

**Application of Pennsylvania-American Water Company for the Acquisition  
of the Wastewater Collection, Conveyance and Treatment System  
Owned and Operated by Towamencin Township and Towamencin Municipal Authority  
(collectively “Towamencin”)**

**Docket No. A-2023-3039900**

**66 Pa. C.S. § 1329**

**Application Filing Checklist – Water/Wastewater**

7. State the total fees paid to the utility valuation experts for providing the completed appraisals for the acquisition and provide documentation, i.e., the valuation service agreement and all associated invoices, supporting the subject fee amounts.

**RESPONSE:** The valuation services agreements and fees paid to Harold Walker, III, Manager Financial Studies Gannett Fleming Valuation and Rate Consultants LLC on behalf of PAWC and Dylan W. D’Ascendis, Partner, ScottMadden, Inc. on behalf of Towamencin are reflected in **Appendix A-7.1 (Gannett)** and **Appendix A-7.2 (Madden)**. Gannett Fleming’s fees paid to date are \$0. ScottMadden’s fees paid to date are \$0.



**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 26, 2022

[Via email to Eric.Mooney@nexteraenergy.com](mailto:Eric.Mooney@nexteraenergy.com)

Mr. Eric C. Mooney  
Executive Director  
NextEra Water, LLC  
700 Universe Blvd.  
Juno Beach, FL, 33408

Dear Mr. Mooney:

#### 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 NextEra Water Pennsylvania, LLC (NextEra Water) with a fair market value appraisal of Towamencin Township'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 the Wastewater System and NextEra Water 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 VISIT**

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

#### **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 Pennsylvania Public Utility Commission within the context of 66 Pa. C.S. Section 1329, Valuation of Acquired Water and Wastewater Systems.

## **FIDUCIARY DUTY**

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



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

### **BASIS FOR COMPENSATION**

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

Based on our experience, we estimate the cost for a complete study, direct testimony, and other pre-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 NextEra Water Pennsylvania, LLC retain Gannett Fleming Valuation and Rate Consultants, LLC to perform the requested services as outlined in this letter. If this proposal is satisfactory to NextEra Water, please execute it where indicated below, scan and email it to me 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 NextEra Water 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

NextEra Water Pennsylvania, LLC 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 blue ink, appearing to read "Eric C. Muehly".

(Signature)

ERIC C MUEHLY

(Printed Name)

ASSISTANT VICE PRESIDENT

(Title)

8/26/2022

(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



### **Assignment and Assumption Agreement of FMV Agreement and Appraisal**

This Assignment and Assumption Agreement ("**Agreement**") dated as of March 23, 2023 (the "**Effective Date**"), is entered into by and among NextEra Water Pennsylvania, LLC, a Delaware limited liability company, ("**Assigning Party**"), and Pennsylvania American Water Company, a Pennsylvania Corporation, ("**Assuming Party**"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the APA Assignment (as hereinafter defined).

**WHEREAS**, Assigning Party, Township of Towamencin and the Towamencin Municipal Authority have entered into that certain Asset Purchase Agreement dated as of June 14, 2022 for the purchase of a certain wastewater system, as amended by that First Amendment to Asset Purchase Agreement (the "**APA**");

**WHEREAS**, in connection with the APA, Assigning Party has retained Gannett Fleming Valuation and Rate Consultants, LLC ("**Gannett Fleming**") to prepare a fair market value appraisal of the wastewater system in accordance with a Proposal dated August 26, 2022, a copy of which has been delivered to the Assuming Party prior to the Effective Date hereof (the "**FMV Agreement**");

**WHEREAS**, pursuant to the FMV Agreement, Gannett Fleming has delivered the fair market value appraisal of the wastewater system, a copy of which has been delivered to the Assuming Party prior to the Effective Date hereof (the "**FMV Appraisal**");

**WHEREAS**, on or about the Effective Date hereof, Assigning Party and Assuming Party have entered into that certain Assignment and Assumption Agreement of Asset Purchase Agreement (the "**APA Assignment**") and, pursuant to the APA Assignment, the Assigning Party shall assign to the Assuming Party and the Assuming Party shall assume the APA;

**WHEREAS**, Assigning Party desires to assign to Assuming Party all of its rights and transfer and delegate to Assuming Party all of its obligations under the FMV Agreement; and

**WHEREAS**, Assuming Party desires to accept such assignment of rights and transfer and delegation of obligations under the FMV Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt, and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Effective on the Additional Deposit Refund Date (as defined in the APA Assignment), Assigning Party irrevocably sells, assigns, grants, conveys, and transfers to Assuming Party all of Assigning Party's right, title, and interest in and to the FMV Agreement and the work product related thereto, including the FMV Appraisal.

