

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water Company Pursuant to : Docket No. A-2019-3014248
Sections 1102, 1329, and 507 of the Public Utility Code for Approval :
of its Acquisition of Wastewater System Assets of Kane Borough :

DIRECT TESTIMONY

OF

RALPH C. SMITH

REGARDING ACQUISITION POLICY AND BENEFITS

**ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

March 27, 2020

**DIRECT TESTIMONY OF RALPH C. SMITH
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Act 11 Allocation to Water**

1 **I. INTRODUCTION**

2 **Q. Please state your name, position, and business address.**

3 A. Ralph C. Smith. I am a Senior Regulatory Consultant at Larkin & Associates,
4 PLLC, 15728 Farmington Road, Livonia, Michigan 48154.

5

6 **Q. Please describe Larkin & Associates.**

7 A. Larkin & Associates is a Certified Public Accounting and Regulatory Consulting
8 firm. The firm performs independent regulatory consulting primarily for public
9 service/utility commission staffs and consumer interest groups (public counsels,
10 public advocates, consumer counsels, attorneys general, etc.). Larkin & Associates
11 has extensive experience in the utility regulatory field as expert witnesses in over
12 400 regulatory proceedings including numerous telephone, water and sewer, gas, and
13 electric matters.

14

15 **Background and Qualifications**

16 **Q. Please summarize your educational background.**

17 A. I received a Bachelor of Science degree in Business Administration (Accounting
18 Major) with distinction from the University of Michigan - Dearborn, in April 1979.
19 I passed all parts of the C.P.A. examination in my first sitting in 1979, received my
20 CPA license in 1981, and received a certified financial planning certificate in 1983.
21 I also have a Master of Science in Taxation from Walsh College, 1981, and a law
22 degree (J.D.) cum laude from Wayne State University, 1986. In addition, I have
23 attended a variety of continuing education courses in conjunction with maintaining

1 my accountancy license. I am a licensed Certified Public Accountant and attorney in
2 the State of Michigan. I am also a Certified Financial Planner™ professional and a
3 Certified Rate of Return Analyst (“CRRA”). Since 1981, I have been a member of
4 the Michigan Association of Certified Public Accountants. I am also a member of
5 the Michigan Bar Association. I have been a member of the Society of Utility and
6 Regulatory Financial Analysts (“SURFA”). I have also been a member of the
7 American Bar Association (“ABA”), and the ABA sections on Public Utility Law
8 and Taxation.

9
10 **Q. Please summarize your professional experience.**

11 **A. Subsequent to graduation from the University of Michigan, and after a short period**
12 **of installing a computerized accounting system for a Southfield, Michigan realty**
13 **management firm, I accepted a position as an auditor with the predecessor CPA firm**
14 **to Larkin & Associates in July 1979. Before becoming involved in utility regulation,**
15 **where the majority of my time for the past 40 years has been spent, I performed**
16 **audit, accounting, and tax work for a wide variety of businesses that were clients of**
17 **the firm.**

18 **During my service in the regulatory section of our firm, I have been involved**
19 **in rate cases and other regulatory matters concerning numerous electric, gas,**
20 **telephone, water, and sewer utility companies. My present work consists primarily**
21 **of analyzing rate case and regulatory filings of public utility companies before**
22 **various regulatory commissions and where appropriate, preparing testimony and**
23 **schedules relating to the issues for presentation before these regulatory agencies.**

1 I have performed work in the field of utility regulation on behalf of industry,
2 state attorneys general, consumer groups, municipalities, and public service
3 commission staffs concerning regulatory matters before regulatory agencies in
4 Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida,
5 Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland,
6 Michigan, Minnesota, Mississippi, Missouri, Montana, New Jersey, New Mexico,
7 New York, Nevada, North Carolina, North Dakota, Ohio, Pennsylvania, Puerto Rico,
8 Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont,
9 Virginia, Washington, Washington D.C., West Virginia, and Canada as well as the
10 Federal Energy Regulatory Commission and various state and federal courts of law.

11

12 **Q. Have you previously testified before the Pennsylvania Public Utility**
13 **Commission?**

14 **A. Yes. I have testified before the Pennsylvania Public Utility Commission (“PA PUC”**
15 **or “Commission”) previously on a number of occasions.**

16

17 **Q. Have you previously submitted testimony before the Commission in utility**
18 **merger and acquisition cases?**

19 **A. Yes. I presented testimony on behalf of the Pennsylvania Office of Consumer**
20 **Advocate (“OCA”) in Docket No. A-122250F5000 involving a proposal for**
21 **Approval of the Transfer of All Stock and Rights of The Peoples Natural Gas**
22 **Company d/b/a Dominion Peoples to Equitable Resources. I filed testimony on**
23 **behalf of the Pennsylvania OCA in Docket No. A-2008-2063737, involving a**

1 proposal to transfer all of the issued and outstanding shares of capital stock of The
2 Peoples Natural Gas Company to SteelRiver Infrastructure Fund North America LP
3 (“SRIFNA”). I filed testimony on behalf of the Pennsylvania OCA in Docket No. A-
4 2010-2210326, involving a proposal to transfer all of the issued and outstanding
5 shares of capital stock of T.W. Phillips Gas and Oil Co., currently owned by TWP
6 Inc., to LDC Holdings II LLC, an indirect subsidiary of SRIFNA, and to Approve
7 the Resulting Change in Control of T.W. Phillips Gas and Oil Co.

8 As additional illustrative examples, I filed testimony and participated in the
9 following Pennsylvania acquisition/merger proceedings on behalf of the OCA:

- 10 • LDC Holdings Inc. proposed purchase of T.W. Phillips Gas and Oil
11 Co., Pennsylvania PUC Docket No. A-2010-2210326;
- 12 • Babcock & Brown Infrastructure Fund North America LP proposed
13 acquisition of Peoples Natural Gas Company, Pennsylvania PUC
14 Docket No. A-2008-2063737; and
- 15 • Equitable Resources, Inc. proposed acquisition of Dominion Peoples,
16 Pennsylvania PUC Docket No. A-122250F5000.

17
18 Most recently, I filed testimony on behalf of the OCA in the Aqua-Peoples
19 acquisition/merger case, Docket Nos. A-2018-3006061, A-2018-3006062 and A-
20 2018-3006063.

21
22 **Q. Have you filed testimony in other jurisdictions concerning utility acquisition**
23 **and merger cases?**

24 **A. Yes, as illustrative examples my prior testimony has included evaluations of**
25 **proposed mergers, such as Docket No. T-01051B-99-0497 before the Arizona**
26 **Corporation Commission on behalf of the Utilities Division Staff concerning the**

1 merger of the parent corporations of Qwest Communications Corporation, LCI
2 International Telecom Corp., USLD Communications, Inc., Phoenix Network, Inc.
3 and US WEST Communications, Inc. As other illustrative examples, I filed
4 testimony on behalf of the West Virginia Consumer Advocate Division (“CAD”) in
5 Case No. 08-1761-G-PC, concerning a proposal to transfer all of the issued and
6 outstanding shares of capital stock of Hope Gas, Inc. d/b/a Dominion Hope to
7 SRIFNA and in Case No. 10-0713-E-PC, concerning a proposal for a merger
8 between a subsidiary of FirstEnergy and Allegheny Energy, Inc. and the “change of
9 control” of Monongahela Power Company, Potomac Edison Company and Trans-
10 Allegheny Interstate Line Company.

11 I filed testimony on behalf of the Connecticut Office of Consumer Counsel in
12 Docket No. 15-03-45 before the Connecticut Public Utilities Regulatory Authority
13 (“PURA”) in the Joint Application Of Iberdrola, S.A., et al, and UIL Holdings
14 Corporation for Approval of a Change of Control.

15 I filed testimony on behalf of the District of Columbia District Government
16 in Formal Case No. 1119 before the District of Columbia Public Service
17 Commission concerning the Matter of the Merger of Exelon Corporation, Pepco
18 Holdings, Inc., Potomac Electric Power Company, Exelon Energy Delivery
19 Company, LLC and New Special Purpose Entity, LLC.

20 I filed testimony on behalf of the Steering Committee of Cities Served by
21 Oncor, the Texas Office of Public Counsel, and the Texas Industrial Energy
22 Consumers before the Public Utility Commission of Texas in Docket 46238

1 concerning a proposed acquisition by NextEra Energy, Inc. of Oncor Electric
2 Delivery Company LLC.

3 I also participated/testified in the following acquisition/merger proceedings:

- 4 • Iberdrola, S.A., et al proposed purchase of UIL Holdings Corporation,
5 Massachusetts Department of Utilities, Docket No. 15-26;
- 6 • Proposed merger of Fortis, Inc. and UNS Energy Corporation,
7 Arizona Corporation Commission Docket Nos. E-04230A-14-0011,
8 E-01933A-14-0011;

9

10 **Q. Have you also participated in Pennsylvania water and wastewater utility rate**
11 **cases in which acquired utility systems were addressed?**

12 **A. Yes. On behalf of the OCA I also filed testimony and participated in a number of**
13 **Pennsylvania water and/or wastewater utility rate cases in which acquired systems**
14 **were addressed. Those Pennsylvania rate cases involving water and wastewater**
15 **systems that were acquired by PAWC predated Section 1329.**

16

17 **Q. Have you filed testimony and/or participated in utility rate cases in which the**
18 **fair value of utility assets was analyzed?**

19 **A. Yes, in several Arizona utility rate cases, where fair value was being used to**
20 **established the utility's required operating income and revenue requirement, I**
21 **reviewed and addressed the utility's fair value and reconstruction cost new**
22 **depreciated (RCND) analyses for public utility assets. The Arizona state**
23 **constitution includes a requirement that the Arizona Corporation Commission**
24 **consider fair value in establishing utility rates. I have worked on many Arizona rate**
25 **cases in which original cost, reconstruction cost new depreciated (RCND) and fair**

1 value rate base presented by utilities were reviewed and adjusted. The RCND
2 studies used by Arizona utilities in their rate cases have some similarities to the
3 replacement cost analysis used in the Section 1329 appraisal studies, in that Handy
4 Whitman and other cost indices are applied to historical plant costs to derive
5 reconstruction/replacement values. The fair value rate base used in Arizona rate
6 cases is different than the fair market value concept used in Pennsylvania Section
7 1329 cases where the average of two independent appraisals is compared with the
8 purchase price of utility assets to determine the amount to be used for rate base for
9 the acquired system.

10

11 **Q. Have you participated on project teams that were involved with the valuation of**
12 **water or sewer utility assets for potential purchase or acquisition?**

13 **A. Yes. As an illustrative example, in 1997-1998, on a project for the Village of**
14 **University Park, IL, a Larkin & Associates team I led worked with the engineering**
15 **firm, Crawford, Murphy & Tilly, Inc., to perform a water and sewer valuation study**
16 **for University Park. Various reports were jointly produced for University Park for**
17 **that project.**

18

19 **Q. Have you prepared an attachment summarizing your educational background**
20 **and regulatory experience?**

21 **A. Yes. Attachment A provides details concerning my experience and qualifications.**

22

1 **Purpose of Testimony**

2 **Q. On whose behalf are you appearing?**

3 A. Larkin & Associates, PLLC, was retained by the Pennsylvania Office of Consumer
4 Advocate ("OCA") to review the proposed acquisition by Pennsylvania American
5 Water Company ("PAWC" or "Company" or "Applicant") of the wastewater utility
6 assets of the Borough of Kane Authority ("Kane," "Authority" or "Borough").
7 Accordingly, I am appearing on behalf of the OCA.

8

9 **Q. What is the purpose of the testimony you are presenting?**

10 A. My testimony presents the analysis, results and conclusions of Larkin & Associates'
11 review of this proposed acquisition by PAWC of the Borough wastewater system
12 and the harms it presents to ratepayers in the Commonwealth. The application was
13 filed by PAWC and the Borough pursuant to Sections 507, 1102 and 1329 of the
14 Public Utility Code. My testimony also presents a number of conditions that are
15 necessary to address concerns that I have identified with the acquisition. I also
16 address the valuation studies conducted on behalf of the Borough (seller) and PAWC
17 (buyer) pursuant to Section 1329 of the Public Utility Code. My investigation of the
18 seller's and buyer's valuations has focused on the income, cost and market
19 approaches utilized within these valuation studies.

20

21 **Q. What information did you review in conducting your analysis?**

22 A. In conducting my analysis, I reviewed the Applicant's filed testimony and exhibits
23 and their responses to discovery propounded by the OCA and others. I also
24 reviewed the details underlying the seller's and buyer's proposed valuations.

1

2 **Exhibits Filed with Testimony**

3 **Q. Have you prepared any attachments to be filed with your testimony?**

4 **A. Yes. Exhibits RCS-1 through RCS-6 were prepared by me or under my supervision**
5 **and are attached to my testimony.**

6

7 **Q. Please briefly explain what is included in each of those exhibits.**

8 **A. Exhibit RCS-1 contains a summary of the buyer's and seller's appraisals and the**
9 **OCA adjusted results.**

10 **Exhibit RCS-1 presents a Summary of the OCA's Adjusted Fair Value.**

11 **Exhibit RCS-2 presents the OCA adjustments to the AUS Market Approach.**

12 **Exhibit RCS-3 presents OCA adjustments to the AUS Income Approach.**

13 **Exhibit RCS-4 presents OCA adjustments to Gannett Fleming Income**
14 **Approach.**

15 **Exhibit RCS-5 presents OCA adjustments to AUS Cost Approach. The**
16 **adjustment to the AUS Cost Approach shown on Exhibit RCS-5 is based on applying**
17 **a 50-year useful life-based depreciation rate to the AUS calculated replacement cost**
18 **for account 361, Collection Sewers - Gravity.**

19 **Exhibit RCS-6 presents OCA adjustments to Gannett Fleming Cost**
20 **Approach. This adjustment is based on the estimated accumulated depreciation**
21 **associated with using a 50-year useful life-based depreciation rate to the Gannett**
22 **Fleming calculated replacement cost for account 361, Collection Sewers - Gravity.**

1 Exhibit RCS-7 shows the potential rate impact on existing Kane wastewater
2 utility customers of the Change of Ownership of the wastewater utility system
3 without PAWC's assumed 46% "Act 11 Allocation" of the increase to PAWC water
4 utility customers.

5

6 **Summary of Testimony and Conclusions**

7 **Q. Please summarize your testimony and conclusions.**

8 A. The estimated impact of the proposed transaction would be an approximately 46.5%
9 average rate increase in the rates for current Kane wastewater customers due to the
10 change in ownership of this utility, which PAWC has indicated could occur in its
11 next wastewater utility rate case. As I discuss below, the increase to Kane customers
12 may be as high as 86% if the full costs of the acquisition, including the proposed
13 ratemaking rate base¹, are borne by the Kane customers.² I recommend approval of
14 the Applicant's proposed transaction subject to certain conditions which are
15 necessary to assure that it is in the public interest.

16

17 **Q. What are the conditions under which this acquisition could be approved?**

18 A. In order for the Commission to approve this acquisition, the acquisition must
19 affirmatively promote the service, accommodation, convenience, or safety of the
20 public in some substantial way. The conditions must reflect benefits to the

¹ This does not include the revenue requirement associated with the \$11,213,400 construction expenditures for the Kane service area committed to by PAWC (PAWC Exh. MJG-1).

² Recent developments, including the global Covid-19 pandemic and other events (such as the U.S. stock market collapse and probable economic recession of as yet unknown severity) have occurred after the Applicant submitted the proposed transaction.

1 ratepayers of Pennsylvania that are substantial, and the various risks and harms that
2 could result from the acquisition as proposed by the Applicant must be mitigated.

3 The following conditions and mitigation measures are recommended to protect
4 Pennsylvania ratepayers from the risks associated with the acquisition, and to bring
5 affirmative benefits:

- 6 • The 46.5% average rate increase for Kane ratepayers that PAWC has
7 estimated could occur in the next PAWC wastewater rate case should
8 be mitigated to avoid rate shock associated with the change in
9 ownership.
- 10 • At the time of filing its next base rate case, PAWC shall submit a cost
11 of service study that removes all costs and revenues associated with
12 the operations of the Kane wastewater system. PAWC shall also
13 provide a separate cost of service study for the Kane system at the
14 time of the filing of PAWC's next base rate case.
- 15 • Any claims for AFUDC and deferred depreciation should be
16 addressed in PAWC's next base rate case rather than a "future" case
17 as proposed by PAWC.
- 18 • When PAWC modifies its LTIP to include the Kane wastewater
19 utility, any Kane-related projects reflected in the revised LTIP
20 should be in addition to, and not reprioritize, any capital
21 improvements that PAWC was already committed to undertake for
22 existing customers.
- 23 • Kane and PAWC shall report on the status of missing easements for
24 the Kane wastewater utility one year following the Closing Date.

25
26 By requiring these recommended conditions for approval, the Commission
27 can ensure that Pennsylvania ratepayers and the interests of the Commonwealth are
28 protected from the risks and harm presented by the acquisition, and that affirmative
29 benefits are provided as a result of the acquisition.

31 II. STANDARD OF REVIEW

1 **Q. Please state your understanding of the standard of review that must be met in**
2 **order for the proposed transaction to be approved by the Commission.**

3 **A. The proposed transaction must be reviewed under both Section 1102(a) and Section**
4 **1329 of the Public Utility Code.**

5
6 **Section 1102(a) Requirements**

7 **Q. Please explain your understanding of the Section 1102(a) requirements.**

8 **A. It is my understanding that Section 1102(a) of the Public Utility Code requires the**
9 **Commission to issue a Certificate of Public Convenience as a legal prerequisite to**
10 **certain property transfers by public utilities or their affiliated interests. This same**
11 **statute also requires that a certificate be granted only if “necessary or proper for the**
12 **service, accommodation, convenience or safety of the public”. I have been advised**
13 **by counsel that the Pennsylvania Courts and the Commission have construed this as**
14 **requiring that a proposed acquisition of, or merger with, a public utility “... will**
15 **affirmatively promote the service accommodation, convenience, or safety of the**
16 **public in some substantial way.” City of York v. Pennsylvania Public Utility**
17 **Commission, 449 Pa. 136, 141, 209 A.2d 825, 828 (1973); Popowsky v. Pa. PUC,**
18 **594 Pa. 583, 937 A.2d 1040 (2007) (the Verizon decision).**

19 **Moreover, the provision of substantial benefits, as required by the City of**
20 **York case, cannot be limited to the mitigation of risks created or enhanced by the**
21 **acquisition. That would be equivalent to a no-adverse-effect standard, rather than an**
22 **affirmative benefit requirement.**

23

1 **Section 1329 Requirements**

2 **Q. What changes did 66 Pa. C.S. § 1329 make to the Public Utility Code?**

3 **A. Section 1329, among other things, provides that when a water or wastewater**
4 **municipal utility is acquired by a regulated water or wastewater public utility, the**
5 **utility may value the acquired utility's assets using fair market value. Section 1329**
6 **details the procedure utilities must follow in order to use Section 1329 for utility**
7 **valuation.**

8

9 **Q. Please explain your understanding of the Section 1329 requirements.**

10 **A. 66 Pa. C.S. §1329(a)(2) requires that two utility valuation experts shall perform two**
11 **separate appraisals of the selling utility for the purpose of establishing its fair market**
12 **value. The average of the appraisals determines the "fair market value." The lower**
13 **of the purchase price and the fair market value becomes the amount to be used as the**
14 **ratemaking rate base in the acquiring utility's next rate case.**

15 **Section 1329(a)(3) requires that each utility valuation expert shall determine**
16 **fair market value in compliance with the Uniform Standards of Professional**
17 **Appraisal Practice, employing the cost, market, and income approaches. Section**
18 **1329(a)(2) requires that two appraisals should be averaged to determine the fair**
19 **market value.**

20

21 **III. APPLICANT'S PROPOSED TRANSACTION**

22 **Q. How has the Applicant attempted to present the proposed transaction?**

1 A. The Applicant presented the proposed transaction as having public benefits and a
2 contracted purchase price for the utility assets being acquired that is below the fair
3 value of such assets.

