersford Borough's wastewater system assets ("Wastewater System") consistent with the date of the Engineer's Assessment.

SCOPE OF SERVICES

Gannett Fleming proposes to conduct a fair market value appraisal of the Wastewater System in compliance with the Uniform Standards of Professional Appraisal Practices, employing the cost, market and income approaches. It should be noted that Gannett Fleming will utilize asset cost information provided by the Engineering Assessment of the Wastewater System's assets.

Fair market value is defined as "the price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."

As stated, the standard of value for this engagement is fair market value. The premise of value is going concern. The going concern premise of business value assumes that the business will continue running normally using all of its assets to produce income and will continue operating beyond the valuation date.

Gannett Fleming will value the Wastewater System's assets as a group under the premise that they collectively comprise an ongoing operating business enterprise. In accordance with 66 Pa. C.S. Section 1329, the original source of funding for any part of the assets of the selling utility will not be relevant to the determination of the value of said assets.

Gannett Fleming Valuation and Rate Consultants, LLC

1010 Adams Avenue • Audubon, PA 19403-2402
t: 610.650.8101 • f: 610.650.8190
www.GannettFleming.com

We will accept all information and data provided by the Wastewater System as it pertains to this assignment “as is” after a limited review. That is, we will neither audit nor verify any data, original cost study, financial records or operating data provided for this assignment.

We will provide direct testimony summarizing our fair market value appraisal suitable for filing before the Pennsylvania Public Utility Commission (PAPUC).

SITE INSPECTION

We will visit or inspect the Wastewater System’s facilities and rely on the information provided by the Engineering Assessment of the Wastewater System’s assets provided by the Wastewater System.

APPRAISAL REPORT

We will prepare a written document to substantiate our opinion. Our appraisal will be developed consistent with the Uniform Standards of Professional Appraisal Practices. Our valuation will include a detailed analysis and will be presented in a narrative comprehensive, “stand-alone” document for your use. The estimate of value that results from a valuation engagement will be expressed as a conclusion of value to be used for the purposes stated above.

Although our valuation is intended to estimate fair market value, we assume no responsibility for the inability of a seller or buyer to obtain a sale or purchase contract at that price.

QUALIFICATIONS

Since 1915, Gannett Fleming and its predecessors have been helping clients in public pricing policy and related financial matters for managerial purposes, before regulatory commissions and in courts of law. Our staff has considerable experience in providing an array of specialized financial services to support the core needs and objectives of our clients.

Our specialized financial services encompass utility valuations, economic valuation studies, cost of capital studies, depreciation studies, rate studies, lead lag studies, analyses of public utility accounting systems, debt financing reports, economic and demographic studies, financial decision studies, optimum capital structure, debt service levels, dividend policy, private placement of debt, financial benchmarking, and conducting property inventories.

We design each study and its related report to meet the specific requirements of our clients. These studies require objective analyses of basic data, informed professional judgment, and clear presentation of the results. Our staff includes professionals specialized in public utility accounting and ratemaking, valuation, cost of capital, lead lag, depreciation, associated technical services, and financial analysis. We are experienced utility valuation experts who determine fair market value using the cost, market and income approaches in accordance with 66 Pa. C.S. Section 1329. We are a registered Municipal Advisor with the Securities & Exchange Commission (SEC); and are a subsidiary of Gannett Fleming, Inc.

Gannett Fleming is approved as a "Utility Valuation Expert" by the PAPUC within the context of 66 Pa. C.S. Section 1329, Valuation of Acquired Water and Wastewater Systems.

FIDUCIARY DUTY

Gannett Fleming has a fiduciary duty to, and will, provide a thorough, objective, and fair market valuation using the cost, market and income approaches in accordance with 66 Pa. C.S. Section 1329 and Pennsylvania laws.

Gannett Fleming attests that it does not derive any material financial benefit from the sale of, or purchase of, a selling utility other than fees for services rendered. Gannett Fleming also verifies it does not have any immediate family members who are directors, officers or employees of either an acquiring public utility, entity or selling utility within a 12-month period of the date of hire to perform an appraisal. We further affirm that Gannett Fleming is not directly or indirectly owned, partnered or in any way affiliated with a water/wastewater distribution company.

