
EXHIBIT S2

AUS SERVICE AGREEMENT AND INVOICES



JEROME C. WEINERT
Principal & Director

8555 West forest Home Avenue, Suite 201
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February 15, 2021

Mr. Kurt Ferguson
Township Manager
Lower Makefield Township
1100 Edgewood Road
Yardley, PA 19067

Re: Lower Makefield Township Wastewater Collection System Fair Market Value Appraisal

Dear Mr. Ferguson:

AUS Consultants is please to respond to Scott Shearer's (PFM Financial Advisors, LLC) request for a proposal for a valuation of Lower Makefield Township's wastewater collection system. We understand the nature and purpose of the request is to determine the fair market value of the Township's wastewater collection property and its operation for compliance with Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes Section 1329 of the "Valuation of Acquired water and wastewater systems" collectively referred to as Act 12 of the Commonwealth of Pennsylvania's 2016 legislative session. AUS Consultants is a Utility Valuation Expert (UVE) as designated by the Pennsylvania Public Utility Commission (PUC) Docket No. A-2016-2566251 Entity Code 9919181 renewed January 13, 2020. Our appraisal assumes an investor-owned utility as the purchaser and that the purchaser would be successful in establishing the purchase price, assumed to be the appraised value, as rate-base for regulatory purposes under Section 1329 of the Public Utility Code of Pennsylvania.

Our response to this request will include the scope of our services, a list of AUS Consultants staff and their qualifications, an initial listing of data required to perform the appraisal and a range of project costs through the completion of the appraisal report; activities subsequent to the delivery of our final report will be billed at our hourly per diems defined below. The appraisal will be prepared under the 2020-2021 edition of the Uniform System of Professional Appraisal Practices (USPAP).

Before addressing the proposal requirements, it is important to understand the valuation concepts and parameters as they would apply to this project which will be subject to consideration of issues regarding to recent Commission decisions and settlements entered into between the Pennsylvania Office of Consumer Advocate (OCA) and the participants (Aqua Pennsylvania and Pennsylvania American) in other recent Act 12 cases.

Valuation Study

AUS Consultants understands the purpose of the valuation study is to determine the fair market of the Township's wastewater collection system assets and their operation. Fair market value is defined as:

"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress." The Appraisal of Real Estate, 13th Edition, page 23

Our conclusion will represent the fair market value as a going concern, in this case an operating wastewater collection system and not an amount that would be realized from a liquidation of those assets.

Valuation Methodologies

The valuation of the Township's wastewater collection assets, as part of a going concern, will the three (3) generally accepted valuation methodologies: the cost, income and market approaches.

The primary valuation method that will be utilized is the **cost approach**. In preparing the cost approach we will rely on the "Engineer's Assessment" inventory prepared for the Township and the Purchaser per the Pennsylvania PUC's (Act 12) Final Implementation Order M-2016-2543993. In order for the Engineer's Assessment to be of maximum use to the UVEs it should detail the property by account, type and size of property and or equipment, its date of

installation and its original cost. It should be noted that Section 1329 does not restrict the property to be appraised in any fashion so all property of the Township subject to the sale whether Township constructed and/or developer contributed is subject to the appraisal. The cost approach will give consideration to the Township's wastewater collection plant and equipment's replacement cost adjusted for appraisal depreciation. The replacement cost new will be developed using either trending the property's investment by account and installation year or by application of appraisal date unit costs to property's inventory by account and installation year. Next, appraisal depreciation, physical, function and economic, will be assessed and deducted from the replacement cost new. The physical and functional depreciation will be determined based on the age-life depreciation methods using aging from the Engineer's Assessment, the service lives applicable to wastewater industry depreciation lives and a physical inspections of the property.

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

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

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

In the capitalize income approach the property's future returns are consolidated into a single estimate for all future periods. The capitalized income approach to value is determined by the direct capitalization of the estimated income using an adjusted cost of capital removing future growth from the cost of capital rate.

The discount rate used in the income approaches will be developed from a market analysis of debt and equity reflecting the risks associated with a rate regulated water and wastewater companies regulated by the Pennsylvania PUC.

The **market approach** looks to market sales of similar water and wastewater utility properties (companies). There are two methods which are commonly utilized to estimate the market approach: actual market sales and market multiples based on wastewater industry comparables based on financial performance as reported in Value Line Investment Surveys for the water/wastewater industry.

The **final appraised value** will consider each of the three approaches to value both individually and collectively.

AUS Consultants Professional Staff

AUS Consultants' professional staff has extensive nationwide experience in preparing business enterprise valuations for water and wastewater systems.

Jerome C. Weinert, Professional Engineer (PE), Accredited Senior Appraiser (ASA), Certified Depreciation Professional (CDP)

- 48 years in Appraisal and Depreciation Consulting
- BS in Mechanical Engineering – Milwaukee School of Engineering (1972)
- Master's in Business Administration – Marquette University (1988)
- Testimony Experience:
 - Regulatory (Depreciation and Rate Base)
 - Courtroom (Valuations – ad valorem taxation and eminent domain and rate of return)

Michael J. Diedrich, PE, ASA, CDP, Certified General Appraiser

- 37 years in Appraisal and Depreciation Consulting
- BS in Architectural Engineering Technology – Milwaukee School of Engineering (1981)
- Master's in Business Administration – Marquette University (1991)
- Testimony Experience:

Courtroom (Valuations ad valorem taxation and eminent domain)

David Weiler

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

David A. Sheffer

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

Elizabeth A Weinert

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

First Request for Data

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

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

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

Township's financial information related to the operation of the wastewater collection system over each of the last four to six years.