4

5 **Q. Please describe the general nature of PAWC's application.**

6 A. PAWC's Application, filed on December 2, 2019, proposes that the ratemaking
7 rate base for the acquired system, pursuant to Section 1329(c)(2) of the Public Utility
8 Code, is \$17,560,000.

9

10 **Q. In addition to the \$17.56 million of rate base, what additional expenses will the
11 Company record for ratemaking purposes with respect to its Section 1329
12 application?**

13 A. PAWC witness Mr. Nevirauskas stated in his testimony (PAWC Statement No. 3,
14 page 13) that the "transaction and closing costs include the UVE's appraisal fee and
15 the buyer's closing costs, including reasonable attorney fees." Mr. Nevirauskas notes
16 that the Company will justify these costs in "a future base rate proceeding." Mr.
17 Nevirauskas also notes that the exact costs will not be known until after closing, but
18 that the anticipated transaction and closing costs are \$787,000 to \$997,000 (PAWC
19 Statement No. 3, page 14).

20 **Q. What other proposals does PAWC make pursuant to Section 1329 of the Public
21 Utility Code?**

22 A. Pursuant to Section 1329, Mr. Nevirauskas states that PAWC intends to utilize the
23 following provisions of the statute (PAWC Statement No. 3, pages 16-17):

- 1 1. The collection of a DSIC prior to inclusion of the acquired assets in a base
2 rate case;
- 3 2. The accrual of Allowance for Funds Used During Construction (AFUDC)
4 on non-DSIC eligible post-acquisition improvements; and
- 5 3. The deferral of depreciation for book and ratemaking purposes on non-
6 DSIC eligible post-acquisition improvements.

7

8 **Q. Please briefly summarize the Acquisition Transaction that the Joint Applicants**
9 **are proposing.**

10 **A. Under the terms of the Proposed Transaction, PAWC would acquire the wastewater**
11 **utility assets of Kane for \$17.56 million.**

12

13 **Q. Please describe the Kane wastewater utility.**

14 **A. Kane owns and operates a sanitary wastewater collection system that provides**
15 **sanitary wastewater service to approximately 2,019 customers in Kane Borough and**
16 **a portion of Westmore Township in McKean County. The breakout of Kane's**
17 **customer count is: 1,847 residential, 162 commercial, 3 industrial, and 7 municipal.**
18 **The \$17.56 million purchase price for a wastewater utility assets serving 2,019**
19 **customers equates to a cost of approximately \$8,700 per customer.**

20

21 **Q. Does the Application provide the terms of the Proposed Transaction?**

22 **A. Yes, the Asset Purchase Agreement ("APA") dated November 4, 2019 was included**
23 **with the Application. The APA states that the purchase price is Seventeen Million,**
24 **Five Hundred Sixty Thousand Dollars (\$17,560,000). The Application indicates that**
25 **the purchase price is based on arm's length negotiations. PAWC and Kane Borough**
26 **are not affiliated with each other.**

1

2 **Q. Does the APA address any missing easements?**

3 A. Yes, Articles 2.4, 6(m), and 8(p) discuss missing easements. In response to OCA-II-
4 22, the Borough of Kane Authority indicated that \$1,000,000 of the proceeds from
5 the proposed transaction is being retained for up to one year following the closing
6 date. However, the response also indicated that there are no easements missing to
7 the best of the Authority's knowledge. I recommend that the Authority provide a
8 report to all parties notifying the parties no later than one year following the closing
9 date of the number of missing easements discovered and the dollar value of each
10 discovered easement.

11

12 **Q. Has Kane described how it would apply the proceeds from selling its
13 wastewater utility assets to PAWC?**

14 A. Kane indicates that it will distribute 80% of the proceeds to the Borough and 20% to
15 the Township, but will retain \$1,000,000 to secure missing easements for up to one
16 year following the Closing Date.

17

18 **Q. Should PAWC also be required to report on the status of any missing
19 easements?**

20 A. Yes. As a condition of approving the proposed transaction, within one year of the
21 Closing Date, PAWC should be required to report to the Commission and parties to
22 this proceeding, concerning the status of missing easements for the Kane wastewater
23 utility.

1

2 **Q. What public benefits are claimed by Kane Borough?**

3 **A. Kane Borough witness Payne at page 7 of his Direct Testimony claims the following**
4 **benefits of the proposed transaction:**

- 5 • **Because the System would be owned by a public utility rather than a**
6 **municipal authority, the System's assets would become taxable.**
- 7 • **Because PAWC has greater financial resources than does the**
8 **Authority, PAWC is in a better position to replace aging**
9 **infrastructure and make upgrades in the System to address**
10 **increasingly stringent environmental regulations.**
- 11 • **Because the System would be owned by a public utility regulated by**
12 **the Commission, customers of the System would be protected by the**
13 **Commission's rate-making process and its complaint process. They**
14 **would also be able to seek assistance from the Office of Consumer**
15 **Advocate, the Office of Small Business Advocate, and the Bureau of**
16 **Investigation and Enforcement.**
- 17 • **Customers of the System will have access to PAWC's customer**
18 **assistance programs.**
- 19 • **Because PAWC is a large and experienced public utility, it has**
20 **greater expertise in the operation of a wastewater system than does**
21 **the Authority or the Borough, ensuring that customers of the System**
22 **will receive adequate and efficient wastewater service in the future.**
- 23 • **In the APA, PAWC has committed to offer employment to each of**
24 **the current treatment plant operator employees, subject to certain**
25 **conditions. This provision of the agreement was important to the**
26 **Borough.**
- 27 • **PAWC currently provides water service in the Borough. Having the**
28 **same provider of water and wastewater service would make things**
29 **simpler for Borough residents.**

30

31 **Kane Borough witness Bickerton at pages 12 through 14 of his Direct**
32 **Testimony claims that the proposed Transaction would benefit Kane wastewater**
33 **customers in various respects, including benefitting from the following: PAWC's**
34 **experience in managing water and wastewater systems in compliance with the Public**

1 Utility Code, PAWC's capacity to finance capital additions and improvements,
2 enhanced customer service, an immediate increase to the tax base, the lack of an
3 immediate rate impact, and furthering the legislative intent of Section 1329.
4

5 **Q. What public benefits are claimed by PAWC?**

6 A. PAWC witness Daniel Bickerton's Direct Testimony (PAWC Statement 1) at pages
7 12 through 14 claims that the proposed Transaction would benefit Kane wastewater
8 customers in various respects, including benefitting from PAWC's experience in
9 managing and operating water and wastewater systems, which PAWC claims will
10 result in improvements to service to the customer to be transferred, in addition to
11 furthering the Commission's goal of regionalization by becoming part of a larger
12 organization that PAWC claims is more viable from a costs and rates standpoint,
13 providing funds to Kane that can be used for public purposes, and relieving Kane of
14 the burden of operating a wastewater utility.
15

16 **Q. Is the Applicant proposing a rate stabilization plan?**

17 A. No. Mr. Nevirauskas, who is one of the witnesses for the buyer, PAWC, states on
18 page 15 of his direct testimony that Section 1329(g) defines a "rate stabilization
19 plan" as "[a] plan that will hold rates constant or phase rates in over a period of time
20 after the next base rate case" (PAWC Statement No. 3, page 15). Mr. Nevirauskas
21 states that PAWC does not propose a rate stabilization plan for the transaction. He
22 claims that none is required by Section 1329(g). Moreover, he asserts that PAWC is
23 not required under the Final Implementation Order at Docket No. M-2016-2543193

1 to provide testimony, schedules, and work papers in support of a rate stabilization
2 plan, and accordingly, he states that PAWC has not provided such information. He
3 states that, as detailed in Article 6.7 of the APA, PAWC will be charging the
4 Borough's current rates (but not other charges) as the Company's base rates within
5 the service territory. Mr. Nevirauskas states that base rates for the Authority's
6 customers would be addressed and adjusted, as appropriate and without any form of
7 contractual restriction, in PAWC's first base rate case following the transaction
8 (PAWC Statement No. 3, pages 15 through 16).

9
10 **Q. What has PAWC stated concerning its intention to start charging Borough**
11 **wastewater customers a DSIC?**

12 **A.** Mr. Nevirauskas indicates at page 16 of his direct testimony that PAWC is
13 requesting authority from the Commission to approve collection of a distribution
14 system improvement charge ("DSIC") related to the System in the future, prior to the
15 first base rate case in which the System plant-in-service is incorporated into rate
16 base. PAWC would not begin charging a DSIC until the eligible System plant is
17 approved by the Commission in PAWC's Long Term Infrastructure Improvement
18 Plan ("LTIIIP") for wastewater.

19
20 **Q. What amount has the Applicant identified for the amount of anticipated**
21 **Transaction Costs?**

22 **A.** Appendix A-10 of the Applicant's Application estimates the anticipated range of
23 transaction and Closing costs to be approximately \$787,000 to \$997,000.

1

2 **IV. ANALYSIS OF THE PROPOSED TRANSACTION**

3 **Q. Please describe your approach to evaluating the proposed transaction.**

4 **A. It is my understanding that in order to gain Commission approval the proposed**
5 **transaction must provide substantial affirmative benefits to Pennsylvania ratepayers**
6 **and the public. To determine whether the acquisition, as proposed, is likely to**
7 **provide the required substantial benefits, I have considered both: (1) the potential**
8 **costs and risks that will result from the transaction and (2) the amount of benefits**
9 **proposed and the likelihood of Pennsylvania ratepayers enjoying those benefits. I**
10 **am providing an analysis of whether the acquisition, if approved, would provide**
11 **substantial affirmative public benefits. I also testify and present recommended**
12 **adjustments to certain parts of the appraisals performed by the utility valuation**
13 **experts (UVEs): Jerome Weinert of AUS Consultants ("AUS") on behalf of PAWC**
14 **and Harold Walker of Gannett Fleming Valuation and Rate Consultants, LLC**
15 **("Gannett Fleming") on behalf of Kane Borough. My testimony contains an analysis**
16 **of the Cost Approach, Market Approach and Income Approach of each appraisal. I**
17 **am also recommending adjustments to the valuations of the Kane Borough**
18 **wastewater utility system that PAWC is proposing to acquire. I have attached OCA**
19 **Exhibits RCS-1 through RCS-6 to my testimony to support various calculations in**
20 **this testimony.**

21 **Q. Please summarize the rate base valuation claim the Company is making in this**
22 **case.**

1 A. The engineering assessment in this case (Appendix A-16 to the Application) was
2 performed by Gannett Fleming. The licensed engineer responsible for the report is
3 John F. Rae, of Gannett Fleming. Mr. Walker, who is Kane Borough's UVE, also
4 participated in the development of the engineering analysis.

5 Using the engineering analysis developed by Gannett Fleming, AUS
6 Consultants show the original cost of Kane's wastewater collection and treatment
7 system and land to be \$21,023,527.³ With calculated accumulated depreciation of
8 \$12,070,455,⁴ the net book value of the Kane wastewater utility assets is \$8,953,071.

9 PAWC agreed to pay \$17.56 million for the Kane Borough collection and
10 treatment system, or \$8.607 million (96%) over the net book value that was
11 computed by Gannett Fleming.⁵ The appraisers, AUS Consultants and Gannett
12 Fleming, found appraised values of \$24.491 and \$22.885 million respectively, for an
13 averaged appraised value of \$23.688 million. According to PAWC witness Mr.
14 Nevirauskas, the ratemaking rate base is \$17.560 million, pursuant to Section 1329
15 of the Public Utility Code (PAWC Statement No. 3, page 6). As I will explain below,
16 considering the adjustments described in my testimony, the OCA recommends a
17 ratemaking rate base of \$17.560 million based on the purchase price if the
18 Commission approves the application for acquisition (OCA Exhibit RCS-1).

19 **Impact of the Proposed Transaction**

20 **Q. What has PAWC represented would be the impact of the proposed transaction?**

³ See Application Appendix A-5.1, Fair Market Value Appraisal Report As of September 30, 2019 for Pennsylvania American Water Company prepared by AUS Consultants ("AUS Report") at page 14.

⁴ AUS Report at page 14.

⁵ Purchase price of \$17.56 million / \$8.607 million = 1.96, which indicates a 96% increase over the \$8.607 million net book value for the Kane wastewater utility assets that are being acquired by PAWC that was computed by Gannett Fleming.

1 A. PAWC witness Mr. Nevirauskas states at page 6 of his direct testimony that:

2 "The negotiated purchase price for the acquired assets is \$17,560,000
3 and the average of the appraisals of the buyer's Utility Valuation
4 Expert ("UVE") and the seller's UVE is \$23,688,203. Accordingly,
5 the negotiated purchase price of \$17,560,000 is the fair market value
6 for ratemaking purposes under Section 1329 (i.e. the lower of the
7 negotiated purchase price and the average of the UVEs' appraisals).
8 The fair market value as determined by the Section 1329 process, in
9 addition to the transaction and closing costs described below,
10 becomes part of PAWC's rate base for ratemaking purposes."
11

12 Q. What rate increases does the Applicant project for the Kane Borough
13 wastewater utility customers?

14 A. Page 10 of PAWC witness Nevirauskas' direct testimony indicates that, although
15 there would be no immediate rate impacts, potential rate increases of 46.5% for Kane
16 Borough customers could ultimately result:

Kane Borough Authority Wastewater Customers				
Rate Class	Average Usage	Average Monthly Bill at the Authority's Rates at Closing	Potential Average Monthly Bill	Potential Increase
Residential	3,630 gal/month	\$51.87	\$75.99	46.5%
Commercial	22,000 gal/month	\$222.98	\$326.67	46.5%
Industrial	476,000 gal/month	\$3,849.62	\$5,639.69	46.5%

17
18
19 Additionally, Mr. Nevirauskas indicates on page 11 of his direct testimony
20 that there could also be a 2.5% increase to PAWC's other (existing) wastewater
21 utility customers and a 0.1% increase to PAWC's water utility customers.
22 These estimated increases are based on the customer notices provided to Kane and
23 existing PAWC customers, which were calculated based on only 54% of the revenue
24 requirement increase associated with the ratemaking rate base and change in
25 ownership being borne by existing Kane wastewater utility customers. The potential

1 increase to Kane customers could be closer to 86.1% if the total revenue requirement
 2 for the Kane system, including the proposed ratemaking rate base, is borne by the
 3 Kane wastewater utility customers, as shown in the following table and on Exhibit
 4 RCS-7:

Borough of Kane Authority Wastewater Customers Impact of Change of Ownership of Wastewater System without PAWC's Assumed Act 11 Allocation to Water Wastewater								
Rate Class	Average Usage	Average Monthly Bill at Borough of Kane Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase (\$) With 46% of Increase Allocated to PAWC Water Customers per Act 11	Potential Increase (%) with Act 11 Allocation to PAWC Water Customers	Increase to Kane WW Customers without Act 11 Allocation to Water	Potential Average Monthly Bill for Kane WW Customers without Act 11 Allocation to Water	Potential Increase (%) without Act 11 Allocation to PAWC Water Customers
(A)	(B)	(C)	(D)	(E)	(F)=(E/C)-1	(G)	(H)=C+G	(I)=(H/C)-1
Residential	3,630 gal/month	\$ 51.87	\$ 75.99	\$ 24.12	46.5%	\$ 44.67	\$ 96.54	86.1%
Commercial	22,000 gal/month	\$ 222.98	\$ 326.67	\$ 103.69	46.5%	\$ 192.02	\$ 415.00	86.1%
Industrial	476,000 gal/month	\$ 3,849.62	\$ 5,639.69	\$ 1,790.07	46.5%	\$ 3,314.94	\$ 7,164.56	86.1%

Source for columns A through F: PAWC Statement 3 (Nevinskas Direct Testimony), pages 10-11
 Per footnote 4 on PAWC Statement 3, page 11, PAWC reflected an "Act 11 Allocation" of 46%.
 Source for column G: see calculations below:

Rate Class	Increase calculated by PAWC	Increase by	Increase at 100% Impact	46% allocated to Water per Act 11 per PAWC's Calculation	Allocated to Kane WW Customers in PAWC's Calculation
	Col E	(J)	(K)	(L)	(M)
		=I/(1-0.46)		46%	54%
Residential	\$ 24.12	1.851851852	\$ 44.67	\$ 20.55	\$ 24.12
Commercial	\$ 103.69	1.851851852	\$ 192.02	\$ 88.33	\$ 103.69
Industrial	\$ 1,790.07	1.851851852	\$ 3,314.94	\$ 1,524.87	\$ 1,790.07

6 In addition, the proposed capital expenditures for Kane of \$11,213,400 million⁶
 7 shown on page 23 of PAWC Statement 2 (Direct Testimony of Michael Guntrum,
 8 P.E.), are not included in the potential rate impact shown in the notice or in the
 9 potential rate impact that I calculated above.

10 **V. REVIEW OF PAWC'S (BUYER'S) VALUATION (AUS**
 11 **CONSULTANTS)**

12 **Q. What valuation has been submitted on behalf of the buyer, PAWC?**

⁶ Borough of Kane Authority Capital Plan.

