

**APPENDIX D - 2024 Final Supplemental Implementation Order**

**SELLING/BUYING UTILITY STATEMENT NO. \_\_\_**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of \_\_\_\_\_ to Obtain a Fair :  
Market Valuation for the Acquisition of the :  
Water/Wastewater Assets of the Borough of : A-20\_\_ - \_\_\_\_\_  
\_\_\_\_\_ in \_\_\_\_\_ County, :  
Pennsylvania :

**DIRECT TESTIMONY**

**OF**

**IMA UVE**

**UTILITY VALUATION EXPERT**

**SELLING/BUYING UTILITY**

**Month/Day/Year**

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1 **Q. Please state your name, business address, and occupation.**

2  
3 **A.** My name is \_\_\_\_\_. My business address is \_\_\_\_\_. I am an  
4 associate/principal/owner/president of \_\_\_\_\_. This testimony was prepared with the  
5 assistance of \_\_\_\_\_ an employee of \_\_\_\_\_ under my direction.

6  
7 **Q. Please describe your qualifications and indicate if you are registered as a Utility**  
8 **Valuation Expert with the Pennsylvania Public Utility Commission.**

9  
10 **A.** A Curriculum Vitae for \_\_\_\_\_ and \_\_\_\_\_ is attached to this testimony. I  
11 am a registered Utility Valuation Expert with the Pennsylvania Public Utility  
12 Commission. I obtained that registration in MONTH of YEAR.

13  
14 **Q. What is the purpose of your testimony?**

15  
16 **A.** This direct testimony provides clarification and explanation of the appraisal I provided to  
17 the Selling/Buying Utility pursuant to 66 Pa. C.S. § 1329(a)(5) and in accordance with  
18 Uniform Standards of Professional Appraisal Practice YEAR Edition.

19  
20 **Q: Are you advocating for any party or outcome?**

21  
22 **A:** No. The Ethics Rule of the USPAP, applicable here pursuant to 66 Pa. C.S. § 1329(a)(3),  
23 requires that I perform the appraisal with impartiality, objectivity, and independence, and  
24 without accommodation of personal interests. In addition, the USPAP Ethics Rule  
25 requires that I not perform the assignment with bias, that I must not advocate the cause or  
26 interest of any party or issue and that I must not accept an assignment that includes the  
27 reporting of predetermined opinions and conclusions.

28  
29 **Q. Do you have any affiliation with either the Selling Utility or the Acquiring Public**  
30 **Utility or Entity?**

31  
32 **A.** No. Other than the current assignment to provide the subject appraisal, I have no  
33 business or personal relationships with any party to the proposed acquisition.

34

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1 **Q. What is your fee arrangement to deliver the appraisal?**

2  
3 **A.** A copy of the fee arrangement is attached as Appendix \_\_\_\_\_. In summary, I am to  
4 receive \$\_\_\_\_\_ in compensation, which represents \_\_\_\_\_ % of the proposed  
5 valuation.  
6

7 **Q. Will you receive that fee regardless of whether the Commission approves the**  
8 **proposed transaction or whether it closes?**

9  
10 **A.** Yes. 66 Pa. C.S. § 1329(a)((3) mandates that I comply with the USPAP when developing  
11 my appraisal. Under the USPAP I cannot perform the appraisal with bias and acceptance  
12 of a fee contingent on a particular outcome like closing or Commission approval would  
13 violate that Ethics Rule.  
14

15 **Q. Have you prepared any exhibits, schedules, or appendices to accompany your direct**  
16 **testimony?**

17  
18 **A.** Yes. Schedules \_\_\_ and \_\_\_ are included herein, and Appendix \_\_\_ and \_\_\_ are attached.  
19 The appraisal I submitted to the Seller/Buyer pursuant to Section 1329(a)(5) is attached  
20 as well. All were prepared under my supervision and control.  
21

22 **Q. Please summarize your results of the application of the cost, market, and income**  
23 **approaches to valuation.**

24  
25 **A.** The summary the cost, market, and income approach is included below as Seller/Buyer  
26 UVE Schedule No. 1.  
27

<b>Approach</b>	<b>Indicated Value</b>	<b>Weight</b>	<b>Weighted Value</b>
Cost Approach	\$	%	\$
Market Approach	\$	%	\$
Income Approach	\$	%	\$
		100%	\$
<b>Conclusion</b>			<b>\$</b>

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29

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1 **Q. Describe any assumptions, extraordinary assumptions, hypothetical conditions,**  
2 **and/or limiting conditions that you applied to the valuation**

3  
4 **A.** I employed an assumption regarding...

