

EBMA Statement No. 2

**ELIZABETH BOROUGH MUNICIPAL AUTHORITY
ELIZABETH BOROUGH, PENNSYLVANIA**

DIRECT TESTIMONY
OF
HAROLD WALKER, III

FAIR MARKET VALUE APPRAISAL
ELIZABETH BOROUGH MUNICIPAL AUTHORITY
WASTEWATER SYSTEM ASSETS

September 2024

Prepared by:



TABLE OF CONTENTS

INTRODUCTION.....	1
QUALIFICATION AS UTILITY VALUATION EXPERT.....	3
FEEES PAID FOR UTILITY VALUATION EXPERT SERVICES.....	7
FAIR MARKET VALUATION OF WASTEWATER SYSTEM ASSETS.....	9
Cost Approach.....	16
Income Approach.....	18
Market Approach.....	24
CONCLUSION	27
APPENDIX HW-1	1

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

3 **A.** My name is Harold Walker III, and my business address is 1010 Adams Avenue, Audubon,
4 Pennsylvania.

5
6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 **A.** I am employed by Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett
8 Fleming”) as Manager, Financial Studies.

9
10 **Q. WOULD YOU DESCRIBE BRIEFLY GANNETT FLEMING?**

11 **A.** Yes. Since 1915, Gannett Fleming and its predecessors have been helping clients in public
12 pricing policy and related financial matters for managerial purposes, before regulatory
13 commissions and courts of law. Gannett Fleming is registered as a Utility Valuation Expert
14 (“UVE”) in the Commonwealth of Pennsylvania. Gannett Fleming is a subsidiary of
15 Gannett Fleming, Inc.

16
17 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER, FINANCIAL STUDIES
18 OF GANNETT FLEMING?**

19 **A.** I supervise and develop financial and economic studies on behalf of investor-owned and
20 municipally-owned water, wastewater, electric, natural gas distribution and transmission,
21 oil pipeline, and telephone utilities, as well as resource-recovery companies.

1 **Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND YOUR EDUCATIONAL**
2 **BACKGROUND AND EMPLOYMENT EXPERIENCE?**

3 **A.** My educational background, business experience and qualifications are provided in a
4 Curriculum Vitae included as **Appendix HW-1**.

5
6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PENNSYLVANIA**
7 **PUBLIC UTILITY COMMISSION?**

8 **A.** Yes. I have testified before the Pennsylvania Public Utility Commission (“Commission”
9 or “PUC”), as well as other state regulatory commissions, on many occasions, as shown on
10 **Appendix HW-1**.

11
12 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

13 **A.** My Direct Testimony describes and explains the fair market value appraisal of the
14 Elizabeth Borough Municipal Authority (“EBMA”) wastewater system assets
15 (“Wastewater System”) that I and staff, working under my direction, performed. Gannett
16 Fleming was engaged by EBMA to perform this appraisal. Our report is entitled “Elizabeth
17 Borough Municipal Authority Wastewater System Assets Fair Market Value Appraisal at
18 March 31, 2023” (“Gannett Fleming Appraisal Report”). The appraisal and its report were
19 developed to meet the criteria established in Section 1329 of the Pennsylvania Public
20 Utility Code (“Code”), 66 Pa. C.S. § 1329 (“Determination of the fair market value of water
21 and wastewater assets”).

22 In its 2015-2016 legislative session, the Pennsylvania Legislature passed Act 12 of
23 2016 and Governor Wolf signed Act 12 into law adding Section 1329 of the Code which

1 established the legislative requirements facilitating the acquisition of municipal and
2 authority water and wastewater systems by private investor-owned utilities and other
3 entities which are rate-regulated by the Commission. This legislation was intended to
4 facilitate the acquisition of water and wastewater systems in order to facilitate capital
5 improvements to the water and wastewater properties.

6
7 **QUALIFICATION AS UTILITY VALUATION EXPERT**

8 **Q. IS GANNETT FLEMING ON THE COMMISSION’S REGISTRY OF UTILITY**
9 **VALUATION EXPERTS?**

10 **A.** Yes. Gannett Fleming is a UVE in the Commonwealth of Pennsylvania approved by the
11 PUC (Utility Code 9919244).