1 A. The buyer, PAWC, has presented the Direct Testimony of Jerome C. Weinert, P.E.,
2 Principal and Director for AUS Consultants, Inc. for its claimed valuation of the
3 wastewater assets. PAWC's valuation is summarized on Mr. Weinert's testimony
4 (PAWC Statement 4) at page 3 as follows:

Appraisal Approach	Value Indicator	Weight	Wtd Value Indicator
Cost	29,015,055	50%	14,507,528
Income	17,980,846	40%	7,192,338
Market	27,915,385	10%	2,791,539
Appraisal Conclusion			24,491,405

5
6

7 **Review and Adjustments to Cost Approach**

8 **Q. What is the Cost Approach?**

9 A. The Cost Approach is defined by The American Society of Appraisers as follows:⁷

10 A procedure to estimate the current costs to reproduce or create a
11 property with another of comparable use and marketability.

12

13 **Q. Please discuss the engineer's assessment of tangible assets that was provided in
14 this case.**

15 A. The engineer's assessment in this case was performed by Gannett Fleming. As
16 shown in Appendix A-15, Gannett Fleming determined the original cost of the assets
17 by NARUC account to be \$21,023,527. The original cost includes:

⁷ "Approaches to Value." American Society of Appraisers accessed March 5, 2020,
<http://www.appraisers.org/Disciplines/Personal-Property/pp-appraiser-resources/approaches-to-value>.

ACCOUNT	DESCRIPTION	ORIGINAL COST
353.00	LAND AND LAND RIGHTS	\$ 34,237
354.30	STRUCTURES AND IMPROVEMENTS - PUMPING	\$ 475,825
354.40	STRUCTURES AND IMPROVEMENTS - TREATMENT	\$ 9,273,392
355.00	POWER GENERATION EQUIPMENT	\$ 110,000
360.21	COLLECTION SEWERS - FORCE - MAINS	\$ 425,111
360.22	COLLECTION SEWERS - FORCE - MANHOLES	\$ 9,000
361.21	COLLECTION SEWERS - GRAVITY - MAINS	\$ 4,812,387
361.22	COLLECTION SEWERS - GRAVITY - MANHOLES	\$ 775,039
363.20	SERVICES TO CUSTOMERS	\$ 218,610
364.20	FLOW MEASURING DEVICES	\$ 25,322
371.30	PUMPING EQUIPMENT	\$ 568,613
380.40	TREATMENT AND DISPOSAL EQUIPMENT	\$ 3,004,169
381.40	PLANT SEWERS	\$ 1,093,510
390.70	OFFICE FURNITURE AND EQUIPMENT	\$ 34,642
391.70	TRANSPORTATION EQUIPMENT	\$ 52,227
392.70	STORES EQUIPMENT	\$ 10,000
393.70	TOOLS, SHOP AND GARAGE EQUIPMENT	\$ 81,974
394.70	LABORATORY EQUIPMENT	\$ 7,030
395.70	POWER OPERATED EQUIPMENT	\$ 4,065
396.70	COMMUNICATION EQUIPMENT	\$ 10,376
	TOTAL COMPANY	\$ 21,023,527

1

2 **Q. What original cost and accrued depreciation was used in the AUS valuation?**

3 A. Mr. Weinert used the original cost of the assets by NARUC account of \$21,023,527
4 from the engineer's assessment and calculated accrued depreciation related to those
5 assets through September 30, 2019 of \$8,953,072 for net original cost book value of
6 \$12,070,455.⁸

7

8 **Q. How does that compare with the cost of plant and accumulated depreciation for**
9 **the Kane wastewater utility treatment and collection system that was reported**
10 **on Kane's audited financial statements as of March 31, 2019?**

⁸ The Original Cost (\$OC) \$21,023,527 and Depreciated Original Cost (\$OCLD) \$12,070,455 amounts are listed in the Cost Approach summary in the AUS Appraisal Report detail. See the AUS Appraisal Report at page 14.

1 A. The cost of plant and accumulated depreciation for the Kane wastewater utility
 2 system that was reported on Kane's audited financial statements as of March 31,
 3 2019 is \$20.266 million and \$11.368 million for a net plant amount of \$8.898
 4 million (Application Appendix A-19-a, Borough of Kane Authority and Borough of
 5 Kane Sewer Fund Combined Financial Statements for the year ended March 31,
 6 2019, page 12). Mr. Weinert's calculated net book value on original cost of \$12.070
 7 million is \$3.173 million or 36% higher than the \$8.898 million net plant amount
 8 reported on Kane's audited financial statements as of March 31, 2019.

9
 10 **Q. Has the Kane amount of net plant been declining?**

11 A. Yes, as summarized in the following table, the Kane net wastewater utility plant has
 12 been declining as summarized in the following table which uses audited financial
 13 statement information:

**Borough of Kane Authority and Borough of Kane Sewer Fund
 Selected Audited Financial Information**

Line No.	Plant and Accumulated Depreciation	12-Months Ended:		
		3/31/2017 (A)	3/31/2018 (B)	3/31/2019 (C)
1	Gross property, plant & equipment	\$ 20,222,072	\$ 20,275,057	\$ 20,265,926
2	Accumulated depreciation	\$ 10,384,646	\$ 10,897,470	\$ 11,368,153
3	Net property, plant & equipment	\$ 9,837,426	\$ 9,377,587	\$ 8,897,773
4	Change from prior year		\$ (459,839)	\$ (479,814)

Notes and Source

Borough of Kane Authority and Borough of Kane Sewer Fund
 Audited Financial Statement information

14 Also see Exhibit 1 from Gannett Fleming Fair Market Appraisal Report

15

1 **Q. What value for the Cost Approach was determined in the AUS valuation?**

2 A. A value of \$29,015,055 was determined in the AUS valuation for the Cost approach
3 based on Replacement Cost New Depreciated (RCND) (AUS Appraisal, page 6).
4 Mr. Weinert shows \$55,539,558 for the replacement cost, calculates \$26,524,503 of
5 accumulated depreciation on that for an RCND amount of \$29,015,055, which he
6 uses as the proposed fair value amount under his Cost Approach (AUS Appraisal,
7 page 26).

8

9 **Q. Are you recommending any adjustments to the AUS Cost Approach amount?**

10 A. Yes. As shown on Exhibit RCS-5, AUS used a 75-year life for Collection Sewers-
11 Gravity, account 361. The 75-year life is too long and is significantly different than
12 the 50 year life that PAWC used for wastewater utility assets (excluding Scranton) in
13 its last rate case.⁹ Using the 75 year life for Collection Sewers-Gravity, applied
14 using an R3 Iowa curve to the \$17,472,483 AUS Replacement Cost amount for that
15 account resulted in an RCND amount of \$9,544,842. Applying a 50 year life (50-R3
16 depreciation rate) to the \$17,472,483 AUS Replacement Cost amount for account
17 361 results in an RCND amount of \$6,465,478 as shown on Exhibit RCS-5.
18 PAWC's last rate case used a depreciation rate for account 361 based on a 50 year
19 life and a 50-S1.5 Iowa curve.¹⁰ Applying that depreciation to the \$17,472,483 AUS
20 Replacement Cost amount for account 361 results in an RCND amount of
21 \$6,984,665 as also shown on Exhibit RCS-5. I recommend using the \$6,984,665

⁹ Pennsylvania-American Water Company, 2017 General Base Rate Case, Docket No. R-2017-2595853, Volume 12 from PAWC's Application. Exhibit No. 11-F, Depreciation Study, Wastewater Operations (Excluding Scranton Wastewater) As Of December 31, 2018.

¹⁰ Id.

1 amount as the RCND value for account 361. This results in an adjustment to reduce
2 the AUS Cost Approach by \$2,560,177, as shown on Exhibit 5, which I carried
3 forward onto Exhibit RCS-1.
4

5 **Review and Adjustments to Market Approach**

6 **Q. What is the Market Approach?**

7 A. The Market Approach (called the Sales Comparison Approach by The American
8 Society of Appraisers) is defined by The American Society of Appraisers as
9 follows:¹¹

10 A procedure to conclude an opinion of value for a property by
11 comparing it with similar properties that have been sold or are for sale
12 in the relevant marketplace by making adjustments to prices based on
13 marketplace conditions and the properties' characteristics of value.

14
15 **Q. What transactions were used by Mr. Weinert for his Market Approach?**

16 A. Page 10 of Mr. Weinert's Direct Testimony summarizes the ten comparable sales
17 transactions that he "examined" which include the following transactions:

- 18 1) Aqua/New Garden
- 19 2) PAWC/McKeesport
- 20 3) Aqua/Limerick
- 21 4) SUEZ/Mahoning Water
- 22 5) SUEZ/Mahoning Wastewater
- 23 6) Aqua/East Bradford
- 24 7) PAWC/Sadsbury
- 25 8) PAWC/Exeter
- 26 9) PAWC/Steelton

¹¹ "Approaches to Value." American Society of Appraisers accessed March 5, 2020,
<http://www.appraisers.org/Disciplines/Personal-Property/pp-appraiser-resources/approaches-to-value>.

1 10) Aqua/Cheltenham

2 At page 9 of his Direct Testimony, Mr. Weinert states that he "used
3 comparable sales of water and wastewater properties in the Commonwealth of
4 Pennsylvania subsequent to the passage of Section 1329 because these are valid
5 comparisons to the instant transaction." However, Mr. Weinert did not use all ten
6 transactions in his analysis. Instead, he excluded the following three transactions
7 from his calculations of value under the Market Approach:

- 8 • SUEZ/Mahoning Water
- 9 • SUEZ/Mahoning Wastewater
- 10 • Aqua/East Bradford

11
12 **Q. Does Mr. Weinert's testimony state any reason for excluding those transactions**
13 **from his calculations of value under the Market Approach?**

14 **A. No. I note that in the PAWC/Exeter case (Docket No. A-2018-3004933), Mr.**
15 **Weinert included data for the acquisition of East Bradford Township's wastewater**
16 **assets by Aqua but stated that he did not use it in his calculation because he**
17 **considered it to be an "outlier." Additionally, in the PAWC/Exeter case (Docket No.**
18 **A-2018-3004933), Mr. Weinert was aware of SUEZ's acquisition of the Mahoning**
19 **Township water and wastewater systems but he did not include those in his**
20 **calculation either.**

21
22 **Q. Please discuss Mr. Weinert's exclusion of the East Bradford and**
23 **SUEZ/Mahoning results from his analysis.**

24 **A. In PAWC/Exeter (Docket No. A-2018-3004933) Mr. Weinert claimed that the East**
25 **Bradford acquisition is an "outlier," which he explained in his response to OCA-III-**

1 13 in that docket (attached). During a conference call with OCA in the current case,
2 Mr. Weinert indicated that he considers the East Bradford and SUEZ/Mahoning
3 transactions to be outliers.

4

5 **Q. Is it appropriate to exclude those transactions?**

6 **A. No. The East Bradford and SUEZ/Mahoning acquisitions are three of only ten fair
7 market value acquisitions that have been approved by the Commission. Of the ten
8 available transactions that Mr. Weinert listed, he used only seven, and excluded
9 three. A sample size of only 7 to 10 acquisitions is far too small to say that an
10 acquisition is an outlier. I would further note that these acquisitions are the three
11 least expensive acquisitions that have been filed under Section 1329. Removing the
12 East Bradford and SUEZ/Mahoning acquisitions from the analysis while using the
13 other, more expensive acquisitions serves only to increase the final result. All ten of
14 the listed Section 1329 acquisitions should be utilized in the calculations.**

15

16 **Q. How did Mr. Weinert calculate his result using the transactions that he
17 selected?**

18 **A. As replicated on OCA Exhibit RCS-2, Mr. Weinert divided the sum of the purchase
19 prices for the seven transactions he used by the sum of the RCNLD amounts from
20 the same acquisitions.**

21

22 **Q. Please discuss the impact of using a weighted average for that calculation.**

1 **A.** **The weighted average, as used by Mr. Weinert, overstates the impact of a single**
2 **large acquisition in the average result. Using a weighted average of the comparable**
3 **sales rather than a simple average of the results of each sale causes larger**
4 **acquisitions to have a greater impact on the conclusion than smaller acquisitions.**
5 **This is improper because each sale represents a Section 1329 fair market value**
6 **transaction, and therefore the results of each should be considered. A simple average**
7 **is needed so that the result is not distorted by a large acquisition.**

8

9 **Q.** **In Mr. Weinert's market analysis, did he use the fair market value ratemaking**
10 **rate base amounts approved by the Commission?**

11 **A.** **No. Mr. Weinert instead used the purchase prices, which are in many instances**
12 **higher than the ratemaking rate base amounts approved by the Commission, as**
13 **shown in comparison presented in OCA Exhibit RCS-2.**

14

15 **Q.** **Please summarize Mr. Weinert's Market Approach methodology.**

16 **A.** **Mr. Weinert's Market Approach calculation is calculated on the Market Approach**
17 **tab of the AUS Spreadsheet. Mr. Weinert's analysis produces a result of**
18 **\$27,915,382 and is reproduced on OCA Exhibit RCS-2. This Market Approach**
19 **conclusion is calculated as the sum of the purchase prices for the listed acquisitions,**
20 **divided by the Reproduction Cost New Less Depreciation (RCNLD) amounts from**
21 **the same acquisitions. The result, 0.9621, is multiplied by Kane Borough's RCNLD**
22 **of \$29,015,055 to derive the Market Approach value of \$27,915,385.**

23

1 **Q. Do you have any comments on the proxy group used by Mr. Weinert?**

2 **A. Yes. Mr. Weinert's proxy group consists of only seven of the ten Pennsylvania**
3 **acquisitions filed under Section 1329. Mr. Weinert's proxy group does not include**
4 **three of the other Pennsylvania Section 1329 acquisitions or out-of-state**
5 **acquisitions.**

6

7 **Q. Has the Commission provided guidance on the selection of the proxy group?**

8 **A. Yes. The Commission's Final Supplemental Implementation Order, page 87, states**
9 **that "The proxy group used for calculating market value should not be limited to**
10 **only companies which engage in Pennsylvania fair market value acquisitions." Mr.**
11 **Weinert's use of only seven Section 1329 Pennsylvania fair market value**
12 **acquisitions appears to vary from this Commission Order.**

13 **Additionally, even among the Pennsylvania fair market value acquisitions,**
14 **Mr. Weinert used only seven of the Pennsylvania Section 1329 acquisitions to date,**
15 **excluding three other recent acquisitions, as I discuss below.**

16

17 **Q. Please discuss the comparable acquisitions excluded from Mr. Weinert's**
18 **analysis.**

19 **A. As noted above, Mr. Weinert included data for the acquisition of East Bradford**
20 **Township's wastewater assets by Aqua and the SUEZ acquisitions of Mahoning**
21 **Water and Wastewater, but did not use those in his calculation because he considers**
22 **those to be "outliers."**

23

1 **Q. Should those be included in the Market Approach calculations?**

2 **A. Yes.**

3

4 **Q. In Mr. Weinert's market analysis, did he use the fair market value ratemaking**
5 **rate base amounts approved by the Commission?**

6 **A. No. For a number of the transactions, Mr. Weinert instead used the purchase prices,**
7 **which are higher than the ratemaking rate base amounts approved by the**
8 **Commission, as shown on OCA Exhibit RCS-2.**

9

10 **Q. Please discuss Mr. Weinert's use of a method of calculating his result by**
11 **dividing the sum of purchase prices by the sum of the RCNLD amounts from**
12 **the same acquisitions.**

13 **A. The weighted average, as used by Mr. Weinert, overstates the impact of a single**
14 **large acquisition in the average result. As discussed above with regard to the Cost**
15 **Approach analysis, using a weighted average of the comparable sales rather than a**
16 **simple average of the results of each sale causes larger acquisitions to have a greater**
17 **impact on the conclusion than smaller acquisitions. This is improper because each**
18 **sale represents a Section 1329 fair market value transaction, and therefore the results**
19 **of each should be considered. A simple average is needed so that the result is not**
20 **distorted by a large acquisition.**

21

22 **Q. After incorporating the modifications outlined above, what is your**
23 **recommendation regarding the AUS Market Approach result?**

1 A. Using AUS Consultants' methodology, the weighted average ratio of purchase prices
2 to RCNLD amounts is multiplied by the acquired system's RCNLD. As shown on
3 OCA Exhibit RCS-2, the modified AUS Market Approach result is \$23,252,665,
4 which is \$4,662,719 lower than the amount proposed by Mr. Weinert. This
5 adjustment reflects my recommendation that the East Bradford and Mahoning water
6 and sewer acquisitions be included, as well as a simple average rather than a
7 weighted average be used. My calculations are shown in OCA Exhibit RCS-2.

8 **Review and Adjustments to Income Approach**

9 **Q. What is the Income Approach?**

10 A. The income approach involves capitalizing and discounting a future income stream
11 to a present value. The theory behind the income approach is that the value of the
12 business is the future economic benefit that ownership will provided.

13

14 **Q. In applying the Income Approach is it necessary to recognize how the income of
15 a cost-based rate-regulated public utility is determined, and how that is
16 different from companies operating in competitive markets?**

17 A. Yes. Unlike unregulated businesses, public utilities' revenues, income streams, and
18 cash flows are a direct function of the capital investments required to operate the
19 utility. This is commonly referred to as the rate base/rate of return method of
20 ratemaking. A utility's allowable revenue requirement is equal to its cash operating
21 expenses plus depreciation plus a return on its net investment (rate base) plus income
22 taxes on the return. Therefore, the resulting annual net cash flow is equal to
23 depreciation plus the after-tax return on the net investment. As such, the higher the

1 assumed level of investment, the higher the periodic cash flows and the higher the
2 ultimate valuation.

3 **Q. Please discuss the concept of terminal value when applying the Income**
4 **Approach to a rate-regulated public utility.**

5 **A. The income approach models utilized by both the buyer and seller employ a**
6 **discounted cash flow model wherein annual cash flows are projected based upon**
7 **forecasted levels of revenues, cash O&M expenses, income taxes, capital**
8 **expenditures and changes in working capital. These annual cash flows are modeled**
9 **for a set number of years into the future and then a terminal value is added to the**
10 **previous discounted annual cash flows as a measure of the expected cash flows in**
11 **perpetuity. The fundamental flaw in both of these analysts' models is their**
12 **calculation of the terminal values for Kane's wastewater operations.**

13 In calculating the terminal value, both of these analysts utilized what is
14 known as a "capitalization rate" to project future cash flows in perpetuity. In simple
15 terms, each of these analysts calculated a terminal value (in nominal terms) by
16 applying the projected cash flow in the last year of the model to a capitalization rate.
17 Specifically, the last model year's annual cash flow is multiplied by 1 divided by the
18 calculated capitalization rate. Mathematically, this approach escalates annual cash
19 flows at a constant annual growth rate (percent) in perpetuity. It essentially assumes
20 that net cash flows would grow at a constant annual growth rate to infinity. A
21 capitalization rate is defined as a firm's total cost of capital (k) minus its expected
22 future annual constant rate of growth (g).