5  
6 **Q. How was each assumption used and what was its result?**

7  
8 **A.** I used the assumption about \_\_\_\_\_ to account for \_\_\_\_\_. The result was that \_\_\_\_\_.  
9 I also used an assumption regarding \_\_\_\_\_ because of the \_\_\_\_\_. The result there  
10 was to \_\_\_\_\_.

11  
12 **Q. Did you use the default valuation weights of one-third each for cost, market, and**  
13 **income?**

14  
15 **A.** Yes/No.

16  
17 **Q. If you did not use the default weights of one-third each for cost, market, and income,**  
18 **explain how you developed the weighting applied to each approach in your**  
19 **appraisal and why the individual weights you chose are appropriate for this**  
20 **proposed transaction?**

21  
22 **A.** For the cost approach I chose a weighting of \_\_\_%. It is my opinion that this weighting  
23 is appropriate for the cost approach because...

24 For the market approach I chose a weighting of \_\_\_%. It is my opinion that this  
25 weighting is appropriate for the cost approach because...

26 For the income approach I chose a weighting of \_\_\_%. It is my opinion that this  
27 weighting is appropriate for the cost approach because...

28 Or, N/A.

29  
30 **Q. Did you conduct an on-site inspection of the Selling Utility assets, and if so, what**  
31 **was its result on the appraisal?**

32  
33 **A.** I inspected the Selling Utility assets on DATE, accompanied by Selling Utility employee  
34 \_\_\_\_\_ . I inspected the \_\_\_\_\_, distribution/collection system in and around  
35 \_\_\_\_\_, and the \_\_\_\_\_. As a result, I determined that \_\_\_\_\_. This influenced  
36 my appraisal to the effect that \_\_\_\_\_.

37

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1 **Q. What Utility Earnings Report was used to create the capital structure used in your**  
2 **appraisal?**

3  
4 **A.** I used the QUARTER, YEAR Earnings Report of COMPANY.

5  
6 **Q. What capital structure was used in your appraisal?**

7  
8 **A.** The capital structure used in my appraisal is included below as Seller/Buyer UVE  
9 Schedule No. 2.

10

Type of Capital	Capital Ratio	Cost Rate	Weighted Cost
Debt	%	%	%
Preferred	%	%	%
Common Equity	%	%	%
<b>Total</b>	<b>100%</b>		<b>%</b>

11

12

13 **Cost Approach**

14

15 **Q. Regarding your application of the cost approach, what method did you use to**  
16 **determine the cost approach result (e.g. original cost, replacement cost,**  
17 **reproduction cost)?**

18

19 **A.** I used the \_\_\_\_\_ method.

20

21 **Q. What index, if any, did you use for that method?**

22

23 **A.** I used the \_\_\_\_\_ index.

24

25 **Q. Under your application of the cost approach what assets did you value or trend**  
26 **differently from other assets and why was that necessary?**

27

28 **A.** I valued the \_\_\_\_\_ independently of the \_\_\_\_\_. It is my opinion that an accurate  
29 appraisal requires this because \_\_\_\_\_.

30 **Q. Under your application of the cost approach, what year-end date did you use for**  
31 **calculating the depreciation reserve?**

32

33 **A.** I used the date of \_\_\_\_\_.

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**Q. How did you determine the depreciation parameters of survival/retirement characteristics and service lives for the utility property under the cost approach?**

A. I determined those parameters by \_\_\_\_\_.

**Q. Why are those parameters appropriate?**

A. Those parameters are appropriate because \_\_\_\_\_.

**Q. If you did not use the original cost method, what is the system’s original cost and original cost less depreciation?**

A. Those values are \_\_\_\_\_ and \_\_\_\_\_.

**Market Approach**

**Q. Regarding your application of the market approach, what methods did you use to determine the market approach result?**

A. I used the \_\_\_\_\_ and \_\_\_\_\_ methods.

**Q. What assumptions, analyses, and/or adjustments did you make under each method?**

A. Under the \_\_\_\_\_ method, it is my opinion that \_\_\_\_\_ must be considered. Under the other method, I believe that an accurate result depends on adjusting \_\_\_\_\_ to better reflect that \_\_\_\_\_.