Customer information for the last four years

This data request is not intended to be all inclusive of the information required. There will be follow-up questions and additional requests for data.

AUS Consultants would like to perform a physical inspection of the Township's wastewater system and schedule interviews, as appropriate, with township personnel familiar with the wastewater collection system's operation.

Fee Estimate

AUS Consultants would offer a professional fee range of \$25,000 to \$27,000 plus expenses to complete a valuation study. Expenses billed at our cost will include travel and living, report preparation, and Fed Ex as necessary.

For activities subsequent to our final report the following table of hourly per diems plus expenses:

Consultant	Hourly Per Diems (\$s/hr.)
Jerome C. Weinert	275
Michael J Diedrich	250
Earl Robinson	200
David A. Sheffer	200
David Weiler	170
Elizabeth A. Weinert	150
Susan Macchia	70

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

Mr. Kurt Ferguson
Lower Makefield Township's Wastewater Collection System Appraisal
February 15, 2021
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Closure

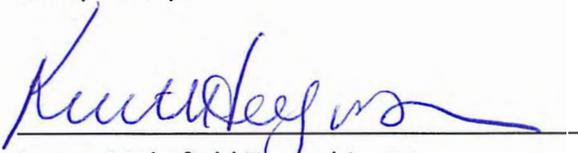
AUS Consultants appreciates the opportunity to respond to Lower Makefield Township's request for our services. Should you have any questions regarding our response, please contact the undersigned.

Respectfully submitted,
Jerome C. Weinert
AUS Consultants
Principal & Director

Jerome C. Weinert

Date: February 15, 2021

Accepted by:



Lower Makefield Township, PA

Date: 2-24-21



AUS CONSULTANTS

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

8555 West Forest Home Avenue
Suite 201
Greenfield, WI 53228
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414.529.5750 ^o Fax
www.ausconsultants.com

April 26, 2021

Mr. Kurt Ferguson
Township Manager
Lower Makefield Township
1100 Edgewood Road
Yardley, PA 19067

Dear Kurt:

RE: Lower Makefield Township

Enclosed is our AUS Consultants invoice for the Lower Makefield Wastewater Collection System fair market value appraisal which was delivered to the following parties: Alex Stahl – Aqua Pennsylvania. Thomas Wyatt – Obermayer Rebmann Maxwell & Hippel LLP and Lower Makefield via EMAIL on 4/8/2021.

Very truly yours,

A handwritten signature in red ink that reads 'Jerry Wend'.

eaw
Enclosure

INVOICE

Lower Makefield Wastewater

April 26, 2021

Enclosed is our AUS Consultants invoice for the Lower Makefield Wastewater Collection System fair market value appraisal which was delivered via EMAIL on 4/8/2021.

Proposed Fee & Expenses

10-0732-01		Lower Makefield Township Sanitary Sewer System Appraisal			
26-Apr-21					
		Hours	Per Diem	Fees	
Jerome Weinert					
3/8/2021	3/14/2021	22.5	275	6,187.50	
3/15/2021	3/21/2021		275	-	
3/22/2021	3/28/2021	15.0	275	4,125.00	
3/29/2021	4/4/2021	30.0	275	8,250.00	
4/5/2021	4/11/2021	15.0	275	4,125.00	
4/12/2021	4/18/2021	0.0	275	-	
4/19/2021	4/25/2021	0.0	275	-	
4/26/2021	5/2/2021		275	-	
Subtotal		82.5		22,687.50	
Elizabeth Weinert					
3/8/2021	3/14/2021		150	-	
3/15/2021	3/21/2021		150	-	
3/22/2021	3/28/2021	15.0	150	2,250.00	
3/29/2021	4/4/2021	7.5	150	1,125.00	
4/5/2021	4/11/2021	15.0	150	2,250.00	
4/12/2021	4/18/2021		150	-	
4/19/2021	4/25/2021	15.0	150	2,250.00	
4/26/2021	5/2/2021		150	-	
Subtotal		52.5		7,875.00	
Total Professional Fees				30,562.50	
Contracted Fee				25,000 to 27000	
Fee				25,000.00	
Expenses					
Report Processing				630.41	
Fed X				112.00	
Subtotal Expenses				742.41	
Total Invoice				25,742.41	

GRAND TOTAL THIS INVOICE..... \$25,742.41

Please remit with a duplicate copy of this invoice to:

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

CUSTOMER I.D. 70-CHE02

INVOICE NO. 156961

Reference No. 10-0732-01

(G/L No. 441036)

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

INCORPORATED

Remit Wires to:

AUS, Inc. at Webster Bank, N.A.

Account 10974951, ABA# ACH211170101

International Swift# WENAUS31