23

1 **Q. Why is it inappropriate to apply a capitalization rate concept to estimate the**
2 **terminal value of a regulated public utility?**

3 **A. While the use of capitalization rates may be appropriate for an unregulated/non-**
4 **utility business enterprise, this approach is not realistic or appropriate for**
5 **determining the terminal value of public utilities. The theory underlying the use of**
6 **capitalization rates is that a firm's net cash flow will grow at a constant rate in**
7 **perpetuity without significant reinvestment greater than historical depreciation.**
8 **However, such is not the case for regulated utilities. A regulated utility's net cash**
9 **flow is a direct function of its plant in service. A utility's net cash flow can, and**
10 **will, only grow with increases to its plant investment and rate base. In recent years,**
11 **the Kane wastewater net plant has been declining; however, over a sufficiently long**
12 **period of time, it is expected that the Kane wastewater utility plant investment will**
13 **grow as aging plant is replaced. For a rate regulated utility, it is important to**
14 **understand that for discounted cash flow valuation purposes, capital expenditures**
15 **(that give rise to plant additions) are treated as a negative cash outflow during the**
16 **year in which the expenditure is made. The utility recoups these additional**
17 **investments over time through future depreciation rates. Spending on plant additions**
18 **is a use of cash and depreciation expense is a source of cash.**

19 **Q. How does the failure to consider the source and use of cash in the valuation**
20 **estimates that have been submitted on behalf of the buyer and seller result in a**
21 **significant overstatement of the "terminal" value component?**

22 **A. The fatal flaw in both the buyer and seller analysts' estimation of a "terminal" value**
23 **is that the capital expenditures in the last year of the model are much less than the**

1 depreciation expense on existing plant during that year. Therefore, under these
2 analysts' assumptions and modeling techniques, the Kane wastewater utility is
3 depreciating and using up its existing plant faster, and to a higher degree, than it is
4 making investments to replace that plant. Clearly, this practice cannot be sustained.

5
6 **Q. What amounts for cash flow from operations and depreciation for the "year 20
7 and beyond" period did Mr. Weinert use?**

8 **A. Mr. Weinert's "year 20 and beyond" calculations reflect an amount for "Cash Flow
9 from Operations" of \$2,436,979 annually in perpetuity but "Capital Expenditures"
10 of only \$153,347 annually (AUS Appraisal, page 8), a situation which would not be
11 sustainable. After subtracting estimated annual income taxes for year 20 and beyond
12 in the amount of \$475,124 from that pre-tax cash flow amount of \$2,436,979, he
13 determined an annual net cash flow amount in perpetuity (for year 20 and beyond) of
14 \$1,808,508, which he then multiplied by the factor of 3.582 to derive his "terminal"
15 value amount of \$6,478,076 (AUS Appraisal, page 8). This analysis of the
16 "terminal" value, however, is fatally flawed for a cost-based rate-regulated public
17 utility because an annual "Capital Expenditures" amount of only \$153,347 could not
18 sustain an annual pre-tax cash flow level of \$2,436,979 in perpetuity.**

19
20 **Q. Please explain how you have adjusted for the terminal value in the Income
21 Approach using the AUS calculation.**

22 **A. As reproduced on OCA Exhibit RCS-3, Mr. Weinert's Income Approach valuation
23 of \$17,980,846 included a terminal valuation amount of \$6,478,076 for year 20 and**

1 beyond which was added to his discounted cash flow (DCF) analysis amount of
 2 \$11,502,770 for years 1 through 19. I have adjusted that "terminal" valuation
 3 amount downward by \$4.602 million as shown on OCA Exhibit RCS-3. The
 4 different approach to calculating the "terminal" value is what results in the \$4.602
 5 million adjustment.

6 **VI. REVIEW OF (KANE) SELLER'S VALUATION (GANNETT**
 7 **FLEMING)**

8 **Q. What valuation has been submitted on behalf of the seller, Borough of Kane**
 9 **Authority?**

10 **A. The seller, Kane, has presented testimony and a valuation study sponsored by Harold**
 11 **Walker, Manager-Financial Studies at Gannett Fleming that claims a fair market**
 12 **value of \$22.885 million based on the following:**

Approach	Indicated Value	Weight	Weighted Value
Cost Approach	\$33,693,500	33.00%	\$11,118,855
Market Approach	19,926,962	34.00%	6,775,167
Income Approach	15,125,204	33.00%	4,991,317
		100%	\$22,885,339
Conclusion			\$22,885,000

14
 15

16 **Review and Adjustments to Cost Approach**

17 **Q. How did Mr. Walker determine his Cost Approach amount?**

18 **A. As described in his report on page 26, Mr. Walker calculated a replacement cost of**
 19 **the Kane wastewater assets of \$57,678,743 using various escalation factors, and**
 20 **calculated accrued depreciation on the replacement cost through June 30, 2019 of**
 21 **\$23,985,243, for a net replacement cost of \$33,693,500.**

1

2 **Q. Are you recommending any adjustments to the Kane (Gannett Fleming) Cost**
3 **Approach amount?**

4 **A. Yes. As shown on Exhibit RCS-6, I recommend an adjustment to the Gannett**
5 **Fleming Cost Approach, based on the estimated accumulated depreciation associated**
6 **with using a 50-year useful life-based depreciation rate to the Gannett Fleming**
7 **calculated replacement cost for account 361, Collection Sewers - Gravity. Based on**
8 **the use of a 50-year life versus the 65 and 60 year lives used in the Gannett Fleming**
9 **study, the accumulated depreciation reserve for Gravity Collection Sewers in**
10 **account 361 is 60% rather than 48%. This adjustment reduces the Gannett Fleming**
11 **Cost Approach amount by \$2,525,978 as shown on Exhibit RCS-6.**

12 **Review and Adjustments to Market Approach**

13 **Q. What valuation did Mr. Walker calculate for his Market Approach?**

14 **A. As summarized in his report at page 42, Mr. Walker calculated a value of the Kane**
15 **wastewater utility assets of \$19,926,962.**

16

17 **Q. How did Mr. Walker derive that amount?**

18 **A. He used a combination of the results presented on his Exhibits 15 (Market Multiple**
19 **Method) and 16 (Selected Transactions Method). To derive his calculated a value of**
20 **the Kane wastewater utility assets of \$19,926,962, Mr. Walker averaged his**
21 **conclusion amount of \$17,333,513 for the Market Multiple Method that is shown on**
22 **his Exhibit 13, page 1 of 3, with a median value amount of \$22,520,411 for his**

1 Selected Transactions Method, which is not shown on but can be calculated from
2 information presented on his original Exhibit 16.

3 Referring to his Exhibit 15, page 1 of 3, he calculated a median value of
4 \$17,333,513 by averaging his Market Multiple Method Valuation results of
5 \$21,889,140 for capital items and \$12,777,886 for demographic items.

6 Referring to his original Exhibit 16, page 1 of 4, Mr. Walker averaged the
7 \$31,568,322 indicated value shown on line 7 for all of his selected comparable
8 transaction companies and the \$23,472,500 shown on line 14 for his selected
9 transactions involving "integrated" companies, for a median value amount of
10 \$22,520,411.

11 He distinguished transactions involving water and wastewater utilities with
12 "integrated" systems, i.e., having both treatment plants and collection/distribution
13 and those not having treatment plants ("collection/ distribution" or "C/D"). Because
14 the Kane wastewater system includes a treatment plant and a collection system, Mr.
15 Walker weighted his calculation to emphasize his comparable results for "integrated"
16 systems. By averaging his results for all of his selected comparable transactions and
17 the results of his comparable transactions involving "integrated" systems, he
18 effectively counts the "integrated" systems results twice and the results of the "C/D"
19 systems once, in his derivation of the median result of \$22,520,411. The
20 \$22,520,411 median result that Mr. Walker used is not shown on his original Exhibit
21 16, page 1 of 4, but was explained to OCA by Mr. Walker during an informal
22 informational call on March 17, 2020.

23

1 **Q. What transactions were used by Mr. Walker for his Market Approach?**

2 **A. Page 22 of Mr. Walker's testimony indicates that he reviewed the following**

3 **transactions for his Market Approach:**

- 4 • **Sale of the Municipal Authority of the City of McKeesport wastewater**
- 5 **system to Pennsylvania-American Water Company in 2017.**
- 6 • **Sale of New Garden Township Sewer Authority to Aqua Pennsylvania in**
- 7 **2017.**
- 8 • **Sale of Limerick Township Wastewater to Aqua Pennsylvania in 2017.**
- 9 • **Sale of Steelton Borough Authority Water system to Pennsylvania-American**
- 10 **Water Company in 2019.**
- 11 • **Sale of Exeter Township Wastewater system to Pennsylvania-American**
- 12 **Water Company in 2019.**
- 13 • **Sale of Sadsbury Township Wastewater system to Pennsylvania-American**
- 14 **Water Company in 2018.**
- 15 • **Sale of East Bradford Township Wastewater to Aqua Pennsylvania in 2018.**
- 16 • **Sale of Mahoning Township Water system to Suez Water Pennsylvania Inc.**
- 17 **in 2018.**
- 18 • **Sale of Mahoning Township Wastewater system to Suez Water Pennsylvania**
- 19 **Inc. in 2018.**
- 20 • **Sale of Cheltenham Township Wastewater to Aqua Pennsylvania in 2019.**
- 21

22 **Furthermore, as indicated on page 23 of his direct testimony, Mr. Walker reviewed**

23 **the purchase of Connecticut Water Service Inc. by SJW group.**

24

25 **Q. Are you recommending any adjustments to Mr. Walker's Market Approach?**

26 **A. Not at this time.**

27

28 **Review and Adjustments to Income Approach**

29 **Q. What value has Mr. Walker used for his Income Approach?**

30 **A. As summarized on his Exhibit 17, he used a value of \$15,125,204 for his income**

31 **approach.**

32

1 **Q. How did Mr. Walker derive that amount?**

2 **A. He averaged median indicated value amount results that are shown on his Exhibit 13,**
3 **page 1 of 3 (DCF with Capitalization of Terminal Value Model with Muni**
4 **Ownership) and median indicated value amounts that are shown on his Exhibit 14,**
5 **page 4 of 5 (DCF with Capitalization of Terminal Value Model with investor owned**
6 **utility ownership).**

7
8 **Q. Which amounts from his Exhibit 13, page 4 of 5, did Mr. Walker use?**

9 **A. He averaged the \$19,650,962 and \$15,145,514 indicated value amounts shown on**
10 **Exhibit 13, page 4 of 5 for the DCF with Capitalization of Terminal Value Model at**
11 **3.32% and the DCF with EBIT and EBITDA Terminal Value Model - Discount Rate**
12 **of 3.32%, respectively. The average of those two amounts is \$17,398,238 as**
13 **summarized below:**

<u>Income Approach DCF with Capitalization of Terminal Value</u>	<u>Indicated Value</u>
DCF with capitalization of terminal value - Muni ownership	\$ 19,650,962
DCF with EBIT and EBITA terminal value - Muni ownership	\$ 15,145,514
Median Indicated Value - Muni Ownership	\$ 17,398,238

14 **Source: Walker Exhibit 13, page 4 of 5**

15

16 **Q. What amounts on Exhibit 14 did Mr. Walker use?**

17 **A. He averaged the four amounts from his Exhibit 14, page 4, as summarized below**
18 **(and shown on Exhibit RCS-4, page 1), to derive a median indicated value of**
19 **\$12,852,169 for his DCF approach with investor owned utility ownership:**

<u>IOU Ownership</u>	
DCF With Capitalization of Terminal Value Model @ 6.11%	\$ 12,123,193
DCF With Capitalization of Terminal Value Model @ 7.40%	\$ 9,914,907
DCF With EBIT & EBITDA Terminal Value Model - Discount Rate of 6.41%	\$ 15,326,911
DCF With EBIT & EBITDA Terminal Value Model - Discount Rate of 7.70%	\$ 13,581,144
Median	\$ 12,852,169

2 **Q. Have you adjusted those results?**

3 A. Yes. As discussed above with regard to Mr. Weinert's Income Approach, the
4 approach to quantifying the terminal value should recognize that the wastewater
5 assets are for a regulated utility, not an unregulated business. As shown on Exhibit
6 RCS-4, pages 2 and 3, I have recalculated the valuation of the terminal value using
7 the amount of Net Plant less Accumulated Deferred Income Taxes (ADIT)
8 remaining at the end of Year 13. Exhibit RCS-4, page 2, shows the calculations
9 under municipal ownership, with an indicated value result of \$15,158,678. Page 3
10 shows the calculations under IOU ownership with an indicated value result of
11 \$10,528,629. The two indicated value results are averaged, as shown on Exhibit
12 RCS-4, page 1, for an adjusted Income Approach value of \$12,843,653. The
13 difference in the indicated value of \$2,281,550 results from the different approach to
14 calculating the "terminal" value for a regulated public utility, which is different than
15 the "terminal" value calculation for a non-regulated business.

16 The adjusted Income Approach value of \$12,843,653 is \$2,281,550 lower
17 than Mr. Walker's proposed amount of \$15,125,204.

18

19 **VII. CONCLUSIONS AND RECOMMENDATIONS**

20 **Q. Please summarize your conclusions regarding the claimed benefits of the**
21 **acquisition.**

1 A. PAWC's claims that the acquisition will benefit existing customers are vague,
2 unsupported and unquantified. The costs of adding the \$17.56 million increase in
3 rate base due to the ownership change have been projected by PAWC to result in rate
4 increases of approximately 46.5% to the Kane wastewater customers using PAWC's
5 "Act 11 Allocation" assumption of 46 percent of the increase being allocated to
6 PAWC water customers, or an increase of 86.1% to the if Kane wastewater
7 customers if the impact of the change in ownership were fully borne by Kane
8 wastewater customers, as shown on Exhibit RCS-7. Additionally, capital additions
9 by PAWC in the amount of \$11,213,400 (PAWC Exh. MJG-1) for the Kane
10 Borough system could result in wastewater rates for the Kane wastewater continuing
11 to increase.

12
13 **Q. Please summarize your conclusions and recommendations.**

14 A. The transaction proposed by the Applicant would create significant additional costs
15 and presents significant risks to Pennsylvania ratepayers. I recommend that the
16 Commission should approve the proposed acquisition only if sufficient conditions
17 are met to clearly establish substantial affirmative benefits of the acquisition, to limit
18 ratepayer exposure to the risks of the acquisition, and to ensure that ratepayers
19 receive a fair allocation of the benefits of the acquisition. The Commission should
20 put in place sufficient conditions to bring substantial affirmative benefits to
21 customers and to the Commonwealth.

22 If the Commission approves the acquisition, the Commission should adopt
23 the OCA's proposed adjustments to the appraisals. If the Commission approves the

1 acquisition, the OCA recommends a ratemaking rate base of \$17.56 million based on
2 the lower amount of the purchase price versus the adjusted appraised value.

3 Additionally, the Commission should only approve the acquisition if the
4 following conditions are required:

- 5 1) The 46.5% average rate increase for Kane ratepayers that PAWC has
6 estimated could occur in the next PAWC wastewater rate case should
7 be mitigated to avoid rate shock associated with the change in
8 ownership.
- 9 2) At the time of filing its next base rate case, PAWC shall submit a cost
10 of service study that removes all costs and revenues associated with
11 the operations of the Kane wastewater system. PAWC shall also
12 provide a separate cost of service study for the Kane system at the
13 time of the filing of PAWC's next base rate case.
- 14 3) Any claims for AFUDC and deferred depreciation should be
15 addressed in PAWC's next base rate case rather than a "future" case
16 as proposed by PAWC.
- 17 4) When PAWC modifies its LTIP to include the Kane wastewater
18 utility, any Kane-related projects reflected in the revised LTIP
19 should be in addition to, and not reprioritize, any capital
20 improvements that PAWC was already committed to undertake for
21 existing customers.
- 22 5) Kane and PAWC shall report on the status of missing easements for
23 the Kane wastewater utility one year following the Closing Date.

24
25 **Q. Does this conclude your direct testimony?**

26 **A. Yes, it does.**

Appendix A
QUALIFICATIONS OF RALPH C. SMITH

Accomplishments

Mr. Smith's professional credentials include being a Certified Financial Planner™ professional, a Certified Rate of Return Analyst, a licensed Certified Public Accountant and attorney. He functions as project manager on consulting projects involving utility regulation, regulatory policy and ratemaking and utility management. His involvement in public utility regulation has included project management and in-depth analyses of numerous issues involving telephone, electric, gas, and water and sewer utilities.

Mr. Smith has performed work in the field of utility regulation on behalf of industry, public service commission staffs, state attorney generals, municipalities, and consumer groups concerning regulatory matters before regulatory agencies in Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, New Jersey, New Mexico, New York, Nevada, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Puerto Rico, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Washington DC, West Virginia, Canada, Federal Energy Regulatory Commission and various state and federal courts of law. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on several occasions.

Project manager in Larkin & Associates' review, on behalf of the Georgia Commission Staff, of the budget and planning activities of Georgia Power Company; supervised 13 professionals; coordinated over 200 interviews with Company budget center managers and executives; organized and edited voluminous audit report; presented testimony before the Commission. Functional areas covered included fossil plant O&M, headquarters and district operations, internal audit, legal, affiliated transactions, and responsibility reporting. All of our findings and recommendations were accepted by the Commission.

Key team member in the firm's management audit of the Anchorage Water and Wastewater Utility on behalf of the Alaska Commission Staff, which assessed the effectiveness of the Utility's operations in several areas; responsible for in-depth investigation and report writing in areas involving information systems, finance and accounting, affiliated relationships and transactions, and use of outside contractors. Testified before the Alaska Commission concerning certain areas of the audit report. AWWU concurred with each of Mr. Smith's 40 plus recommendations for improvement.

Co-consultant in the analysis of the issues surrounding gas transportation performed for the law firm of Cravath, Swaine & Moore in conjunction with the case of Reynolds Metals Co. vs. the Columbia Gas System, Inc.; drafted in-depth report concerning the regulatory treatment at both state and federal levels of issues such as flexible pricing and mandatory gas transportation.