**Q. What were the results of each analysis you performed?**

A. The \_\_\_\_\_ analysis produced a result of \_\_\_\_\_. The other, a result of \_\_\_\_\_ was obtained.

**Q. Which results were used to determine your market approach result? Please explain why these results were used.**

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1  
2 A. I used the results of \_\_\_\_\_ because I believe those results represent an accurate  
3 assessment of \_\_\_\_\_.

4  
5 **Q. What was the calculation you used to determine your overall market approach**  
6 **results?**

7  
8 A. The calculation I used consisted of the following...

9  
10 **Q. What comparable transactions or comparable sales, if any, did you evaluate to**  
11 **develop your market approach?**

12  
13 A. I examined the flowing transactions to develop the result of my market approach. First, I  
14 examined the sale of \_\_\_\_\_ to \_\_\_\_\_ in YEAR. It is my opinion that this is a valid  
15 source of comparison to the transaction here because...

16 I next examined the sale of \_\_\_\_\_ to \_\_\_\_\_ in YEAR. I am of the opinion that this too is a  
17 valid source of comparison to the transaction here because...

18 Finally, I examined the sale of \_\_\_\_\_ to \_\_\_\_\_ in YEAR. This is a valid source of  
19 comparison to the instant transaction because...

20  
21  
22 **Income Approach**  
23

24  
25 **Q. Regarding your application of the income approach, what method did you use to**  
26 **determine the income approach result?**

27  
28 A. I used the \_\_\_\_\_ method.

29  
30 **Q. What assumptions did you employ to develop your income approach result?**

31  
32 A. Under the income approach, it is my opinion that \_\_\_\_\_ must be considered. I believe  
33 that an accurate result depends on adjusting \_\_\_\_\_ to better reflect how \_\_\_\_\_.

34  
35 **Q. What discount rate did you use to calculate your income approach?**  
36

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1    **A.**    I used a discount rate of \_\_\_\_\_.

2

3    **Q.**    **What capital structure inputs differ from those identified in Seller/Buyer UVE**  
4    **Schedule No. 2?**

5

6    **A.**    For the income approach I used a different input of \_\_\_\_\_ for the \_\_\_\_\_ because  
7    it is my opinion that \_\_\_\_\_. I believe it necessary to deviate from the Buyer's  
8    actual cost of capital because \_\_\_\_\_.

9

10   **Q.**    **What is the source and basis of the alternative input you propose in the income**  
11   **approach?**

12

13   **A.**    The source of the input may be found at \_\_\_\_\_. I have included a copy as Appendix  
14    C. The basis of this input is the \_\_\_\_\_.

15

16   **Q.**    **If you used a terminal value in your discounted cash flow analysis what is the**  
17   **number of years over which the cash flows are considered?**

18

19   **A.**    I considered those cash flows over \_\_\_\_\_ years.

20

21   **Q.**    **What is the basis for using this number of years?**

22

23   **A.**    It is my opinion that it is necessary to use \_\_\_\_\_ years to calculate terminal value  
24    because...

25

26   **Q.**    **What number of Selling Utility customers or equivalent dwelling units did you use**  
27   **to value the Seller's system and how did you develop that number?**

28

29   **A.**    I used \_\_\_\_\_ customers/EDUs. I obtained that number by examining \_\_\_\_\_ and  
30    \_\_\_\_\_. I then calculated the total used by \_\_\_\_\_.

31

32   **Q.**    **Did you make any updates to your appraisal after it was submitted to the**  
33   **Seller/Buyer, and if so, what was the update, when was it made, and why was it**  
34   **necessary?**

35

36   **A.**    I did not update or revise my appraisal after it was submitted to the Buyer/Seller.

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1

2 **Q. Does this conclude your direct testimony?**

3

4 **A.** It does. However, by filing this direct testimony I understand that I may have the  
5 opportunity to submit testimony responsive to challenges to my appraisal.