BASIS FOR COMPENSATION

Gannett Fleming will perform the above services, and other related services that you may authorize, based on hourly billing rates for our personnel in effect when we perform the work, plus the reimbursement of direct expenses. Direct expenses include transportation, meals, lodging and incidental expenses incurred while traveling and any other expenses required as a result of the assignment that are not incidental to the normal conduct of business. Attached is a copy of our billing rates currently in effect. We will render invoices monthly for services performed during the preceding month.

Based on our experience, we estimate the cost for a complete study, written direct testimony suitable for filing with the Pennsylvania Public Utility Commission, and other filing requirements will range from \$30,000 to \$35,000, and is all considered pre-filing services. The actual charges for these services will, of course, depend on the time required to complete the assignment and the extent to which data are provided. The availability and quality of the required data sources of information will affect the final cost. Inasmuch as we have little control over the effort required to respond to interrogatories and participate in formal hearings, the pre-filing cost estimate excludes work performed subsequent to the filing date. All post-filing work will be charged based on hourly billing rates for our personnel in effect when we perform the work, plus the reimbursement of direct expenses.

Gannett Fleming

Mr. Michael Leonard
Royersford, PA 19468

- 4 -

March 18, 2020

SCHEDULE

The fair market value appraisal should be completed within 45-days of completion of the Engineering Assessment, and timely receipt of an executed proposal and the requested data.

Based on the understanding outlined in this letter, we propose that Royersford Borough retain Gannett Fleming Valuation and Rate Consultants, LLC to perform the services as previously described in this letter. If this letter proposal is acceptable, please have it executed below by an individual authorized to bind Royersford Borough, and then scan and email a copy to me at hwalker@gfnet.com, with a copy to Cheryl Rutter at crutter@gfnet.com.

We thank Royersford Borough for this opportunity to provide valuation services in connection with the fair market value appraisal of the Wastewater System's assets. We look forward to acceptance of our proposal and to a successful project.

Respectfully Submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC



HAROLD WALKER, III
Manager, Financial Studies

Royersford Borough accepts the foregoing Proposal and authorizes Gannett Fleming Valuation and Rate Consultants, LLC to proceed with the services described herein.

ACCEPTED BY:


(Signature)

Michael A. Leonard
(Printed Name)

BOROUGH MANAGER
(Title)

3 - 18 - 2018
(Date)

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

<u>Personnel</u>	<u>Hourly Rate</u>
SUPERVISORY STAFF	
W. M. Stout, Principal Consultant	\$300.00
P. R. Herbert, Senior Consultant	280.00
J. J. Spanos, President	280.00
H. Walker, III, Manager, Financial Studies	250.00
J. F. Wiedmayer, Jr., Project Manager, Depreciation	230.00
N. W. Allis, Vice President	230.00
C. E. Heppenstall, Senior Project Manager, Rate Studies	230.00
STAFF	
Senior Project Engineer	250.00
Analysts and Engineers	180.00
Associate Analysts and Engineers	170.00
Assistant Analysts and Engineers	160.00
Senior Technicians	120.00
Support Staff	120.00



Excellence Delivered **As Promised**

INVOICE

Gannett Fleming Valuation and Rate Consultants, LLC

Royersford Borough
Attn: Michael Leonard, Manager
300 Main Street
Royersford, PA 19468

ACH/EFT Payment Information:

ABA: 031312738

Account No.: 5003165655

Account Name: Gannett Fleming

Check Payment Information:

Gannett Fleming Valuation and Rate Consultants,
LLC

PO Box 829160

Philadelphia, PA 19182-9160

Project: 067111

Invoice No: 067111*5203

Invoice Date: April 30, 2020

Federal EIN: 46-4413705

Send Remit Info: AccountsReceivable@gfnet.com

Note: TO PREVENT IMPOSTER FRAUD. If you receive any notification of a change in payment instructions, you should call our Accounts Receivable department at 717-763-7211 to verify the authenticity of the change. We cannot be held responsible for a misdirected payment as a result of your not confirming authenticity of requested changes to payment instructions or "imposter hacks" to your system.