12
13 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH GANNETT FLEMING WAS**
14 **PLACED ON THE COMMISSION’S REGISTRY OF UTILITY VALUATION**
15 **EXPERTS.**

16 **A.** After passage of Section 1329 of the Code, the Commission established an application
17 process by which the Commission would approve and designate firms to be placed on the
18 Commission’s “Registry of Utility Valuation Experts.” To be included on the registry, the
19 UVEs must establish their qualifications. Gannett Fleming submitted its original
20 application and the required proof of experience in September of 2016 and received
21 confirmation and approval from the Commission of Gannett Fleming’s placement on the
22 Commission’s UVE Registry in December of 2016. Renewal of inclusion on the
23 Commission’s UVE Registry must be done annually. Gannett Fleming has timely

1 submitted annual renewal applications since its initial inclusion and has been confirmed
2 for continued placement on the Commission's UVE Registry each year since 2016,
3 including most recently in January of 2024.

4
5 **Q. HAVE YOU EVER HAD YOUR PROFESSIONAL CREDENTIALS REVOKED**
6 **OR SUSPENDED?**

7 **A.** No.

8
9 **Q. DO YOU HAVE SPECIFIC EXPERIENCE WITH THE VALUATION AND**
10 **APPRAISAL OF UTILITY ASSETS?**

11 **A.** Yes. In addition to serving as an expert witness on various financial and economic matters
12 before utility regulatory commissions for over 35 years, I have also provided valuations of
13 utility asset services for more than 20 years. In that capacity I have testified on valuation
14 matters before the Commission and sponsored or adopted Gannett Fleming's UVE
15 appraisals under Section 1329 of the Code in the New Garden Township proceeding, the
16 Limerick Township proceeding, the East Bradford Township proceeding, the Mahoning
17 Township (water) proceeding, the Mahoning Township (wastewater) proceeding, the
18 Exeter Township proceeding, the Cheltenham Township proceeding, the East Norriton
19 Township proceeding, the Kane Borough proceeding, the Delaware County Regional
20 Water Quality Control Authority proceeding, the Borough of Royersford proceeding, the
21 Valley Township (water) proceeding, the Valley Township (wastewater) proceeding, the
22 Upper Pottsgrove proceeding, the Lower Makefield Township proceeding, the East
23 Whiteland Township proceeding, the Willistown Township proceeding, Shenandoah

1 Borough proceeding, the City of Beaver Falls proceeding, the Butler Area Sewer Authority
2 proceeding, the Borough of Brentwood proceeding and the Greenville Sanitary Authority
3 proceeding.

4 In addition to testifying in Section 1329 proceedings, I have also testified and filed reports
5 on valuation matters in California, Illinois, New Hampshire, and Pennsylvania in courts of
6 law and regulatory commissions.¹

7
8 **Q. HAVE YOU OR GANNETT FLEMING OR ANY OF ITS STAFF DERIVED ANY**
9 **MATERIAL FINANCIAL BENEFIT FROM THE SALE OF THE WASTEWATER**
10 **SYSTEM'S ASSETS OTHER THAN FEES FOR YOUR SERVICES RENDERED?**

11 **A.** No.

12
13 **Q. ARE YOU OR GANNETT FLEMING OR ANY OF ITS STAFF AN IMMEDIATE**
14 **FAMILY MEMBER OF A DIRECTOR, OFFICER, OR EMPLOYEE OF EITHER**
15 **PENNSYLVANIA-AMERICAN WATER COMPANY ("PAWC") OR THE EBMA?**

16 **A.** No.

17
18 **Q. IS GANNETT FLEMING IN COMPLIANCE WITH APPLICABLE**
19 **PENNSYLVANIA LAWS?**

20 **A.** Yes.

¹ An electronic link to the PA PUC Dockets where I have testified in the last two years is provided in response to Section 1329 Application Standard Data Request 15-d. All other testimony relating to valuation is more than two years old and, therefore, is not provided.