1.2 Assumption. Effective on the Additional Deposit Refund Date, Assuming Party unconditionally accepts assignment of Assigning Party's right, title, and interest in and to the FMV Agreement and the work product related thereto, including the FMV Appraisal, and assumes all of Assigning Party's duties, liabilities, and obligations under the FMV Agreement, and agrees to pay, perform, and discharge, as and when due, all of the obligations of Assigning Party under the FMV Agreement accruing on and after the Additional Deposit Refund Date.

2. Effectiveness. For the avoidance of doubt, the parties agree that this Agreement shall not become effective until and unless the Additional Deposit is received by Assigning Party in accordance with the terms of the APA Assignment.

3. Representations and Warranties. Each party represents and warrants as follows: (a) it is duly organized, validly existing, and in good standing under the laws of the state of its incorporation; (b) it has the full right, corporate power, and authority to enter into this Agreement and to perform its obligations hereunder; (c) it has taken all necessary corporate action to authorize the execution of this Agreement by its representative whose signature is set forth at the end hereof; and (d) when executed and delivered by it, this Agreement will constitute the legal, valid, and binding obligation of such party, enforceable against it in accordance with its terms, subject only to applicable bankruptcy, insolvency and similar laws affecting the enforceability of the rights of creditors generally and to general principles of equity.

4. Miscellaneous.

4.1 Further Assurances. On the other party's reasonable request, each party shall, at its sole cost and expense, execute and deliver all such further documents and instruments, and take all such further acts, necessary to give full effect to this Agreement.

4.2 Notices. Each party shall deliver all notices, requests, consents, claims, demands, waivers, and other communications under this Agreement (each, a "Notice") in writing and addressed to the other party at its address set forth below (or to such other address that the receiving party may designate from time to time in accordance with this section). Each party shall deliver all Notices by personal delivery, nationally recognized overnight courier (with all fees pre-paid), facsimile or email (with confirmation of transmission), or certified or registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, a Notice is effective only (a) on receipt by the receiving party, and (b) if the party giving the Notice has complied with the requirements of this Section.

Notice to Assigning Party:

NextEra Water Pennsylvania, LLC  
700 Universe Boulevard  
Juno Beach, Florida 33408  
Attention: Eric Mooney  
E-mail: eric.mooney@nexteraenergy.com

with a copy to:

NextEra Water Pennsylvania, LLC  
700 Universe Boulevard  
Juno Beach, Florida 33408  
Attention: Vice President & General Counsel  
E-mail: Neer-General-Counsel@nexteraenergy.com

Notice to Assuming Party:

Pennsylvania-American Water Company  
852 Wesley Drive  
Mechanicsburg, PA 17055  
Attention: Justin Ladner, President  
Email: Justin.Ladner@amwater.com

with a copy to:

Pennsylvania-American Water Company

852 Wesley Drive  
Mechanicsburg, PA 17055  
Attention: Andrew Swope, General Counsel  
Email: Andrew.Swope@amwater.com

4.3 Interpretation. For purposes of this Agreement: (a) the words “include,” “includes,” and “including” are deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto,” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references in this Agreement: (x) to sections, schedules, and exhibits mean the sections of, and schedules and exhibits attached to, this Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. The parties drafted this Agreement without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The schedules and exhibits referred to herein are an integral part of this Agreement to the same extent as if they were set forth verbatim herein. The headings in this Agreement are for reference only and do not affect the interpretation of this Agreement.

4.4 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability does not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

4.5 Entire Agreement. This Agreement, together with all related exhibits and schedules, is the sole and entire agreement of the parties to this Agreement regarding the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, regarding such subject matter.

4.6 Amendments; Waivers. No amendment to this Agreement is effective unless it is in writing and signed by an authorized representative of each party to this Agreement. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement will be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement will operate as a waiver of such right. No single or partial exercise of any such right precludes any other or further exercise of such right or the exercise of any other right.