Lead consultant and expert witness in the analysis of the rate increase request of the City of Austin - Electric Utility on behalf of the residential consumers. Among the numerous ratemaking issues addressed were the economies of the Utility's employment of outside services; provided both written and oral testimony outlining recommendations and their bases. Most of Mr. Smith's recommendations were adopted by the City Council and Utility in a settlement.

Key team member performing an analysis of the rate stabilization plan submitted by the Southern Bell Telephone & Telegraph Company to the Florida PSC; performed comprehensive analysis of the Company's projections and budgets which were used as the basis for establishing rates.

Lead consultant in analyzing Southwestern Bell Telephone separations in Missouri; sponsored the complex technical analysis and calculations upon which the firm's testimony in that case was based. He has also assisted in analyzing changes in depreciation methodology for setting telephone rates.

Lead consultant in the review of gas cost recovery reconciliation applications of Michigan Gas Utilities Company, Michigan Consolidated Gas Company, and Consumers Power Company. Drafted recommendations regarding the appropriate rate of interest to be applied to any over or under collections and the proper procedures and allocation methodology to be used to distribute any refunds to customer classes.

Lead consultant in the review of Consumers Power Company's gas cost recovery refund plan. Addressed appropriate interest rate and compounding procedures and proper allocation methodology.

Project manager in the review of the request by Central Maine Power Company for an increase in rates. The major area addressed was the propriety of the Company's ratemaking attrition adjustment in relation to its corporate budgets and projections.

Project manager in an engagement designed to address the impacts of the Tax Reform Act of 1986 on gas distribution utility operations of the Northern States Power Company. Analyzed the reduction in the corporate tax rate, uncollectibles reserve, ACRS, unbilled revenues, customer advances, CIAC, and timing of TRA-related impacts associated with the Company's tax liability.

Project manager and expert witness in the determination of the impacts of the Tax Reform Act of 1986 on the operations of Connecticut Natural Gas Company on behalf of the Connecticut Department of Public Utility Control - Prosecutorial Division, Connecticut Attorney General, and Connecticut Department of Consumer Counsel.

Lead Consultant for The Minnesota Department of Public Service ("DPS") to review the Minnesota Incentive Plan ("Incentive Plan") proposal presented by Northwestern Bell Telephone Company ("NWB") doing business as U S West Communications ("USWC"). Objective was to express an opinion as to whether current rates addressed by the plan were appropriate from a Minnesota intrastate revenue requirements and accounting perspective, and to assist in developing recommended modifications to NWB's proposed Plan.

Performed a variety of analytical and review tasks related to our work effort on this project. Obtained and reviewed data and performed other procedures as necessary (1) to obtain an understanding of the Company's Incentive Plan filing package as it relates to rate base, operating income, revenue requirements, and plan operation, and (2) to formulate an opinion concerning the reasonableness of current rates and of amounts included within the Company's Incentive Plan filing. These procedures included requesting and reviewing extensive discovery, visiting the Company's offices to review data, issuing follow-up information requests in many instances, telephone and on-site discussions with Company representatives, and frequent discussions with counsel and DPS Staff assigned to the project.

Lead Consultant in the regulatory analysis of Jersey Central Power & Light Company for the Department of the Public Advocate, Division of Rate Counsel. Tasks performed included on-site review and audit of Company, identification and analysis of specific issues, preparation of data requests, testimony, and cross examination questions. Testified in Hearings.

Assisted the NARUC Committee on Management Analysis with drafting the Consultant Standards for Management Audits.

Presented training seminars covering public utility accounting, tax reform, ratemaking, affiliated transaction auditing, rate case management, and regulatory policy in Maine, Georgia, Kentucky, and Pennsylvania. Seminars were presented to commission staffs and consumer interest groups.

Previous Positions

With Larkin, Chapski and Co., the predecessor firm to Larkin & Associates, was involved primarily in utility regulatory consulting, and also in tax planning and tax research for businesses and individuals, tax return preparation and review, and independent audit, review and preparation of financial statements.

Installed computerized accounting system for a realty management firm.

Education

Bachelor of Science in Administration in Accounting, with distinction, University of Michigan, Dearborn, 1979.

Master of Science in Taxation, Walsh College, Michigan, 1981. Master's thesis dealt with investment tax credit and property tax on various assets.

Juris Doctor, cum laude, Wayne State University Law School, Detroit, Michigan, 1986. Recipient of American Jurisprudence Award for academic excellence.

Continuing education required to maintain CPA license and CFP® certificate.

Passed all parts of CPA examination in first sitting, 1979. Received CPA certificate in 1981 and Certified Financial Planning certificate in 1983. Admitted to Michigan and Federal bars in 1986.

Michigan Bar Association.

American Bar Association, sections on public utility law and taxation.

Partial list of utility cases participated in:

79-228-EL-FAC	Cincinnati Gas & Electric Company (Ohio PUC)
79-231-EL-FAC	Cleveland Electric Illuminating Company (Ohio PUC)
79-535-EL-AIR	East Ohio Gas Company (Ohio PUC)
80-235-EL-FAC	Ohio Edison Company (Ohio PUC)
80-240-EL-FAC	Cleveland Electric Illuminating Company (Ohio PUC)
U-1933	Tucson Electric Power Company (Arizona Corp. Commission)
U-6794	Michigan Consolidated Gas Co. -16 Refunds (Michigan PSC)
81-0035TP	Southern Bell Telephone Company (Florida PSC)
81-0095TP	General Telephone Company of Florida (Florida PSC)
81-308-EL-EFC	Dayton Power & Light Co.- Fuel Adjustment Clause (Ohio PUC)
810136-EU	Gulf Power Company (Florida PSC)
GR-81-342	Northern States Power Co. -- E-002/Minnesota (Minnesota PUC)
Tr-81-208	Southwestern Bell Telephone Company (Missouri PSC)
U-6949	Detroit Edison Company (Michigan PSC)
8400	East Kentucky Power Cooperative, Inc. (Kentucky PSC)
18328	Alabama Gas Corporation (Alabama PSC)
18416	Alabama Power Company (Alabama PSC)
820100-EU	Florida Power Corporation (Florida PSC)
8624	Kentucky Utilities (Kentucky PSC)
8648	East Kentucky Power Cooperative, Inc. (Kentucky PSC)
U-7236	Detroit Edison - Burlington Northern Refund (Michigan PSC)
U6633-R	Detroit Edison - MRCS Program (Michigan PSC)
U-6797-R	Consumers Power Company -MRCS Program (Michigan PSC)
U-5510-R	Consumers Power Company - Energy conservation Finance Program (Michigan PSC)
82-240E	South Carolina Electric & Gas Company (South Carolina PSC)
7350	Generic Working Capital Hearing (Michigan PSC)
RH-1-83	Westcoast Transmission Co., (National Energy Board of Canada)
820294-TP	Southern Bell Telephone & Telegraph Co. (Florida PSC)
82-165-EL-EFC (Subfile A)	Toledo Edison Company(Ohio PUC)
82-168-EL-EFC	Cleveland Electric Illuminating Company (Ohio PUC)
830012-EU	Tampa Electric Company (Florida PSC)
U-7065	The Detroit Edison Company - Fermi II (Michigan PSC)
8738	Columbia Gas of Kentucky, Inc. (Kentucky PSC)
ER-83-206	Arkansas Power & Light Company (Missouri PSC)
U-4758	The Detroit Edison Company - Refunds (Michigan PSC)
8836	Kentucky American Water Company (Kentucky PSC)
8839	Western Kentucky Gas Company (Kentucky PSC)
83-07-15	Connecticut Light & Power Co. (Connecticut DPU)
81-0485-WS	Palm Coast Utility Corporation (Florida PSC)
U-7650	Consumers Power Co. (Michigan PSC)
83-662	Continental Telephone Company of California, (Nevada PSC)
U-6488-R	Detroit Edison Co., FAC & PIPAC Reconciliation (Michigan PSC)
U-15684	Louisiana Power & Light Company (Louisiana PSC)
7395 & U-7397	Campaign Ballot Proposals (Michigan PSC)
820013-WS	Seacoast Utilities (Florida PSC)
U-7660	Detroit Edison Company (Michigan PSC)
83-1039	CP National Corporation (Nevada PSC)
U-7802	Michigan Gas Utilities Company (Michigan PSC)
83-1226	Sierra Pacific Power Company (Nevada PSC)
830465-EI	Florida Power & Light Company (Florida PSC)
U-7777	Michigan Consolidated Gas Company (Michigan PSC)
U-7779	Consumers Power Company (Michigan PSC)

U-7480-R	Michigan Consolidated Gas Company (Michigan PSC)
U-7488-R	Consumers Power Company – Gas (Michigan PSC)
U-7484-R	Michigan Gas Utilities Company (Michigan PSC)
U-7550-R	Detroit Edison Company (Michigan PSC)
U-7477-R**	Indiana & Michigan Electric Company (Michigan PSC)
18978	Continental Telephone Co. of the South Alabama (Alabama PSC)
R-842583	Duquesne Light Company (Pennsylvania PUC)
R-842740	Pennsylvania Power Company (Pennsylvania PUC)
850050-EI	Tampa Electric Company (Florida PSC)
16091	Louisiana Power & Light Company (Louisiana PSC)
19297	Continental Telephone Co. of the South Alabama (Alabama PSC)
76-18788AA	
& 76-18793AA	Detroit Edison - Refund - Appeal of U-4807 (Ingham County, Michigan Circuit Court)
85-53476AA	
& 85-534785AA	Detroit Edison Refund - Appeal of U-4758 (Ingham County, Michigan Circuit Court)
U-8091/U-8239	Consumers Power Company - Gas Refunds (Michigan PSC)
TR-85-179**	United Telephone Company of Missouri (Missouri PSC)
85-212	Central Maine Power Company (Maine PSC)
ER-85646001	
& ER-85647001	New England Power Company (FERC)
850782-EI &	
850783-EI	Florida Power & Light Company (Florida PSC)
R-860378	Duquesne Light Company (Pennsylvania PUC)
R-850267	Pennsylvania Power Company (Pennsylvania PUC)
851007-WU	
& 840419-SU	Florida Cities Water Company (Florida PSC)
G-002/GR-86-160	Northern States Power Company (Minnesota PSC)
7195 (Interim)	Gulf States Utilities Company (Texas PUC)
87-01-03	Connecticut Natural Gas Company (Connecticut PUC))
87-01-02	Southern New England Telephone Company (Connecticut Department of Public Utility Control)
3673-	Georgia Power Company (Georgia PSC)
29484	Long Island Lighting Co. (New York Dept. of Public Service)
U-8924	Consumers Power Company – Gas (Michigan PSC)
Docket No. 1	Austin Electric Utility (City of Austin, Texas)
Docket E-2, Sub 527	Carolina Power & Light Company (North Carolina PUC)
870853	Pennsylvania Gas and Water Company (Pennsylvania PUC)
880069**	Southern Bell Telephone Company (Florida PSC)
U-1954-88-102	Citizens Utilities Rural Company, Inc. & Citizens Utilities Company, Kingman Telephone Division (Arizona CC)
T E-1032-88-102	Illinois Bell Telephone Company (Illinois CC)
89-0033	Puget Sound Power & Light Company (Washington UTC))
U-89-2688-T	Philadelphia Electric Company (Pennsylvania PUC)
R-891364	Potomac Electric Power Company (District of Columbia PSC)
F.C. 889	Niagara Mohawk Power Corporation, et al Plaintiffs, v. Gulf+Western, Inc. et al, defendants (Supreme Court County of Onondaga, State of New York)
Case No. 88/546	
87-11628	Duquesne Light Company, et al, plaintiffs, against Gulf+Western, Inc. et al, defendants (Court of the Common Pleas of Allegheny County, Pennsylvania Civil Division)
890319-EI	Florida Power & Light Company (Florida PSC)
891345-EI	Gulf Power Company (Florida PSC)
ER 8811 0912J	Jersey Central Power & Light Company (BPU)
6531	Hawaiian Electric Company (Hawaii PUCs)

R0901595	Equitable Gas Company (Pennsylvania Consumer Counsel)
90-10	Artesian Water Company (Delaware PSC)
89-12-05	Southern New England Telephone Company (Connecticut PUC)
900329-WS	Southern States Utilities, Inc. (Florida PSC)
90-12-018	Southern California Edison Company (California PUC)
90-E-1185	Long Island Lighting Company (New York DPS)
R-911966	Pennsylvania Gas & Water Company (Pennsylvania PUC)
I.90-07-037, Phase II	(Investigation of OPEBs) Department of the Navy and all Other Federal Executive Agencies (California PUC)
U-1551-90-322	Southwest Gas Corporation (Arizona CC)
U-1656-91-134	Sun City Water Company (Arizona RUCO)
U-2013-91-133	Havasu Water Company (Arizona RUCO)
91-174***	Central Maine Power Company (Department of the Navy and all Other Federal Executive Agencies)
U-1551-89-102	Southwest Gas Corporation - Rebuttal and PGA Audit (Arizona
& U-1551-89-103	Corporation Commission)
Docket No. 6998	Hawaiian Electric Company (Hawaii PUC)
TC-91-040A and	Intrastate Access Charge Methodology, Pool and Rates
TC-91-040B	Local Exchange Carriers Association and South Dakota Independent Telephone Coalition
9911030-WS &	General Development Utilities - Port Malabar and
911-67-WS	West Coast Divisions (Florida PSC)
922180	The Peoples Natural Gas Company (Pennsylvania PUC)
7233 and 7243	Hawaiian Nonpension Postretirement Benefits (Hawaiian PUC)
R-00922314	
& M-920313C006	Metropolitan Edison Company (Pennsylvania PUC)
R00922428	Pennsylvania American Water Company (Pennsylvania PUC)
E-1032-92-083 &	
U-1656-92-183	Citizens Utilities Company, Agua Fria Water Division (Arizona Corporation Commission)
92-09-19	Southern New England Telephone Company (Connecticut PUC)
E-1032-92-073	Citizens Utilities Company (Electric Division), (Arizona CC)
UE-92-1262	Puget Sound Power and Light Company (Washington UTC)
92-345	Central Maine Power Company (Maine PUC)
R-932667	Pennsylvania Gas & Water Company (Pennsylvania PUC)
U-93-60**	Matanuska Telephone Association, Inc. (Alaska PUC)
U-93-50**	Anchorage Telephone Utility (Alaska PUC)
U-93-64	PTI Communications (Alaska PUC)
7700	Hawaiian Electric Company, Inc. (Hawaii PUC)
E-1032-93-111 &	Citizens Utilities Company - Gas Division
U-1032-93-193	(Arizona Corporation Commission)
R-00932670	Pennsylvania American Water Company (Pennsylvania PUC)
U-1514-93-169/	Sale of Assets CC&N from Contel of the West, Inc. to
E-1032-93-169	Citizens Utilities Company (Arizona Corporation Commission)
7766	Hawaiian Electric Company, Inc. (Hawaii PUC)
93-2006- GA-AIR	The East Ohio Gas Company (Ohio PUC)
94-E-0334	Consolidated Edison Company (New York DPS)
94-0270	Inter-State Water Company (Illinois Commerce Commission)
94-0097	Citizens Utilities Company, Kauai Electric Division (Hawaii PUC)
PU-314-94-688	Application for Transfer of Local Exchanges (North Dakota PSC)
94-12-005-Phase I	Pacific Gas & Electric Company (California PUC)
R-953297	UGI Utilities, Inc. - Gas Division (Pennsylvania PUC)
95-03-01	Southern New England Telephone Company (Connecticut PUC)
95-0342	Consumer Illinois Water, Kankakee Water District (Illinois CC)
94-996-EL-AIR	Ohio Power Company (Ohio PUC)
95-1000-E	South Carolina Electric & Gas Company (South Carolina PSC)

Non-Docketed Staff Investigation E-1032-95-473 E-1032-95-433	Citizens Utility Company - Arizona Telephone Operations (Arizona Corporation Commission) Citizens Utility Co. - Northern Arizona Gas Division (Arizona CC) Citizens Utility Co. - Arizona Electric Division (Arizona CC) Collaborative Ratemaking Process Columbia Gas of Pennsylvania (Pennsylvania PUC)
GR-96-285 94-10-45 A.96-08-001 et al.	Missouri Gas Energy (Missouri PSC) Southern New England Telephone Company (Connecticut PUC) California Utilities' Applications to Identify Sunk Costs of Non- Nuclear Generation Assets, & Transition Costs for Electric Utility Restructuring, & Consolidated Proceedings (California PUC)
96-324 96-08-070, et al.	Bell Atlantic - Delaware, Inc. (Delaware PSC) Pacific Gas & Electric Co., Southern California Edison Co. and San Diego Gas & Electric Company (California PUC)
97-05-12 R-00973953	Connecticut Light & Power (Connecticut PUC) Application of PECO Energy Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code (Pennsylvania PUC)
97-65	Application of Delmarva Power & Light Co. for Application of a Cost Accounting Manual and a Code of Conduct (Delaware PSC)
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U-0000-94-165	Generic Docket to Consider Competition in the Provision of Retail Electric Service (Arizona Corporation Commission)
98-05-006-Phase I 9355-U 97-12-020 - Phase I U-98-56, U-98-60, U-98-65, U-98-67 (U-99-66, U-99-65, U-99-56, U-99-52) Phase II of 97-SCCC-149-GIT PU-314-97-465 Non-docketed Assistance Contract Dispute	San Diego Gas & Electric Co., Section 386 costs (California PUC) Georgia Power Company Rate Case (Georgia PUC) Pacific Gas & Electric Company (California PUC) Investigation of 1998 Intrastate Access charge filings (Alaska PUC) Investigation of 1999 Intrastate Access Charge filing (Alaska PUC) Southwestern Bell Telephone Company Cost Studies (Kansas CC) US West Universal Service Cost Model (North Dakota PSC) Bell Atlantic - Delaware, Inc., Review of New Telecomm. and Tariff Filings (Delaware PSC) City of Zeeland, MI - Water Contract with the City of Holland, MI (Before an arbitration panel)
Non-docketed Project Non-docketed Project	City of Danville, IL - Valuation of Water System (Danville, IL) Village of University Park, IL - Valuation of Water and Sewer System (Village of University Park, Illinois)

