

# **EXHIBIT S1**



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

Corporate Headquarters  
207 Senate Avenue  
Camp Hill, PA 17011  
P 717.763.7211 | F 717.763.8150

[gannettfleming.com](http://gannettfleming.com)

July 14, 2022

[Via email to WCPackerJr@essential.co](mailto:WCPackerJr@essential.co)

Mr. William C. Packer  
Vice President Controller  
Aqua Pennsylvania, Inc.  
762 W. Lancaster Ave  
Bryn Mawr, PA 19010

Dear Mr. Packer:

### Fair Market Value Appraisal

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

### **SCOPE OF SERVICES**

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

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



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

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

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

### **SITE INSPECTION**

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

### **APPRAISAL REPORT**

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

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



## **QUALIFICATIONS**

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

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

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

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

## **FIDUCIARY DUTY**

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



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

### **BASIS FOR COMPENSATION**

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

Based on our experience, we estimate the cost for a complete study, direct testimony, and other filing requirements will range from \$30,000 to \$35,000. The actual charges for these services will, of course, depend on the amount of time required to complete the assignment and the extent to which data are provided. The availability and quality of the required data sources of information will affect the final cost.

### **SCHEDULE**

The fair market value appraisal will be completed within 45 to 60 days of timely receipt of an executed proposal, the requested data, and completion of the Engineering Assessment.

### **PROPOSAL**

Based on the understanding outlined in this letter, we propose that Aqua Pennsylvania, Inc. retain Gannett Fleming Valuation and Rate Consultants, LLC to perform the requested services as outlined in this letter. If this proposal is satisfactory to you, please so indicate by signing where indicated below and scanning and emailing the executed copy to me via email at [hwalker@gfnet.com](mailto:hwalker@gfnet.com), with a copy to our Administrative Manager, Cheryl Rutter, at [crutter@gfnet.com](mailto:crutter@gfnet.com).



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

Respectfully Submitted,

GANNETT FLEMING VALUATION  
AND RATE CONSULTANTS, LLC

HAROLD WALKER, III  
Manager, Financial Studies

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

ACCEPTED BY:

William C. Packer  
(Signature)

William C. Packer  
(Printed Name)

Vice President - Regulatory Accounting & Regional Controller  
(Title)

July 22, 2022  
(Date)



GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

2022 BILLING RATES EFFECTIVE 7/2/2022

<u>Personnel</u>	<u>Hourly Rate</u>
SUPERVISORY STAFF	
John J. Spanos, President	\$305.00
Ned W. Allis, Vice President	270.00
Harold Walker, III, Manager, Financial Studies	270.00
Constance E. Heppenstall, Senior Project Manager, Rate Studies	260.00
John F. Wiedmayer, Jr., Senior Project Manager, Depreciation Studies	250.00
STAFF	
Senior Analysts	200.00
Analysts	190.00
Associate Analysts	180.00
Assistant Analysts III	170.00
Assistant Analysts II	150.00
Assistant Analysts I	140.00
Senior Technicians	125.00
Support Staff	125.00



**Check Payment Information:**  
 Gannett Fleming Valuation and Rate Consultants, LLC  
 PO Box 829160, Philadelphia, PA 19182-9160 Federal EIN: 46-4413705  
**ACH/EFT Payment Information:**  
 Account Name: Gannett Fleming Companies ABA: 031312738  
 Account No.: 5003165655  
 Send Remit Info: AccountsReceivable@gfnet.com  
 Send Audit Inquiries: GovtContractAudit@gfnet.com  
 All Other Inquires Contact the Project Team

**Attention:** Accounts Payable  
**Aqua Pennsylvania, Inc.**  
**762 Lancaster Avenue**  
**Bryn Mawr, PA 19010**  
**UNITED STATES**

**Invoice :** 0000012905  
**Invoice Date :** 9/6/2022  
**Project :** 072908  
**Project Name :** Aqua PA-FMV-Wtr-  
 ShenandoahBoro  
**Bill Term :** 01

---

**For Professional Services Rendered For 7/30/2022 Through 8/26/2022**

Vendor No. 4000001913  
 Company - 5500  
 Internal Order Number (Work Order) - 5500M00109  
 Account - 5381000  
 Aqua Contact – William C. Packer - wcpackerjr@essential.co  
 GF Contact - Cheryl Rutter  
 Preferred Email Address - crutter@gfnet.com

	<b>Current</b>
	<b><u>Billings</u></b>
000 - Fair Market Value Appraisal Water - Shenandoah	15,977.50
Total :	<u>15,977.50</u>
	<b>Current Billings</b> 15,977.50
	<b>Amount Due This Bill</b> <b>US</b> <u><u>15,977.50</u></u>

---

**Harold Walker III**

**000 - Fair Market Value Appraisal Water - Shenandoah**

**Rate Labor**

<i>Class</i>	<i>Hours</i>	<i>Rate</i>	<i>Amount</i>
Associate Analyst	6.50	180.000	1,170.00
Constance E Heppenstall	5.50	260.000	1,430.00
Harold Walker III	47.00	270.000	12,690.00
Support Staff	5.50	125.000	687.50
<b>Total Rate Labor</b>	<b>64.50</b>		<b>15,977.50</b>

**Total Bill Task : 000 - Fair Market Value Appraisal Water - Shenandoah** **15,977.50**

**Total Project : 072908 - Aqua PA-FMV-Wtr-ShenandoahBoro** **15,977.50**