4.7 Limitation of Liability. NOTWITHSTANDING ANY PROVISION OF THIS AGREEMENT TO THE CONTRARY, NEITHER PARTY SHALL BE LIABLE TO ANY OTHER PARTY HERETO FOR ANY SPECIAL, INCIDENTAL, PUNITIVE, CONSEQUENTIAL, OR INDIRECT DAMAGES, INCLUDING LOSS OF FUTURE REVENUE OR INCOME, LOSS OF BUSINESS REPUTATION OR OPPORTUNITY ARISING OUT OF OR RELATED TO THIS AGREEMENT.

4.8 Cumulative Remedies. All rights and remedies provided in this Agreement are cumulative and not exclusive, and the exercise by either party of any right or remedy does not

preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any other agreement between the parties, or otherwise.

4.9 Successors and Assigns; No Third-Party Beneficiaries. None of the parties to this Agreement may assign any right or delegate any performance under this Agreement without the prior written consent of the other parties, and any purported assignment or purported delegation without prior written consent is void. This Agreement benefits solely the parties to this Agreement and their respective permitted successors and permitted assigns and nothing in this Agreement, express or implied, confers on any other Person any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

4.10 Governing Law; Jurisdiction. This Agreement must be construed and interpreted in accordance with the internal laws of the State of Pennsylvania without giving effect to the conflict of laws principles thereof that would require the application of any other laws. Each of the parties hereto irrevocably (a) consents to the exclusive jurisdiction and venue of the state and federal courts in the State of Pennsylvania in connection with any matter arising out of this Agreement, (b) waives any objection to such jurisdiction or venue (c) agrees not to commence any legal proceedings related hereto except in such courts, and (d) consents to and agrees to accept service of process to vest personal jurisdiction over it in any such courts made as set forth in Section 4.2. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

4.11 Counterparts. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email, or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the Effective Date.

**NEXTERA WATER PENNSYLVANIA, LLC**

By   
Name: Matthew Valle  
Title: Vice President

**PENNSYLVANIA AMERICAN WATER  
COMPANY**

By \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

**NEXTERA WATER PENNSYLVANIA, LLC**

By \_\_\_\_\_  
Name:  
Title:

**PENNSYLVANIA      AMERICAN      WATER  
COMPANY**

By *Justin L. Lodner*  
Name: *Justin L. Lodner*  
Title: *President; PAWC*



Smart. Focused. Done Right.®

ScottMadden, Inc.  
1900 West Park Drive  
Suite 250  
Westborough, MA 01581  
508-202-7918  
scottmadden.com

August 19, 2022

**Privileged and Confidential**

Mr. Scott Shearer  
Managing Director  
PFM Financial Advisors LLC  
100 Market Street  
Harrisburg, PA 17101

Dear Scott,

Thank you for contacting ScottMadden, Inc. ("ScottMadden") regarding our proposed fees for a valuation study and associated valuation report for Towamencin Township ("Towamencin" or the "Township"). The study will establish a fair value for the operations of the Township's operations in accordance with the American Society of Appraisers' Business Valuation Standards and the Uniform Standards of Professional Appraisers Practice guidelines.

ScottMadden is highly qualified and strongly positioned to provide the requested services in a thorough, efficient, and cost effective manner. The remainder of this letter is intended to describe our proposed approach to this engagement, and summarize our proposed commercial terms.

Please be assured we will work with you to deliver the results you require. If you have any questions regarding this engagement letter, or require any additional information or clarification, I may be reached at [ddascendis@scottmadden.com](mailto:ddascendis@scottmadden.com) or 609.680.8695.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. D'Ascendis", is written over a light blue circular watermark.

Dylan W. D'Ascendis  
Partner

# Towamencin Township

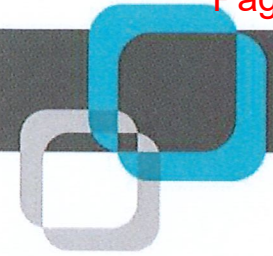
Asset Valuation Proposal

August 19, 2022



Smart. Focused. Done Right.®





## SCOTTMADDEN'S BACKGROUND

Founded in 1983, ScottMadden is a general management consulting firm serving the North American energy market. Since our founding, we have provided independent and objective counsel to more than 500 clients worldwide.

At ScottMadden, we do what it takes to get it done right. Our seasoned practitioners possess a wealth of industry experience that gives us a deeper understanding of the challenges our clients are facing. Our practice areas include Energy; Corporate & Shared Services; and Rates & Regulation. Our service offerings range from strategic planning through implementation across many industries, business units, and functions.