E-1032-95-417	Citizens Utility Co., Maricopa Water/Wastewater Companies et al. (Arizona Corporation Commission)
T-1051B-99-0497	Proposed Merger of the Parent Corporation of Qwest Communications Corporation, LCI International Telecom Corp., and US West Communications, Inc. (Arizona CC)
T-01051B-99-0105	US West Communications, Inc. Rate Case (Arizona CC)
A00-07-043	Pacific Gas & Electric - 2001 Attrition (California PUC)
T-01051B-99-0499	US West/Quest Broadband Asset Transfer (Arizona CC)
99-419/420	US West, Inc. Toll and Access Rebalancing (North Dakota PSC)
PU314-99-119	US West, Inc. Residential Rate Increase and Cost Study Review (North Dakota PSC)
98-0252	Ameritech - Illinois, Review of Alternative Regulation Plan (Illinois CUB)
00-108	Delmarva Billing System Investigation (Delaware PSC)
U-00-28	Matanuska Telephone Association (Alaska PUC)
Non-Docketed	Management Audit and Market Power Mitigation Analysis of the Merged Gas System Operation of Pacific Enterprises and Enova Corporation {tc " Management Audit and Market Power Mitigation Analysis of the Merged Gas System Operation of Pacific Enterprises and Enova Corporation " \ 2} (California PUC)
00-11-038	Southern California Edison (California PUC)
00-11-056	Pacific Gas & Electric (California PUC)
00-10-028	The Utility Reform Network for Modification of Resolution E-3527 (California PUC)
98-479	Delmarva Power & Light Application for Approval of its Electric and Fuel Adjustments Costs (Delaware PSC)
99-457	Delaware Electric Cooperative Restructuring Filing (Delaware PSC)
99-582	Delmarva Power & Light dba Conectiv Power Delivery Analysis of Code of Conduct and Cost Accounting Manual (Delaware PSC)
99-03-04	United Illuminating Company Recovery of Stranded Costs (Connecticut OCC)
99-03-36	Connecticut Light & Power (Connecticut OCC)
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98-1117	West Penn Power Company vs. PA PUC (Pennsylvania PSC)
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Case No. 12613	Wisconsin Public Service Commission (Michigan AG)
41651	Northern Indiana Public Service Co Overearnings investigation (Indiana UCC)
13605-U	Savannah Electric & Power Company - FCR (Georgia PSC)
14000-U	Georgia Power Company Rate Case/M&S Review (Georgia PSC)
13196-U	Savannah Electric & Power Company Natural Gas Procurement and Risk Management/Hedging Proposal, Docket No. 13196-U (Georgia PSC)
Non-Docketed	Georgia Power Company & Savannah Electric & Power FPR Company Fuel Procurement Audit (Georgia PSC)
Non-Docketed	Transition Costs of Nevada Vertically Integrated Utilities (US Department of Navy)
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99-01-016,	Restructuring (US Department of Navy)
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99-02-05	Connecticut Light & Power (Connecticut OCC)
01-05-19-RE03	Yankee Gas Service Application for a Rate Increase, Phase I-2002-IERM (Connecticut OCC)
G-01551A-00-0309	Southwest Gas Corporation, Application to amend its rate Schedules (Arizona CC)
00-07-043	Pacific Gas & Electric Company Attrition & Application for a rate increase (California PUC)

97-12-020	Pacific Gas & Electric Company Rate Case (California PUC)
Phase II	United Illuminating Company (Connecticut OCC)
01-10-10	Georgia Power FCR (Georgia PSC)
13711-U	Verizon Delaware § 271(Delaware DPA)
02-001	Blue Valley Telephone Company Audit/General Rate Investigation (Kansas CC)
02-BLVT-377-AUD	S&T Telephone Cooperative Audit/General Rate Investigation (Kansas CC)
02-S&TT-390-AUD	Sunflower Telephone Company Inc., Audit/General Rate Investigation (Kansas CC)
01-SFLT-879-AUD	Bluestem Telephone Company, Inc. Audit/General Rate Investigation (Kansas CC)
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CI-00-712	Sherburne County Rural Telephone Company, dba as Connections, Etc. (Minnesota DOC)
U-01-85	ACS of Alaska, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-34	ACS of Anchorage, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-83	ACS of Fairbanks, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
U-01-87	ACS of the Northland, dba as Alaska Communications Systems (ACS), Rate Case (Alaska Regulatory Commission PAS)
96-324, Phase II	Verizon Delaware, Inc. UNE Rate Filing (Delaware PSC)
03-WHST-503-AUD	Wheat State Telephone Company (Kansas CC)
04-GNBT-130-AUD	Golden Belt Telephone Association (Kansas CC)
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E-01345A-06-009	Arizona Public Service Company (Arizona Corporation Commission)
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05-1278-E-PC-PW-42T	Appalachian Power Company and Wheeling Power Company both d/b/a American Electric Power (West Virginia PSC)
Docket No. 04-0113	Hawaiian Electric Company (Hawaii PUC)
Case No. U-14347	Consumers Energy Company (Michigan PSC)
Case No. 05-725-EL-UNC	Cincinnati Gas & Electric Company (PUC of Ohio)
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Docket No. 19142-U	Georgia Power Company (Georgia PSC)
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03-07-01RE01	Connecticut Light & Power Company (CT DPUC)
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Docket No. 2004-178-E	South Carolina Electric & Gas Company (South Carolina PSC)
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Docket No. 05-TRCT-607-KSF	South Central Telephone Company (Kansas CC)
Docket No. 05-KOKT-060-AUD	Tri-County Telephone Company (Kansas CC)
Docket No. 2002-747	Kan Okla Telephone Company (Kansas CC)
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Docket No. 2003-34	Sidney Telephone Company (Maine PUC)
Docket No. 2003-35	Maine Telephone Company (Maine PUC)
Docket No. 2003-36	China Telephone Company (Maine PUC)
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Case 04-137-U	Southwest Power Pool RTO (Arkansas Public Service Commission)
Case No. 7109/7160	Vermont Gas Systems (Department of Public Service)
Case No. ER-2006-0315	Empire District Electric Company (Missouri PSC)
Case No. ER-2006-0314	Kansas City Power & Light Company (Missouri PSC)
Docket No. U-05-043,44	Golden Heart Utilities/College Park Utilities (Regulatory Commission of Alaska)
A-122250F5000	Equitable Resources, Inc. and The Peoples Natural Gas Company, d/b/a Dominion Peoples (Pennsylvania PUC)
E-01345A-05-0816	Arizona Public Service Company (Arizona CC)
Docket No. 05-304	Delmarva Power & Light Company (Delaware PSC)
05-806-EL-UNC	Cincinnati Gas & Electric Company (Ohio PUC)
U-06-45	Anchorage Water Utility (Regulatory Commission of Alaska)
03-93-EL-ATA,	
06-1068-EL-UNC	Duke Energy Ohio (Ohio PUC)
PUE-2006-00065	Appalachian Power Company (Virginia Corporation Commission)
G-04204A-06-0463 et. al	UNS Gas, Inc. (Arizona CC)
U-06-134	Chugach Electric Association, Inc. (Regulatory Commission of Alaska)
Docket No. 2006-0386	Hawaiian Electric Company, Inc (Hawaii PUC)
E-01933A-07-0402	Tucson Electric Power Company (Arizona CC)
G-01551A-07-0504	Southwest Gas Corporation (Arizona CC)
Docket No. UE-072300	Puget Sound Energy, Inc. (Washington UTC)
PUE-2008-00009	Virginia-American Water Company (Virginia SCC)
PUE-2008-00046	Appalachian Power Company (Virginia SCC)
E-01345A-08-0172	Arizona Public Service Company (Arizona CC)
A-2008-2063737	Babcock & Brown Infrastructure Fund North America, LP. and The Peoples Natural Gas Company, d/b/a Dominion Peoples (Pennsylvania PUC)
08-1783-G-42T	Hope Gas, Inc., dba Dominion Hope (West Virginia PSC)
08-1761-G-PC	Hope Gas, Inc., dba Dominion Hope, Dominion Resources, Inc., and Peoples Hope Gas Companies (West Virginia PSC)
Docket No. 2008-0083	Hawaiian Electric Company, Inc. (Hawaii PUC)
Docket No. 2008-0266	Young Brothers, Limited (Hawaii PUC)
G-04024A-08-0571	UNS Gas, Inc. (Arizona CC)
Docket No. 09-29	Tidewater Utilities, Inc. (Delaware PSC)
Docket No. UE-090704	Puget Sound Energy, Inc. (Washington UTC)
09-0878-G-42T	Mountaineer Gas Company (West Virginia PSC)
2009-UA-0014	Mississippi Power Company (Mississippi PSC)
Docket No. 09-0319	Illinois-American Water Company (Illinois CC)
Docket No. 09-414	Delmarva Power & Light Company (Delaware PSC)
R-2009-2132019	Aqua Pennsylvania, Inc. (Pennsylvania PUC)
Docket Nos. U-09-069, U-09-070	ENSTAR Natural Gas Company (Regulatory Commission of Alaska)
Docket Nos. U-04-023, U-04-024	Anchorage Water and Wastewater Utility - Remand (Regulatory Commission of Alaska)
W-01303A-09-0343 & SW-01303A-09-0343	Arizona-American Water Company (Arizona CC)
09-872-EL-FAC & 09-873-EL-FAC	Financial Audits of the FAC of the Columbus Southern Power Company and the Ohio Power Company - Audit I (Ohio PUC)

2010-00036	Kentucky-American Water Company (Kentucky PSC)
E-04100A-09-0496	Southwest Transmission Cooperative, IHnc. (Arizona CC)
E-01773A-09-0472	Arizona Electric Power Cooperative, Inc. (Arizona CC)
R-2010-2166208,	
R-2010-2166210,	
R-2010-2166212, &	
R-2010-2166214	Pennsylvania-American Water Company (Pennsylvania PUC)
PSC Docket No. 09-0602	Central Illinois Light Company D/B/A AmerenCILCO; Central Illinois Public Service Company D/B/A AmerenCIPS; Illinois Power Company D/B/A AmerenIP (Illinois CC)
10-0713-E-PC	Allegheny Power and FirstEnergy Corp. (West Virginia PSC)
Docket No. 31958	Georgia Power Company (Georgia PSC)
Docket No. 10-0467	Commonwealth Edison Company (Illinois CC)
PSC Docket No. 10-237	Delmarva Power & Light Company (Delaware PSC)
U-10-51	Cook Inlet Natural Gas Storage Alaska, LLC (Regulatory Commission of Alaska)
10-0699-E-42T	Appalachian Power Company and Wheeling Power Company (West Virginia PSC)
10-0920-W-42T	West Virginia-American Water Company (West Virginia PSC)
A.10-07-007	California-American Water Company (California PUC)
A-2010-2210326	TWP Acquisition (Pennsylvania PUC)
09-1012-EL-FAC	Financial, Management, and Performance Audit of the FAC for Dayton Power and Light – Audit 1 (Ohio PUC)
10-268-EL FAC et al.	Financial Audit of the FAC of the Columbus Southern Power Company and the Ohio Power Company – Audit II (Ohio PUC)
Docket No. 2010-0080	Hawaiian Electric Company, Inc. (Hawaii PUC)
G-01551A-10-0458	Southwest Gas Corporation (Arizona CC)
10-KCPE-415-RTS	Kansas City Power & Light Company – Remand (Kansas CC)
PUE-2011-00037	Virginia Appalachian Power Company (Commonwealth of Virginia SCC)
R-2011-2232243	Pennsylvania-American Water (Pennsylvania PUC)
U-11-100	Power Purchase Agreement between Chugach Association, Inc. and Fire Island Wind, LLC (Regulatory Commission of Alaska)
A.10-12-005	San Diego Gas & Electric Company (California PUC)
PSC Docket No. 11-207	Artesian Water Company, Inc. (Delaware PSC)
Cause No. 44022	Indiana-American Water Company, Inc. (Indiana Utility Regulatory Commission)
PSC Docket No. 10-247	Management Audit of Tidewater Utilities, Inc. Affiliate Transactions (Delaware Public Service Commission)
G-04204A-11-0158	UNS Gas, Inc. (Arizona Corporation Commission)
E-01345A-11-0224	Arizona Public Service Company (Arizona CC)
UE-111048 & UE-111049	Puget Sound Energy, Inc. (Washington Utilities and Transportation Commission)
Docket No. 11-0721	Commonwealth Edison Company (Illinois CC)
11AL-947E	Public Service Company of Colorado (Colorado PSC)
U-11-77 & U-11-78	Golden Heart Utilities, Inc. and College Utilities Corporation (The Regulatory Commission of Alaska)
Docket No. 11-0767	Illinois-American Water Company (Illinois CC)
PSC Docket No. 11-397	Tidewater Utilities, Inc. (Delaware PSC)
Cause No. 44075	Indiana Michigan Power Company (Indiana Utility Regulatory Commission)
Docket No. 12-0001	Ameren Illinois Company (Illinois CC)
11-5730-EL-FAC	Financial, Management, and Performance Audit of the FAC for Dayton Power and Light – Audit 2 (Ohio PUC)
PSC Docket No. 11-528	Delmarva Power & Light Company (Delaware PSC)
11-281-EL-FAC et al.	Financial Audit of the FAC of the Columbus Southern Power Company and the Ohio Power Company – Audit III (Ohio PUC)

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12-02019 & 12-04005	Southwest Gas Corporation (Public Utilities Commission of Nevada)
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12-0511 & 12-0512	North Shore Gas Company and The Peoples Gas Light and Coke Company (Illinois CC)
E-01933A-12-0291	Tucson Electric Power Company (Arizona CC)
Case No. 9311	Potomac Electric Power Company (Maryland PSC)
Cause No. 43114-IGCC-10	Duke Energy Indiana, Inc. (Indiana Utility Regulatory Commission)
Docket No. 36498	Georgia Power Company (Georgia PSC)
Case No. 9316	Columbia Gas of Maryland, Inc. (Maryland PSC)
Docket No. 13-0192	Ameren Illinois Company (Illinois CC)
12-1649-W-42T	West Virginia-American Water Company (West Virginia PSC)
E-04204A-12-0504	UNS Electric, Inc. (Arizona CC)
PUE-2013-00020	Virginia and Electric Power Company (Virginia SCC)
R-2013-2355276	Pennsylvania-American Water Company (Pennsylvania PUC)
Formal Case No. 1103	Potomac Electric Power Company (District of Columbia PSC)
U-13-007	Chugach Electric Association, Inc. (The Regulatory Commission of Alaska)
12-2881-EL-FAC	Financial, Management, and Performance Audit of the FAC for Dayton Power and Light – Audit 3 (Ohio PUC)
Docket No. 36989	Georgia Power Company (Georgia PSC)
Cause No. 43114-IGCC-11	Duke Energy Indiana, Inc. (Indiana Utility Regulatory Commission)
UM 1633	Investigation into Treatment of Pension Costs in Utility Rates (Oregon PUC)
13-1892-EL FAC	Financial Audit of the FAC and AER of the Ohio Power Company – Audit I (Ohio PUC)
E-04230A-14-0011 & E-01933A-14-0011	Reorganization of UNS Energy Corporation with Fortis, Inc. (Arizona CC)
14-255-EL RDR	Regulatory Compliance Audit of the 2013 DIR of Ohio Power Company (Ohio PUC)
U-14-001	Chugach Electric Association, Inc. (The Regulatory Commission of Alaska)
U-14-002	Alaska Power Company (The Regulatory Commission of Alaska)
PUE-2014-00026	Virginia Appalachian Power Company (Commonwealth of Virginia SCC)
14-0117-EL-FAC	Financial, Management, and Performance Audit of the FAC and Purchased Power Rider for Dayton Power and Light – Audit 1 (Ohio PUC)
14-0702-E-42T	Monongahela Power Company and The Potomac Edison Company (West Virginia PSC)
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R-2014-2428742	West Penn Power Company (Pennsylvania PUC)
R-2014-2428743	Pennsylvania Electric Company (Pennsylvania PUC)
R-2014-2428744	Pennsylvania Power Company (Pennsylvania PUC)
R-2014-2428745	Metropolitan Edison Company (Pennsylvania PUC)
Cause No. 43114-IGCC-12/13	Duke Energy Indiana, Inc. (Indiana Utility Regulatory Commission)
14-1152-E-42T	Appalachian Power Company and Wheeling Power Company (West Virginia PSC)
WS-01303A-14-0010	EPCOR Water Arizona, Inc. (Arizona CC)
2014-000396	Kentucky Power Company (Kentucky PSC)
15-03-45^	Iberdrola, S.A. Et Al, and UIL Holdings Corporation merger (Connecticut PURA)
A.14-11-003	San Diego Gas & Electric Company (California PUC)
U-14-111	ENSTAR Natural Gas Company (Regulatory Commission of Alaska)

2015-UN-049	Atmos Energy Corporation (Mississippi PSC)
15-0003-G-42T	Mountaineer Gas Company (West Virginia PSC)
PUE-2015-00027	Virginia Electric and Power Company (Commonwealth of Virginia SCC)
Docket No. 2015-0022	Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., Maui Electric Company Limited, and NextEra Energy, Inc. (Hawaii PUC)
15-0676-W-42T	West Virginia-American Water Company (West Virginia PSC)
15-07-38 ^{^^}	Iberdrola, S.A. Et Al, and UTL Holdings Corporation merger (Connecticut PURA)
15-26 ^{^^}	Iberdrola, S.A. Et Al, and UTL Holdings Corporation merger (Massachusetts DPU)
15-042-EL-FAC	Management/Performance and Financial Audit of the FAC and Purchased Power Rider for Dayton Power and Light (Ohio PUC)
2015-UN-0080	Mississippi Power Company (Mississippi PSC)
Docket No. 15-00042	B&W Pipeline, LLC (Tennessee Regulatory Authority)
WR-2015-0301/SR-2015-0302	Missouri American Water Company (Missouri PSC)
U-15-089, U-15-091, & U-15-092	Golden Heart Utilities, Inc. and College Utilities Corporation (The Regulatory Commission of Alaska)
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PUE-2015-00097	Virginia-American Water Company (Commonwealth of Virginia SCC)
15-1854-EL-RDR	Management/Performance and Financial Audit of the Alternative Energy Recovery Rider of Duke Energy Ohio, Inc. (Ohio PUC)
P-15-014	PTE Pipeline LLC (Regulatory Commission of Alaska)
P-15-020	Swanson River Oil Pipeline, LLC (Regulatory Commission of Alaska)
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160021-EI, et al.	Florida Power Company (Florida PSC)
R-2016-2537349	Metropolitan Edison Company (Pennsylvania PUC)
R-2016-2537352	Pennsylvania Electric Company (Pennsylvania PUC)
R-2016-2537355	Pennsylvania Power Company (Pennsylvania PUC)
R-2016-2537359	West Penn Power Company (Pennsylvania PUC)
16-0717-G-390P	Hope Gas, Inc., dba Dominion Hope (West Virginia PSC)
15-1256-G-390P	
(Reopening)/16-0922-G-390P	Mountaineer Gas Company (West Virginia PSC)
16-0550-W-P	West Virginia-American Water Company (West Virginia PSC)
CEPR-AP-2015-0001	Puerto Rico Electric Power Authority (Puerto Rico Energy Commission)
E-01345A-16-0036	Arizona Public Service Company (Arizona CC)
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U-16-066	ENSTAR Natural Gas Company (Regulatory Commission of Alaska)
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P-2015-2508942	Metropolitan Edison Company (Pennsylvania PUC)
P-2015-2508936	Pennsylvania Electric Company (Pennsylvania PUC)
P-2015-2508931	Pennsylvania Power Company (Pennsylvania PUC)
P-2015-2508948	West Penn Power Company (Pennsylvania PUC)
E-04204A-15-0142*	UNS Electric, Inc. (Arizona CC)
E-01933A-15-0322*	Tucson Electric Power Company (Arizona CC)
UE-170033 & UG-170034*	Puget Sound Energy, Inc. (Washington UTC)
Case No. U-18239	Consumers Energy Company (Michigan PSC)
Case No. U-18248	DTE Electric Company (Michigan PSC)