Invoice Period: February 29, 2020 through March 27, 2020

Project Manager : Harold Walker III

hwalker@gfnet.com

610 650-8101

Fair Market Value Appraisal - Wastewater System

Summary of Current Charges

Phase 000	- FAIR MARKET VALUE APPRAISAL-WASTEWATER	\$ 8,240.00
	Total Charges	\$ 8,240.00
	Total Due This Invoice	\$8,240.00

**Gannett Fleming Valuation and Rate Consultants, LLC**

Phase 000 -- Fair Market Value Appraisal-Wastewater

Labor Costs**Labor Classification****Hours****Rate****Amount**

Harold Walker

32.00

\$ 250.00

\$ 8,000.00

Support Staff

2.00

120.00

240.00

Total Labor Costs**\$ 8,240.00****Total Phase -- 000****\$ 8,240.00**



Excellence Delivered **As Promised**

INVOICE

Gannett Fleming Valuation and Rate Consultants, LLC

Royersford Borough
Attn: Michael Leonard, Manager
300 Main Street
Royersford, PA 19468

ACH/EFT Payment Information:

ABA: 031312738

Account No.: 5003165655

Account Name: Gannett Fleming

Check Payment Information:

Gannett Fleming Valuation and Rate Consultants,
LLC

PO Box 829160

Philadelphia, PA 19182-9160

Project: 067111

Invoice No: 067111*5287

Invoice Date: May 29, 2020

Federal EIN: 46-4413705

Send Remit Info: AccountsReivable@gfnet.com

Note: TO PREVENT IMPOSTER FRAUD, if you receive any notification of a change in payment instructions, you should call our Accounts Receivable department at 717-763-7211 to verify the authenticity of the change. We cannot be held responsible for a misdirected payment as a result of your not confirming authenticity of requested changes to payment instructions or "imposter hacks" to your system.

Invoice Period: April 25, 2020 through May 22, 2020

Project Manager : Harold Walker III hwalker@gfnet.com

Fair Market Value Appraisal - Wastewater System

Summary of Current Charges

Phase 000	- FAIR MARKET VALUE APPRAISAL-WASTEWATER	\$ 11,870.00
	Total Charges	<u>\$ 11,870.00</u>
	Total Due This Invoice	\$11,870.00



Excellence Delivered **As Promised**

Project: 067111
Invoice No: 067111*5287
Invoice Date: May 29, 2020

Gannett Fleming Valuation and Rate Consultants, LLC

Phase 000 -- Fair Market Value Appraisal-Wastewater

Labor Costs

Labor Classification

Hours

Rate

Amount

Harold Walker

47.00

\$ 250.00

\$ 11,750.00

Support Staff

1.00

120.00

120.00

Total Labor Costs

\$ 11,870.00

Total Phase -- 000

\$ 11,870.00



Excellence Delivered **As Promised**

INVOICE

Gannett Fleming Valuation and Rate Consultants, LLC

Royersford Borough
Attn: Michael Leonard, Manager
300 Main Street
Royersford, PA 19468

Project: 067111
Invoice No: 067111*5335
Invoice Date: June 9, 2020

ACH/EFT Payment Information:

ABA: 031312738
Account No.: 5003165655
Account Name: Gannett Fleming

Check Payment Information:

Gannett Fleming Valuation and Rate Consultants,
LLC
PO Box 829160
Philadelphia, PA 19182-9160

Federal EIN: 46-4413705

Send Remit Info: AccountsReceivable@gfnet.com

Note: TO PREVENT IMPOSTER FRAUD, If you receive any notification of a change in payment instructions, you should call our Accounts Receivable department at 717-763-7211 to verify the authenticity of the change. We cannot be held responsible for a misdirected payment as a result of your not confirming authenticity of requested changes to payment instructions or "imposter hacks" to your system.

Invoice Period: May 23, 2020 through June 5, 2020

Project Manager : Harold Walker III **hwalker@gfnet.com**

Fair Market Value Appraisal - Wastewater System

Summary of Current Charges

Phase 000	- FAIR MARKET VALUE APPRAISAL-WASTEWATER	\$ 11,080.00
	Total Charges	\$ 11,080.00
	Total Due This Invoice	\$11,080.00

**Gannett Fleming Valuation and Rate Consultants, LLC**

Phase 000 -- Fair Market Value Appraisal-Wastewater

Labor Costs**Labor Classification****Hours****Rate****Amount**

Analyst	1.00	\$ 180.00	\$ 180.00
Associate Analyst	5.00	170.00	850.00
Harold Walker	35.00	250.00	8,750.00
John J. Spanos	1.00	280.00	280.00
Support Staff	8.50	120.00	1,020.00

Total Labor Costs**\$ 11,080.00****Total Phase -- 000**

\$ 11,080.00