Getting it done right is about working side-by-side with our clients. It's about solving the right problem in the right way. And it's about doing it all with integrity, tenacity, and a genuine passion throughout the entire process. Our broad and deep energy utility expertise is not theoretical, it is experience-based. Our clients trust us with their most important challenges. They know that chances are, we have seen and solved a similar problem to theirs. They know we will do what we say we will do with integrity and determination, and we will produce real results.

## SCOPE OF WORK

### VALUATION STUDY AND ASSOCIATED VALUATION REPORTS

#### Description of Analysis, Work Plan, and Schedule

The overall requirements of this assignment fall into four general categories: (1) planning and administration; (2) data collection and verification; (3) analysis and financial modeling; and (4) report generation. These general categories are discussed in the context of our proposed approach, which consists of the following tasks.

#### Task 1: Kickoff Meeting

The purpose of this task is to begin the project planning and administration as well as better understand the goals of this valuation study. We plan to accomplish this task by holding a kickoff meeting. Specific activities related to this task include:

- Gathering of relevant data and information relating to the valuation study, including, but not limited to:
  - Asset listing by NARUC account (if available);
    - Date in Service
    - Original Cost

Mr. Scott Shearer  
August 19, 2022

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- Accumulated Depreciation
- Historical Financial Statements;
  - Income statements from 2017-2021
  - Cash flow statements (if available) from 2017-2021
  - History of last five rate increases (% increase, year enacted)
- Forecasted Financial Statements;
  - Assumptions regarding revenues long-term (20 years)
  - Assumptions regarding operating expenses (20 years)
  - Assumptions regarding capital expenditures (20 years)
  - Assumptions regarding financing of capital (20 years)
    - Type of debt financing (e.g., sinking funds)

### **Task 2: Data Analysis and Interviews**

After compiling the data outlined in Task 1, it will be necessary to meet with people familiar with the Township's operations (in person or via telephone) to discuss trends in the data. It will also be necessary to tour the facilities to determine the condition of the assets. After these meetings, we will solidify our assumptions with respect to the valuation analysis.

### **Task 3: Development of Valuation Study**

After gathering the data and discussing with the Township, the valuation study will be developed. The study will consider the national, regional, and local economy and its impact on The Township as well as industry trends and competition in the space. The study will consider three valuation approaches; the Asset (or Cost) approach, the Market approach, and the Income approach, to determine our conclusion.

#### **Asset Approach**

The Asset (or Cost) Approach is used to estimate a value of property based on the current cost of the subject assets, minus physical deterioration, functional obsolescence and economic obsolescence. In the asset approach, an analysis must be made of the property that is actually and physically being valued. The method ScottMadden will use to determine the current cost of the assets will be a trended original cost study. This will be completed by trending each individual asset forward to current cost by use of the Handy-Whitman Index of Public Utility Construction Costs. From this current value the accumulated depreciation of those assets will be subtracted to provide an indication of the value of the assets using the Asset Approach.

#### **Market Approach**

The Market Approach develops a value through an analysis of recent sales of comparable property. These transactions must be actual transactions (or current offerings) involving similar property. The transactions can be broken down into specific multiples (e.g. purchase price per customer / connection, purchase price / EBIT, etc.) and applied to the Township's asset, or the actual purchase price can be adjusted to reflect differences between the completed transactions and the Township's asset.

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Mr. Scott Shearer  
August 19, 2022

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Unfortunately, an active market may or may not exist, which means there can be too few transactions or non-representative transactions for the approach to be meaningful. ScottMadden will conduct searches for similar market transactions for regulated companies and will apply judgment on which adjustments to use, or which multiples are applicable to the regulated companies. ScottMadden will also determine if the transactions identified are meaningful and if the Market Approach is valid in this case.

### **Income Approach**

The Income Approach measures the present value of monetary benefits anticipated to be derived in the future from asset ownership. The present value of monetary benefits is measured by taking into account the duration and pattern of the income stream and the risk inherent in realizing that income stream. ScottMadden will use historical and projected income statements to determine a realistic pattern of cash flows over a 20-year time frame then determine an appropriate capitalization rate to discount those cash flows back to present value which determines the indicated value.

### **Task 4: Report Generation**

The valuation study will be used to generate the valuation report ("Report"). As mentioned above, each valuation approach will produce an indicated value for the assets. ScottMadden will incorporate all three valuation approaches in the final Report. The entire process (the kickoff meeting through Report generation) should take no longer than 60 days, depending on the quality of data provided by the Township.