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Formal Case No. 1142	Merger of AltaGas Ltd. and WGL Holdings (District of Columbia PSC)
Case No. 2017-00179	Kentucky Power Company (Kentucky PSC)
Docket No. 29849	Georgia Power Plant Vogtle Units 3 and 4, VCM 17 (Georgia PSC)
Docket No. 2017-AD-112	Mississippi Power Company (Mississippi PSC)
Docket No. D2017.9.79	Montana-Dakota Utilities Co. (Montana PSC)
SW-01428A-17-0058 et al	Liberty Utilities (Litchfield Park Water & Sewer) Corp. (Arizona CC)
U-18-021 & U-18-033	Chugach Electric Association, Inc. (Regulatory Commission of Alaska)
Docket No. 4800	Suez Water Rhode Island Inc. (Rhode Island PUC)
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20180047-EI	Duke Energy Florida, LLC. (Florida PSC)
20180046-EI	Florida Power & Light Company (Florida PSC)
20180048-EI	Florida Public Utilities Company – Electric (Florida PSC)
20180052-GU	Florida Public Utilities Company – Indiantown (Florida PSC)
20180054-GU	Florida Division of Chesapeake Utilities Corporation (Florida PSC)
20180051-GU	Florida Public Utilities Company – Gas Division (Florida PSC)
20180053-GU	Florida Public Utilities Company - Fort Meade (Florida PSC)
Cause No. 45032 S4	Indiana American Water Company, Inc. Phase 2 (Indiana Utility Regulatory Commission)
Docket No. D2018.1.6	Montana-Dakota Utilities Co. (Montana PSC)
Docket No. D2018.4.24	NorthWestern Energy (Montana PSC)
Docket No. D2018.4.22	Montana-Dakota Utilities Co. (Montana PSC)
18-0573-W-42T & 18-0576-S-42T	West Virginia-American Water Company (West Virginia PSC)
18-0646-E-42T & 18-0645 E-D	Appalachian Power Company and Wheeling Power Company (West Virginia PSC)
18-0049-GA-ALT, 18-0298-GA-AIR, & 18-0299-GA-ALT	Vectren Energy Delivery of Ohio, Inc. (Ohio PUC)
R-2018-3003558, R-2018-3003561	Aqua Pennsylvania, Inc. and Aqua Pennsylvania Wastewater, Inc. (Pennsylvania PUC)
Cause No. 45142	Indiana-American Water Company, Inc. (Indiana Utility Regulatory Commission)
U-18-043	Cook Inlet Natural Gas Storage Alaska, LLC (Regulatory Commission of Alaska)
T-03214-17-0305	Citizens Telecommunications Company of The White Mountains, Inc. d/b/a Frontier Communications of The White Mountains (Arizona CC)
Docket No. D2018.9.60	Montana-Dakota Utilities Co. (Montana PSC)
PUR-2018-00131	Columbia Gas of Virginia (Virginia SCC)

* Testimony filed, examination not completed

** Issues stipulated

*** Company withdrew case

^ Testimony filed, case withdrawn after proposed decision issued

^^ Issues stipulated before testimony was filed

Line No.	Valuation Method	Appraisers' Results			Results with OCA Adjustments				Exhibit Reference
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	
		<u>AUS Consultants</u>				<u>AUS Consultants</u>			
		<u>Individual Results</u>	<u>Weight</u>	<u>Weighted Result</u>	<u>OCA Adjustment</u>	<u>Individual Results</u>	<u>Weight</u>	<u>Weighted Result</u>	
1	Cost Approach	\$ 29,015,055	50.0000%	\$ 14,507,528	(2,560,177)	\$ 26,454,878	50.0000%	\$ 13,227,439	RCS-5
2	Income Approach	\$ 17,980,846	40.0000%	\$ 7,192,338	(4,601,872)	\$ 13,378,974	40.0000%	\$ 5,351,590	RCS-3
3	Market Approach	\$ 27,915,385	10.0000%	\$ 2,791,539	(4,662,719)	\$ 23,252,666	10.0000%	\$ 2,325,267	RCS-2
4	Total			\$ 24,491,404				\$ 20,904,295	
5	Conclusion			\$ 24,491,000				\$ 20,904,000	
		<u>Gannett Fleming</u>				<u>Gannett Fleming</u>			
		<u>Individual Results</u>	<u>Weight</u>	<u>Weighted Result</u>	<u>OCA Adjustment</u>	<u>Individual Results</u>	<u>Weight</u>	<u>Weighted Result</u>	
6	Cost Approach	\$ 33,693,500	33.0000%	\$ 11,118,855	(2,525,978)	\$ 31,167,522	33.0000%	\$ 10,285,282	RCS-6
7	Income Approach	\$ 15,125,204	33.0000%	\$ 4,991,317	(2,281,550)	\$ 12,843,654	33.0000%	\$ 4,238,406	RCS-4
8	Market Approach	\$ 19,926,962	34.0000%	\$ 6,775,167		\$ 19,926,962	34.0000%	\$ 6,775,167	
9	Total			\$ 22,885,339				\$ 21,298,855	
10	Conclusion			\$ 22,885,000				\$ 21,299,000	
11		<u>Summary of Results</u>		<u>Appraiser Results</u>				<u>OCA Adjusted Results</u>	
		AUS Consultants		\$ 24,491,000				\$ 20,904,000	
		Gannett Fleming		\$ 22,885,000				\$ 21,299,000	
		Average		\$ 23,688,000				\$ 21,101,500	
14	Purchase Price			\$ 17,560,000				\$ 17,560,000	
15	Lesser of Purchase Price and Fair Market Value			\$ 17,560,000				\$ 17,560,000	

Notes and Source

Lines 1-5, cols. A through C: Appendix A-4.2 AUS Consultants Fair Market Value Appraisal Summary at September 30, 2019, Borough of Kane Authority Wastewater Collection and Treatment System
Lines 6-10, cols. A through C: Gannett Fleming Fair Market Value Appraisal at June 30, 2019, Exhibit 17

Line No.	Acquisitions	AUS Results			OCA Adjustment of Purchase Prices to Fair Market Values			Difference (G) = (F) - (C)	
		Purchase Price (A)	RCNLD (B)	Ratio (C)	Fair Market Value (D)	RCNLD (E)	Ratio (F) = (D) / (E)		
1	Aqua/New Garden	\$ 29,500,000	\$ 30,615,410		\$ 29,500,000	\$ 30,615,410	0.9636		
2	PAWC/McKeesport	\$ 159,000,000	\$ 160,301,491		\$ 158,000,000	\$ 160,301,491	0.9856		
3	Aqua/Limerick	\$ 75,100,000	\$ 86,086,756		\$ 64,373,378	\$ 86,086,756	0.7478		
4	SUEZ/Mahoning Water	excluded	excluded		\$ 4,734,800	\$ 8,899,336	0.5320		
5	SUEZ/Mahoning Wastewater	excluded	excluded		\$ 4,765,200	\$ 7,991,234	0.5963		
6	Aqua/East Bradford	excluded	excluded		\$ 5,000,000	\$ 9,236,581	0.5413		
7	PAWC/Sadsbury	\$ 9,250,000	\$ 8,517,587		\$ 8,300,000	\$ 8,517,587	0.9745		
8	PAWC/Exeter	\$ 96,000,000	\$ 99,589,819		\$ 92,000,000	\$ 99,589,819	0.9238		
9	PAWC/Steelton	\$ 22,500,000	\$ 23,921,473		\$ 20,500,000	\$ 23,921,473	0.8570		
10	Aqua/Cheltenham	\$ 50,250,000	\$ 49,940,486		\$ 44,558,258	\$ 49,940,486	0.8922		
11	Total	\$ 441,600,000	\$ 458,973,022		\$ 431,731,636	\$ 485,100,173			
		AUS Market Approach Results			OCA Adjusted Market Approach Results				
12		Ratio (Total P.P. / Total RCNLD)		0.9621	Ratio (average of Col. F, lines 1-10)		0.8014		
13		Kane RCNLD (per AUS)		\$ 29,015,055	Kane RCNLD (per AUS)		\$ 29,015,055		
14		Market Approach Result		\$ 27,915,385	Market Approach Result		\$ 23,252,665	\$ (4,662,719)	

Notes and Source:

- Cols. A-C, E: AUS Appendix A-4.2
Col. D, Line 1: Commission Order from Aqua/New Garden 1329 Case (Docket No. A-2016-2580061)
Col. D, Line 2: Commission Order from PAWC/McKeesport 1329 Case (Docket No. A-2017-2606103)
Col. D, Line 3: Commission Order from Aqua/Limerick 1329 Case (Docket No. A-2017-2605434)
Col. D, Lines 4 and 5: Commission Order from SUEZ/Mahoning 1329 Case (Docket Nos. A-2018-3003517 and A-2018-3003519)
Col. D, Line 6: Commission Order from Aqua/East Bradford 1329 Case (Docket No. A-2018-3001582)
Col. D, Line 7: Commission Order from PAWC/Sadsbury 1329 Case (Docket No. A-2018-3002437)
Col. D, Line 8: Commission Order from PAWC/Exeter 1329 Case (Docket No. A-2018-3004933)
Col. D, Line 9: Commission Order from PAWC/Steelton 1329 Case (Docket No. A-2019-3006880)
Col. D, Line 10: Commission Order from Aqua/Cheltenham 1329 Case (Docket No. A-2019-3008491)

Discount Rate: 7.92%
 Capitalization Rate: 6.31%

Line No.	Period	Age	Revenues	O&M Expenses	Tax Depreciation	Cash Flow from Operations	Taxable Income before State & Federal Taxes	State and Federal Taxes @ 28.89%	Capital Expenditures	Change in Working Capital	Net Cash Flows	Period Present Worth Factor (PW)	PW of Cashflow	Accumulated PW of Cashflows
(A)	(B)	(C)	(D)	(E)	(F) = (C) - (D)	(G) = (F) - (E)	(H) = (G) x 28.89%	(I)	(J)	(K) = (C) - (D) - (H) - (I)	(L) = 1 / (1 + 7.92%) ^ (B)	(M) = (K) x (L)	(N) = Sum (M)	
1	1	0.5	1,448,318	767,855	705,514	680,463	(25,051)	(7,237)	134,475	71	553,154	0.963	532,687	532,687
2	2	1.5	1,824,881	786,682	709,470	1,038,199	328,729	94,970	135,398	1,884	803,947	0.892	718,905	1,251,592
3	3	2.5	1,843,130	805,989	713,494	1,037,141	323,647	93,501	136,329	91	807,219	0.827	667,570	1,919,162
4	4	3.5	1,861,561	825,790	717,586	1,035,771	318,185	91,924	137,267	92	806,488	0.766	617,770	2,536,932
5	5	4.5	2,252,489	846,099	721,747	1,406,390	684,643	197,793	138,214	1,935	1,068,428	0.710	758,584	3,295,516
6	6	5.5	2,275,014	866,928	725,980	1,408,086	682,106	197,060	139,171	1,12	1,071,743	0.658	705,207	4,000,723
7	7	6.5	2,297,764	888,291	730,199	1,409,473	679,274	196,242	139,790	114	1,073,327	0.609	653,656	4,654,379
8	8	7.5	2,320,742	910,203	734,624	1,410,539	675,915	195,272	140,780	115	1,074,372	0.565	607,020	5,261,399
9	9	8.5	2,692,061	932,678	739,125	1,759,383	1,020,258	294,753	141,778	1,856	1,320,996	0.523	690,881	5,952,280
10	10	9.5	2,718,982	955,732	743,701	1,763,250	1,019,549	294,548	142,784	135	1,325,783	0.485	643,005	6,595,285
11	11	10.5	2,746,172	979,378	748,355	1,766,794	1,018,439	294,227	143,800	135	1,328,632	0.449	596,556	7,191,841
12	12	11.5	3,048,251	1,003,636	753,087	2,044,613	1,291,528	373,123	144,824	1,511	1,525,157	0.416	634,465	7,826,306
13	13	12.5	3,078,734	1,028,518	756,642	2,050,216	1,293,574	373,713	145,858	153	1,530,492	0.386	590,770	8,417,076
14	14	13.5	3,109,521	1,054,043	761,517	2,055,478	1,293,961	373,825	146,899	153	1,534,601	0.357	547,853	8,964,929
15	15	14.5	3,451,568	1,080,227	766,472	2,371,341	1,604,869	463,647	147,952	1,710	1,758,032	0.331	581,909	9,546,838
16	16	15.5	3,451,568	1,107,089	771,392	2,344,479	1,573,087	454,465	149,011	-	1,741,003	0.307	534,488	10,081,326
17	17	16.5	3,451,568	1,134,646	776,512	2,316,922	1,540,410	445,024	150,082	-	1,721,816	0.284	488,996	10,570,322
18	18	17.5	3,658,662	1,162,919	781,717	2,495,743	1,714,026	495,182	151,161	1,036	1,848,364	0.263	486,120	11,056,442
19	19	18.5	3,658,662	1,191,925	787,006	2,466,737	1,679,731	485,274	152,249	-	1,829,214	0.244	446,328	11,502,770
20	Terminal Value of Net Investment (Net Plant less ADIT)										£301,787	0.226	1,876,204	
21	Total Valuation													13,378,974
22	Total Valuation per AUS													17,980,846
23	Difference													(4,601,872)

Notes and Source:
 Lines 1-19: Appendix A-4.2 - AUS Excel Files, "Deferred Tax" tab

Col. K, Line 20: Per Appendix A-4.2 - AUS Excel Files, "Deferred Tax" tab:	
Net Plant in 20th Year (Per AUS)	9,442,814
ADIT in 20th Year (Per AUS)	(1,141,027)
Nominal Value of Kane's Net Investment	<u>8,301,787</u>

Col. L, Line 20: 1/(1+7.92%)^19.5
 Line 21: Col. N, Line 19 + Col. M, Line 20

Line No.	Description	Indicated Value
<u>Part I: Gannett Fleming Income Approach</u>		
<u>Municipal Ownership</u>		
1	DCF With Capitalization of Terminal Value Model @ 3.32%	\$ 19,650,962
2	DCF With EBIT & EBITDA Terminal Value Model - Discount Rate of 3.32%	\$ 15,145,514
3	Median	<u>\$ 17,398,238</u>
<u>IOU Ownership</u>		
4	DCF With Capitalization of Terminal Value Model @ 6.11%	\$ 12,123,193
5	DCF With Capitalization of Terminal Value Model @ 7.40%	\$ 9,914,907
6	DCF With EBIT & EBITDA Terminal Value Model - Discount Rate of 6.41%	\$ 15,326,911
7	DCF With EBIT & EBITDA Terminal Value Model - Discount Rate of 7.70%	\$ 13,581,144
8	Median	<u>\$ 12,852,169</u>
9	Total Income Approach Valuation (Median of Lines 3 and 8)	<u>\$ 15,125,204</u>
<u>Part II: OCA Adjusted Income Approach</u>		
10	Recalculated Municipal Ownership (Page 2)	\$ 15,158,678
11	Recalculated IOU Ownership (Page 3)	\$ 10,528,629
12	OCA Adjusted Income Approach Valuation (Median of Lines 10 and 11)	<u>\$ 12,843,653</u>
<u>Part III: Difference</u>		
13	Difference (Line 12 - Line 9)	<u>\$ (2,281,550)</u>

Notes and Source:

Line 1-2: Gannett Fleming Exhibit 13
 Lines 4-7: Gannett Fleming Exhibit 14
 Line 9: Gannett Fleming Exhibit 17
 Line 10: Exhibit RCS-4, page 2
 Line 11: Exhibit RCS-4, page 3

