



Gannett Fleming
Valuation and Rate Consultants, LLC

Corporate Headquarters
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Camp Hill, PA 17011
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gannettfleming.com

October 20, 2022

Via email to thomas.wyatt@obermayer.com (For Delivery)

Butler Area Sewer Authority
100 Litman Road
Butler, PA 16001

Ladies and Gentlemen:

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 the Butler Area Sewer Authority (BASA or Authority) with a fair market value appraisal of Butler Area Sewer Authority's wastewater system assets (Wastewater System) consistent with the date of the Engineer's Assessment.

SCOPE OF SERVICES

Gannett Fleming proposes to conduct a fair market value appraisal of the Wastewater System in compliance with the Uniform Standards of Professional Appraisal Practices, employing the cost, market, and income approaches. It should be noted that Gannett Fleming will utilize asset cost information provided by the Engineering Assessment of the Wastewater System's assets. The Engineering Assessment of the Wastewater 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 Wastewater System's assets as a group under the premise that they collectively comprise an ongoing operating business enterprise. In accordance with 66 Pa. C.S. Section 1329, the original source of funding for any part of the assets of the selling utility will not be relevant to the determination of the value of said assets.

We will accept all information and data provided by BASA 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 Wastewater System's facilities and rely on the information provided by the Engineering Assessment of the Wastewater System's assets provided by BASA.

APPRAISAL REPORT

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

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



QUALIFICATIONS

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

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

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

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

FIDUCIARY DUTY

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



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

BASIS FOR COMPENSATION

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

Based on our experience, we estimate the cost for a complete appraisal, direct testimony, and other filing requirements will range from \$25,000 to \$30,000. 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 Butler Area Sewer Authority 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 have an individual authorized to bind the Authority sign where indicated below and then scan and email the executed copy to me via email at hwalker@gfnet.com, with a copy to our Administrative Manager, Cheryl Rutter, at crutter@gfnet.com.



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

Respectfully Submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in black ink, appearing to read "Harold Walker, III".

HAROLD WALKER, III
Manager, Financial Studies

Butler Area Sewer Authority accepts the foregoing Proposal and authorizes Gannett Fleming Valuation and Rate Consultants, LLC to proceed with the services described herein.

ACCEPTED BY:

A handwritten signature in black ink, appearing to read "Paul F. Sybert".

(Signature)The name "Paul F. Sybert" printed in black ink.

(Printed Name)

Chairman

(Title)

November 7, 2022

(Date)



GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

2022 BILLING RATES

<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



Appendix A-7.2

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

Butler Area Sewer Authority
 100 Litman Road
 Butler, PA 16001
 UNITED STATES

Invoice : 0000019052
Invoice Date : 2/7/2023
Project : 074173
Project Name : Butler Area Sewer Authority-FMV
 Appraisal
Bill Term : 01

For Professional Services Rendered For 1/1/2023 Through 1/27/2023

Fair Market Value Appraisal

		Current
		Billings
000 - Fair Market Value Appraisal		<u>16,540.00</u>
	Total :	16,540.00
		Current Billings
		<u>16,540.00</u>
	Amount Due This Bill	US <u><u>16,540.00</u></u>

Harold Walker III

000 - Fair Market Value Appraisal

Rate Labor

<i>Class</i>	<i>Hours</i>	<i>Rate</i>	<i>Amount</i>
Analyst	1.00	190.000	190.00
Assistant Analyst II	16.00	160.000	2,560.00
Harold Walker III	46.00	280.000	12,880.00
Support Staff	7.00	130.000	910.00
Total Rate Labor	70.00		16,540.00

Total Bill Task : 000 - Fair Market Value Appraisal **16,540.00**

Total Project : 074173 - Butler Area Sewer Authority-FMV Appraisal **16,540.00**