### **PROJECT TEAM**

The project will be led by Dylan W. D'Ascendis, CRRA, CVA, Partner of ScottMadden, Inc. Mr. D'Ascendis will author the Report and testify in any subsequent regulatory filing (if needed). Mr. D'Ascendis will be supported by ScottMadden's pool of highly qualified consultants and analysts, as needed, throughout the engagement.

### **PROPOSED COMMERCIAL TERMS**

Based on the above Scope of Work, which outlines our approach to developing the valuation study, associated Report, and related appendices, ScottMadden proposes a fee of \$35,000. Any travel related to the study will be billed at our direct cost with no markup and is not included in the \$35,000 fee.

Any additional services required after delivery of the Report (e.g., testimony, discovery requests) will be billed at the hourly rates listed in the table below:

Mr. Scott Shearer  
August 19, 2022

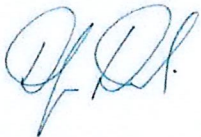
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Position	Hourly Rate
Partner / Executive Advisor	\$325
Director	\$295
Manager	\$270
Senior Associate	\$230
Associate	\$200
Senior Analyst	\$150
Analyst	\$125
Administrative Assistant	\$65

Given the scope of the project, we assume that we will have to travel to the Township at least once for the site visit and interviews of the Township personnel. Please note, ScottMadden's normal practice is to invoice monthly for professional fees and travel expenses (with no mark-up), as well as for reasonable direct expenses, as incurred, with no additional mark-up.

Should you have any questions, or wish to discuss the proposed terms, please feel free to contact me directly at your convenience via phone (609) 680-8695 or email [ddascendis@scottmadden.com](mailto:ddascendis@scottmadden.com). We look forward to working with you and your staff.

Sincerely,



Dylan W. D'Ascendis  
Partner

ACCEPTED AND AGREED BY:

Name: H. Charles Wilson, III

Signature: [Handwritten Signature]

Title: Chairman

Date: 8/26/22

**Summary**

Dylan is an experienced consultant and a Certified Rate of Return Analyst (CRRA) and Certified Valuation Analyst (CVA). Dylan joined ScottMadden in 2016 and has become a leading expert witness with respect to cost of capital and capital structure. He has served as a consultant for investor-owned and municipal utilities and authorities for 14 years. Dylan has testified as an expert witness on over 100 occasions regarding rate of return, cost of service, rate design, and valuation before more than 30 regulatory jurisdictions in the United States and Canada, an American Arbitration Association panel, and the Superior Court of Rhode Island. He also maintains the benchmark index against which the Hennessy Gas Utility Mutual Fund performance is measured. Dylan holds a B.A. in economic history from the University of Pennsylvania and an M.B.A. with concentrations in finance and international business from Rutgers University.

**Professional Qualifications & Memberships**

- North Carolina Utility Commission Qualified Utility Valuation Expert
- Pennsylvania Public Utility Commission Registered Utility Valuation Expert
- Member of the Society of Utility and Regulatory Financial Analysts
- Member of the National Association of Certified Valuation Analysts

**Areas of Specialization**

- Utility Appraisals and Valuations
- Regulation and Rates
- Rate of Return
- Regulatory Strategy

**Recent Expert Testimony Submission/Appearance**

- Pennsylvania Public Utility Commission - Valuation
- Regulatory Commission of Alaska – Capital Structure
- Federal Energy Regulatory Commission – Rate of Return
- Public Utility Commission of Texas – Return on Equity
- Hawaii Public Utilities Commission – Cost of Service / Rate Design

**Recent Assignments**

- Sponsored valuation testimony for a large municipal water company in front of an American Arbitration Association Board to justify the reasonability of their lease payments to the City
- Co-authored a valuation report on behalf of a large investor-owned utility company in response to a new state regulation which allowed the appraised value of acquired assets into rate base
- Provided expert testimony on the cost of capital for ratemaking purposes before numerous state utility regulatory agencies