Line No	Description	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	
		Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029	Year 11 2030	Year 12 2031	Year 13 2032
OPERATING REVENUES														
1	Charge for services	1,428,656	1,430,928	1,435,473	1,400,021	1,403,132	1,416,139	1,436,690	1,483,172	1,483,737	1,935,178	1,935,759	1,990,557	1,991,154
2	Other operating revenue	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598
3	Tax Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Other (Rate Increase)	0	0	358,868	0	32,456	0	45,917	0	50,861	0	54,201	0	59,735
5	Total Operating Revenues	1,436,254	1,438,526	1,801,939	1,407,619	1,443,186	1,443,737	1,890,205	1,890,770	1,942,196	1,942,776	1,997,558	1,998,155	2,058,487
OPERATING EXPENSES														
6	Operating & Maintenance Expenses	767,877	787,074	806,750	826,819	847,592	868,782	890,502	912,764	935,583	958,973	982,947	1,007,521	1,032,709
7	Remove Excesses of Sale													
8	LESS: EOG - Wages & Benefits	(57,076)	(58,503)	(59,965)	(61,465)	(63,001)	(64,576)	(66,191)	(67,845)	(69,542)	(71,280)	(73,062)	(74,889)	(76,761)
9	LESS: BOS - Professional Services	(7,838)	(7,829)	(8,025)	(8,226)	(8,431)	(8,642)	(8,858)	(9,080)	(9,307)	(9,539)	(9,778)	(10,022)	(10,273)
10	LESS BOS - Rintecum Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
11	ADD PURTA & Reg Assessment	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Operating Expenses Before Depreciation	703,162	720,741	736,760	757,229	776,160	795,564	815,433	835,839	856,735	878,153	900,107	922,610	945,671
13	Depreciation	364,423	369,698	375,048	380,477	385,984	391,570	397,238	402,988	408,820	414,737	420,740	426,810	433,008
14	Total Operating Expenses	1,067,585	1,090,439	1,111,808	1,137,706	1,162,144	1,187,134	1,212,691	1,238,827	1,265,555	1,297,891	1,320,848	1,349,440	1,378,683
15	Operating Income	368,669	348,087	688,131	669,913	681,042	656,603	677,514	651,943	676,641	649,885	676,710	648,715	679,804
16	Revenues	1,436,254	1,438,526	1,801,939	1,407,619	1,443,186	1,443,737	1,890,205	1,890,770	1,942,196	1,942,776	1,997,558	1,998,155	2,058,487
17	EBITDA	733,092	717,785	1,063,179	1,050,390	1,067,026	1,048,173	1,074,752	1,054,931	1,085,461	1,064,623	1,097,451	1,075,545	1,112,812
18	EBIT	368,669	348,087	688,131	669,913	681,042	656,603	677,514	651,943	676,641	649,885	676,710	648,715	679,804
19	EBIT	368,669	348,087	688,131	669,913	681,042	656,603	677,514	651,943	676,641	649,885	676,710	648,715	679,804
20	(-) Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
21	Debt Free Net Income	368,669	348,087	688,131	669,913	681,042	656,603	677,514	651,943	676,641	649,885	676,710	648,715	679,804
22	(+) Depreciation & Amortization	364,423	369,698	375,048	380,477	385,984	391,570	397,238	402,988	408,820	414,737	420,740	426,810	433,008
23	(-) Capital Expenditures	358,641	363,832	369,098	374,441	379,860	385,358	390,936	396,594	402,334	408,158	414,065	420,058	426,138
24	(-) Changes in Working Capital	1,005	1,007	1,261	1,265	1,230	1,291	1,323	1,324	1,360	1,360	1,398	1,399	1,441
25	Debt Free Net Cash Flow	\$373,445	\$352,946	\$692,820	\$674,684	\$685,876	\$661,525	\$682,493	\$657,013	\$681,767	\$655,105	\$681,987	\$654,088	\$685,231
26	Present Value Factor @ 3.32%	0.9838	0.9522	0.9216	0.8920	0.8633	0.8356	0.8087	0.7827	0.7576	0.7332	0.7097	0.6869	0.6648
27	Present Value Debt Free Net Cash Flow	\$367,395	\$336,075	\$638,203	\$601,818	\$592,117	\$552,770	\$551,032	\$514,244	\$516,507	\$480,523	\$484,006	\$449,293	\$455,543
28	Present Value Cash Flows First 13 Years													\$6,340,526
29	Present Value of Net Plant at 3.32 %													\$8,618,152
30	Total Valuation													\$14,958,678

Notes and Sources:

Lines 1-28 Quantiti Floozing Exhibit 13

Line 29:

Net Plant in 13th Year per Quantiti Floozing	\$12,963,526
Present Value Factor at 3.32%	0.6648
Present Value of Net Plant at 3.32 %	<u>\$8,618,152</u>

Line 30, Line 28 + Line 29

Line No	Description	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	
		Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029	Year 11 2030	Year 12 2031	Year 13 2032
OPERATING REVENUES														
1	Charges for services	1,428,656	1,430,928	1,435,473	2,268,027	2,271,946	2,308,990	2,309,683	2,356,583	2,357,290	2,409,873	2,410,596	2,466,780	2,467,520
2	Other operating revenue	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598	7,598
3	Tax Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Other (Rate Increase)	0	0	825,397	0	36,351	0	46,194	0	51,860	0	55,444	0	64,156
5	Total Operating Revenues	1,436,254	1,438,526	2,268,468	2,275,625	2,315,895	2,316,588	2,363,475	2,364,181	2,416,748	2,417,471	2,473,638	2,474,378	2,539,274
OPERATING EXPENSES														
6	Operating & Maintenance Expenses	767,877	787,074	806,750	826,919	847,592	868,782	890,502	912,764	935,583	958,973	982,947	1,007,521	1,032,709
7	Restore Economics of Sale													
8	LESS EOS - Wages & Benefits	(57,076)	(58,503)	(59,965)	(61,465)	(63,001)	(64,576)	(66,191)	(67,845)	(69,542)	(71,280)	(73,062)	(74,889)	(76,761)
9	LESS EOS - Professional Services	(7,638)	(7,829)	(8,025)	(8,226)	(8,431)	(8,642)	(8,858)	(9,080)	(9,307)	(9,539)	(9,776)	(10,022)	(10,273)
10	LESS EOS - Estimated Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0
11	ADD. PURTA & Reg Assessment	26,840	26,845	26,850	31,564	31,295	31,816	31,811	32,069	32,064	32,333	32,348	32,658	32,653
12	Operating Expenses Before Depreciation	750,002	747,586	765,610	788,793	807,755	827,380	847,264	867,908	888,799	910,506	932,455	955,261	978,328
13	Depreciation	364,423	369,696	375,048	380,477	385,984	391,570	397,238	402,988	408,820	414,737	420,740	426,830	433,008
14	Total Operating Expenses	1,094,425	1,117,284	1,140,658	1,169,270	1,193,739	1,218,950	1,244,502	1,270,896	1,297,619	1,323,244	1,353,196	1,382,098	1,411,336
15	Operating Income	341,829	321,242	1,127,810	1,106,355	1,122,156	1,097,638	1,118,973	1,093,283	1,119,129	1,092,227	1,120,442	1,092,280	1,127,938
16	Revenues	1,436,254	1,438,526	2,268,468	2,275,625	2,315,895	2,316,588	2,363,475	2,364,181	2,416,748	2,417,471	2,473,638	2,474,378	2,539,274
17	EBITDA	706,252	690,940	1,502,858	1,486,832	1,508,140	1,499,208	1,516,211	1,496,273	1,527,949	1,506,965	1,541,183	1,519,110	1,560,946
18	EBIT	341,829	321,242	1,127,810	1,106,355	1,122,156	1,097,638	1,118,973	1,093,283	1,119,129	1,092,227	1,120,442	1,092,280	1,127,938
19	EBIT	341,829	321,242	1,127,810	1,106,355	1,122,156	1,097,638	1,118,973	1,093,283	1,119,129	1,092,227	1,120,442	1,092,280	1,127,938
20	(-) Income Taxes	98,754	92,807	325,824	319,626	328,191	317,108	323,271	315,850	323,316	315,544	323,896	315,560	323,861
21	Debt Free Net Income	243,075	228,435	801,986	786,729	797,965	780,530	795,702	777,433	795,813	776,683	796,746	776,720	802,077
22	(+) Depreciation & Amortization	364,423	369,696	375,048	380,477	385,984	391,570	397,238	402,988	408,820	414,737	420,740	426,830	433,008
23	(-) Capital Expenditures	358,641	363,832	369,098	374,441	379,860	385,358	390,936	396,594	402,334	408,158	414,065	420,058	426,158
24	(-) Changes in Working Capital	1,005	1,007	1,588	1,393	1,623	1,622	1,634	1,653	1,692	1,732	1,732	1,732	1,777
25	Debt Free Net Cash Flow	\$247,851	\$233,294	\$806,348	\$791,172	\$802,468	\$785,121	\$800,350	\$782,174	\$800,607	\$781,570	\$801,690	\$781,760	\$807,169
26	Present Value Factor: 7.92%	0.9626	0.8920	0.8265	0.7658	0.7096	0.6576	0.6093	0.5646	0.5232	0.4848	0.4492	0.4162	0.3857
27	Present Value Debt Free Net Cash Flow	\$238,582	\$208,098	\$666,447	\$605,880	\$569,431	\$516,295	\$487,653	\$441,613	\$418,878	\$378,905	\$360,119	\$325,368	\$311,325
28	Present Value Cash Flows first 13 Years													\$5,528,591
29	Present Value of Net Plant at 7.92%													\$5,000,032
30	Total Valuation													\$10,528,623

Notes and Sources
 Lines 1-25 General Financing Exhibit 14
 Lines 26 and 29. Per Appendix A-4 2 AUS Exced Files, "Cost of Capital 9-30-2019" tab:

	Percent of Capital	Cost Rate	Tax Rate	Adj. Tax Cost	Weighted Cost
Debt	30.00%	4.45%	28.89%	71.11%	0.95%
Equity	70.00%	9.92%	0.00%	100.00%	6.97%
Total	100.00%				7.92%

Line 27: Line 25 x Line 26
 Line 29
 Net Plant to the 13th Year per General Financing 12,963,526
 Present Value Factor at 7.92% 0.3857
 Present Value of Net Plant at 7.92% 5,000,032
 Line 30 Line 28 + Line 29

Line No.	Plant	Account	Depreciation Rate (A)	Plant Replacement Cost (B)	Calculated Accumulated Depreciation Reserve (C)	Percent Reserve (D)=C / B	RCND Cost Approach (E)	AUS Value (F)	OCA Adjustment (G)
I. Cost Approach - AUS Results									
1	Collection Sewers - Gravity	361	75-R3	\$ 17,472,483	\$ 7,927,641	45%	\$ 9,544,842	\$ 9,544,842	
2	Other Plant Accounts	various	various	\$ 38,067,075	\$ 18,596,862		\$ 19,470,213		
3	Totals			\$ 55,539,558	\$ 55,539,558		\$ 29,013,055		
II. Results using Collection Sewers 50 Year Life for Acct 361, Same R3 Iowa Curve Proposed by AUS									
4	Collection Sewers - Gravity	361	50-R3	\$ 17,472,483	\$ 11,007,005	63%	\$ 6,465,478	\$ 9,544,842	\$ (3,079,364)
5	Other Plant Accounts	various	various	\$ 38,067,075	\$ 18,596,862		\$ 19,470,213		
6	Totals			\$ 55,539,558	\$ 55,539,558		\$ 25,935,691		
III. Results using Collection Sewers Depreciation Rate for Acct 361 from PAWC's Last Rate case									
7	Collection Sewers - Gravity	361	50-S1.5	\$ 17,472,483	\$ 10,487,818	60%	\$ 6,984,665	\$ 9,544,842	\$ (2,560,177)
8	Other Plant Accounts	various	various	\$ 38,067,075	\$ 18,596,862		\$ 19,470,213		To Ex RCS-I
9	Totals			\$ 55,539,558	\$ 55,539,558		\$ 26,454,878		

Notes and Source:

Lines 1-3, columns A, B, C and D: AUS Appendix A-4.2

Line 4: RCND value recalculated for account 361 using AUS model and 50-R3 depreciation rate

Line 7: RCND value recalculated for account 361 using AUS model and 50-S1.5 depreciation rate

PAWC's last Wastewater Utility Depreciation Rate Study in Docket No. R-2017-2595853 shows a depreciation rate for 50-S.15 for account 316

Line No.	Plant	Account	Depreciation Rate (A)	Plant Replacement Cost (B)	Percent Reserve (C)	Calculated Accumulated Depreciation Reserve (D)	RCND Cost Approach (E)	Gannett Fleming Values Acct. 361 (F)	OCA Adjustment (G)
I. Cost Approach - Gannett Fleming Results									
1	Collection Sewers - Gravity - Mains	361.21	65-R2.5	\$ 19,414,998	49%	\$ 9,509,027	\$ 9,905,971		
2	Collection Sewers - Gravity - Manholes	361.22	60-R3	\$ 2,129,528	42%	\$ 897,048	\$ 1,232,480		
3	Subtotal Collection Sewers - Gravity	361		\$ 21,544,526	48%	\$ 10,406,075	\$ 11,138,451	\$ 11,138,451	
4	Other Plant Accounts	various	various	\$ 36,134,217		\$ 13,579,168	\$ 22,555,049		
5	Totals			\$ 57,678,743		\$ 23,985,243	\$ 33,693,500		
II. Results using Collection Sewers Depreciation Rate 50-R3 for Acct 361									
6	Collection Sewers - Gravity - Mains	361.21	50-S1.5	\$ 19,414,998					
7	Collection Sewers - Gravity - Manholes	361.22	50-S1.5	\$ 2,129,528					
8	Subtotal Collection Sewers - Gravity	361	50-S1.5	\$ 21,544,526	63%	\$ 13,572,238	\$ 7,972,288	\$ 11,138,451	\$ (3,166,163)
9	Other Plant Accounts	various	various	\$ 36,134,217		\$ 13,579,168	\$ 22,555,049		
10	Totals			\$ 57,678,743		\$ 27,151,406	\$ 30,527,337		
III. Results using Collection Sewers Depreciation Rate for Acct 361 from PAWC's Last Rate case									
6	Collection Sewers - Gravity - Mains	361.21	50-S1.5	\$ 19,414,998					
7	Collection Sewers - Gravity - Manholes	361.22	50-S1.5	\$ 2,129,528					
8	Subtotal Collection Sewers - Gravity	361	50-S1.5	\$ 21,544,526	60%	\$ 12,932,053	\$ 8,612,473	\$ 11,138,451	\$ (2,525,978)
9	Other Plant Accounts	various	various	\$ 36,134,217		\$ 13,579,168	\$ 22,555,049		To Ex. RCS-1
10	Totals			\$ 57,678,743		\$ 26,511,221	\$ 31,167,522		

Notes and Source

Lines 1-3, columns A, B, C and D: Gannett Fleming Exhibit 9 and supporting documentation

PAWC's last Wastewater Utility Depreciation Rate Study in Docket No. R-2017-2595853 shows a depreciation rate for 50-S.15 for account 316

Lines 5-7: RCND value recalculated for account 361 using AUS model and 50-S1.5 depreciation rate, results applied to Gannett Fleming Reproduction Cost:

Borough of Kane Authority Wastewater Customers
Impact of Change of Ownership of Wastewater System without PAWC's Assumed Act 11 Allocation to Water
Wastewater

Rate Class	Average Usage	Average Monthly Bill at Borough of Kane Authority Rates at Closing	Potential Average Monthly Bill	Potential Increase (\$) With 46% of Increase Allocated to PAWC Water Customers per Act 11	Potential Increase (%) with Act 11 Allocation to PAWC Water Customers	Increase to Kane WW Customers without Act 11 Allocation to Water	Potential Average Monthly Bill for Kane WW Customers without Act 11 Allocation to Water	Potential Increase (%) without Act 11 Allocation to PAWC Water Customers
(A)	(B)	(C)	(D)	(E)	(F)=(E/C)-1	(G)	(H)=C+G	(I)=(H/C)-1
Residential	3,630 gal/month	\$ 51.87	\$ 75.99	\$ 24.12	46.5%	\$ 44.67	\$ 96.54	86.1%
Commerical	22,000 gal/month	\$ 222.98	\$ 326.67	\$ 103.69	46.5%	\$ 192.02	\$ 415.00	86.1%
Industrial	476,000 gal/month	\$ 3,849.62	\$ 5,639.69	\$ 1,790.07	46.5%	\$ 3,314.94	\$ 7,164.56	86.1%

Source for columns A through F: PAWC Statement 3 (Nevirauskas Direct Testimony), pages 10-11
 Per footnote 4 on PAWC Statement 3, page 11, PAWC reflected an "Act 11 Allocation" of 46%.
 Source for column G: see calculations below:

Rate Class	Increase calculated by PAWC	Increase by	Increase at 100% Impact	46% allocated to Water per Act 11 per PAWC's Calculation	Allocated to Kane WW Customers in PAWC's Calculation
	Col.E	(J)	(K)	(L)	(M)
		=I/(1-0.46)		46%	54%
Residential	\$ 24.12	1.851851852	\$ 44.67	\$ 20.55	\$ 24.12
Commerical	\$ 103.69	1.851851852	\$ 192.02	\$ 88.33	\$ 103.69
Industrial	\$ 1,790.07	1.851851852	\$ 3,314.94	\$ 1,524.87	\$ 1,790.07

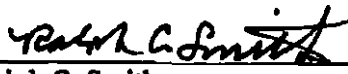
**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Pennsylvania-American Water :
Company Pursuant to Sections 507, 1102 and :
1329 of the Public Utility Code for Approval : Docket No. A-2019-3014248
of its Acquisition of the Wastewater System :
Assets of Kane Borough Authority :

VERIFICATION

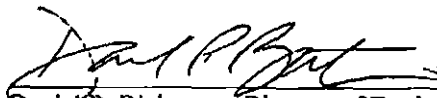
I, Ralph C. Smith, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: March 27, 2020
*285660

Signature: 
Ralph C. Smith
Larkin & Associates, PLLC
15728 Farmington Road
Livonia, MI 48154

VERIFICATION

I, Daniel P. Bickerton hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

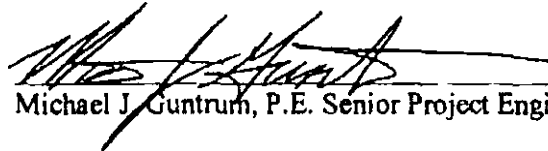


Daniel P. Bickerton, Director of Business Development
American Water – Mid-Atlantic Division

Dated: April 17, 2020

VERIFICATION

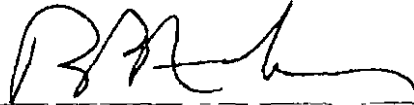
I, MICHAEL J. GUNTRUM hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.


Michael J. Guntrum, P.E. Senior Project Engineer

Dated: Apr. 17, 2020

VERIFICATION

I, Rod P. Neviraskas hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

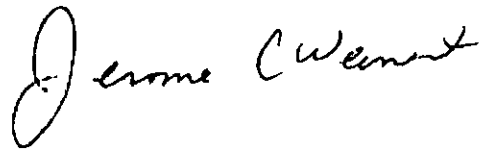


Rod P. Neviraskas, Senior Director of Rates and Regulations

Dated: April 17, 2020

VERIFICATION

I, Jerome C. Weinert, P.E., hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.


A handwritten signature in black ink that reads "Jerome C. Weinert". The signature is written in a cursive style with a large initial "J".

Jerome C. Weinert, P.E. Principal and Director
AUS Consultants, Inc.

Dated: April 17, 2020

VERIFICATION

I, Donald E. Payne hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.

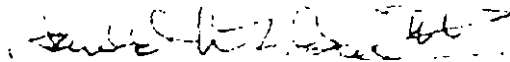


Donald E. Payne, Borough of Kane Authority

Dated: Apr. 17, 2020

VERIFICATION

I, Harold Walker, III hereby state that the facts above set forth above are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements made herein are made subject to the penalties of 18 Pa. Cons. Stat. §4904 relating to unsworn falsification to authorities.



Harold Walker III, Manager, Financial Services
Gannett Fleming

Dated: April 17, 2020