**Recent Articles and Speeches**

- Co-Author of: "Decoupling, Risk Impacts and the Cost of Capital", co-authored with Richard A. Michelfelder, Ph.D., Rutgers University and Pauline M. Ahern. The Electricity Journal, March, 2020
- Co-Author of: "Decoupling Impact and Public Utility Conservation Investment", co-authored with Richard A. Michelfelder, Ph.D., Rutgers University and Pauline M. Ahern. Energy Policy Journal, 130 (2019), 311-319
- "Establishing Alternative Proxy Groups", before the Society of Utility and Regulatory Financial Analysts: 51st Financial Forum, April 4, 2019, New Orleans, LA
- "Past is Prologue: Future Test Year", Presentation before the National Association of Water Companies 2017 Southeast Water Infrastructure Summit, May 2, 2017, Savannah, GA.
- Co-author of: "Comparative Evaluation of the Predictive Risk Premium Model™, the Discounted Cash Flow Model and the Capital Asset Pricing Model", co-authored with Richard A. Michelfelder, Ph.D., Rutgers University, Pauline M. Ahern, and Frank J. Hanley, The Electricity Journal, May, 2013

Sponsor	Date	Assets Valued	Description
Confidential	02/2022	Electric Distribution System	Co-authored valuation report for Internal purposes
Confidential	10/2021	Water Operations	Co-authored valuation report for Internal purposes
Confidential	10/2021	Water & Wastewater Operations	Co-authored valuation report for Internal purposes
City of York, PA	06/2021	Wastewater Operations	Co-authored Valuation Report, which will be a part of an Act 12 Filing
Aqua New Jersey, Inc.	05/2021	Confidential Water and Wastewater Operations in NJ	Authored Valuation Report for internal purposes
Aqua New Jersey, Inc.	05/2021	Confidential Water and Wastewater Operations in NJ	Authored Valuation Report for internal purposes
Aqua Ohio, Inc.	05/2021	Confidential Water Operations in OH	Authored Valuation Report for internal purposes
Aqua Pennsylvania, Inc.	04/2021	Confidential Wastewater Operations in PA	Authored Valuation Report for internal purposes
Aqua New Jersey, Inc.	04/2021	Confidential Wastewater Operations in NJ	Authored Valuation Report for internal purposes
Aqua Pennsylvania, Inc.	02/2021	Confidential Wastewater Operations in PA	Authored Valuation Report for internal purposes
Artesian Water Company, Inc.	01/2021	Wastewater Operations for Delaware City, DE	Authored valuation report for internal purposes
EPCOR Distribution and Transmission, Inc., Alberta Canada	12/2020	Fiber Optic Cable Assets	Fiber optic cable available for lease for Internal purposes
EPCOR Distribution and Transmission, Inc., Alberta Canada	12/2020	Duct Bank Assets	Duct banks available for lease for Internal purposes
Borough of Lewistown, PA	08/2020	Water Operations	Authored valuation report for internal purposes
Artesian Water Company, Inc.	06/2020	Wastewater Operations for Town of Frankford, DE	Authored valuation report for internal purposes
Foster Township, PA	04/2020	Water Operations	Authored valuation report for internal purposes
City of Erie, PA	04/2020	Water Operations	Authored valuation report for internal purposes
Delaware County Regional Water Quality Control Authority	02/2020	Wastewater Operations	Authored Valuation Report, which is part of an Act 12 Filing
Aqua North Carolina, Inc.	02/2020	Confidential Water Operations in NC	Authored Valuation Report for internal purposes
Aqua New Jersey, Inc.	02/2020	Confidential Water Operations in NJ	Authored Valuation Report for internal purposes
Aqua Ohio, Inc.	11/2019	Confidential Wastewater Operations in OH	Authored Valuation Report for internal purposes
Steelton Water Authority	06/2018	Water Operations	Authored Valuation Report, which is part of an Act 12 Filing
Sara Golvinveaux McGinnes Trust	04/2018	Electric Operations of Block Island Power Company	Authored Valuation Report for Superior Court Trial
Mahoning Township, PA	09/2017	Water and Sewer Assets	Authored Valuation Report, which is part of an Act 12 Filing



Valuation Resume of:  
**Dylan W. D'Ascendis, CRRA, CVA**  
**Partner**

Sponsor	Date	Assets Valued	Description
Atmos Energy Corporation	09/2016	Intrastate Natural Gas Pipeline	Authored Valuation for internal purposes.
Springfield Township, PA	08/2014	Water and Sewer Assets	Co-Authored Valuation Report, which was part of House Bill 1379 Filing (similar to PA Act 12)
Aqua Illinois, Inc.	07/2014	Village of Glenview, IL (North Maine Utilities) Sewer Assets	Co-Authored Valuation report for internal purposes
Erie City Water Authority, Erie, PA	12/2013	Water Assets	Sponsored Valuation Testimony in Arbitration Hearing
City of Allentown, PA	12/2012	Water and Sewer Assets	Assisted in the generation of Valuation Report