1 **Q. DOES GANNETT FLEMING HAVE THE FINANCIAL AND TECHNICAL**
2 **FITNESS, INCLUDING PROFESSIONAL LICENSES AND TECHNICAL**
3 **CERTIFICATIONS, TO PERFORM A FAIR MARKET VALUATION OF THE**
4 **WASTEWATER ASSETS OF THE EBMA?**

5 **A.** Yes, to be placed on the Commission’s “Registry of Utility Valuation Experts” Gannett
6 Fleming had to establish its qualifications.
7

8 **Q. ARE YOU AWARE OF ANY FACT, INCLUDING BUT NOT LIMITED TO ANY**
9 **POTENTIAL CONFLICT OF INTEREST THAT WOULD CAST DOUBT UPON**
10 **YOUR ABILITY TO PROVIDE A THOROUGH, OBJECTIVE, UNBIASED, AND**
11 **FAIR VALUATION IN THIS PROCEEDING?**

12 **A.** No.
13

14 **Q. HAVE YOU CORRESPONDED WITH BUYER’S UVE WITH REGARD TO ITS**
15 **RESPECTIVE FAIR MARKET VALUE APPRAISAL OF THE ASSETS AT ISSUE**
16 **IN THIS CASE?**

17 **A.** No.
18

19 **Q. DO YOU HAVE ANY AFFILIATION WITH EITHER THE SELLING UTILITY**
20 **OR THE ACQUIRING PUBLIC UTILITY?**

21 **A.** No. Other than the current assignment to provide the subject appraisal, and similar
22 assignments to provide appraisals of other utility systems, I have no business or personal
23 relationships with any party to the proposed acquisition.

1 **FEES PAID FOR UTILITY VALUATION EXPERT SERVICES**

2 **Q. WHAT IS THE GANNETT FLEMING FEE ARRANGEMENT TO DELIVER THE**
3 **APPRAISAL?**

4 **A.** Gannett Fleming is being compensated on an hourly basis. Our fee arrangement is included
5 as Appendix A-7 to PAWC’s Application. True, correct, and complete copies of Gannett
6 Fleming’s invoices to EBMA for this matter, as of the date of PAWC’s Application filing,
7 are also included in Appendix A-7.

8
9 **Q. WHAT IS THE ESTIMATED TOTAL COMPENSATION THAT GANNETT**
10 **FLEMING WILL RECEIVE FOR ITS SERVICES IN THIS MATTER?**

11 **A.** The estimated total compensation that Gannett Fleming will receive for its services in this
12 matter as of the date of PAWC’s Application filing is approximately \$31,000, which
13 represents approximately 0.11% of the fair market valuation. I estimate our fee will total
14 \$75,000 if this proceeding is fully litigated, which represents approximately 0.27% of the
15 fair market valuation.

16
17 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH THIS COMPENSATION WAS**
18 **NEGOTIATED?**

19 **A.** Gannett Fleming submitted a proposal to provide the required services in September 2022,
20 which EBMA accepted.

1 **Q. ARE THESE FEES CONSISTENT WITH COMPENSATION RECEIVED FOR**
2 **SIMILAR SERVICES PROVIDED TO OTHER CLIENTS?**

3 **A.** Yes.

4

5 **Q. WILL GANNETT FLEMING RECEIVE ITS FEE REGARDLESS OF WHETHER**
6 **THE COMMISSION APPROVES THE PROPOSED TRANSACTION OR**
7 **WHETHER IT CLOSES?**

8 **A.** Yes. 66 Pa. C.S. § 1329(a)(3) mandates that I comply with the Uniform Standards of
9 Professional Appraisal Practice (“USPAP”) when developing an appraisal. Under the
10 USPAP, I cannot perform the appraisal with bias, and acceptance of a fee contingent on a
11 particular outcome, like closing or Commission approval, would violate the Ethics Rule.

12

13 **Q. ARE YOU ADVOCATING FOR ANY PARTY OR OUTCOME?**

14 **A.** No. The Ethics Rule of the USPAP, applicable here pursuant to 66 Pa. C.S. § 1329(a)(3),
15 requires that I perform the appraisal with impartiality, objectivity, and independence, and
16 without accommodation of personal interests. I have not performed this appraisal
17 assignment with bias, and I am not advocating the cause or interest of any party or issue.
18 Further, I have not accepted this or any assignment that includes the reporting of
19 predetermined opinions and conclusions.

1 **FAIR MARKET VALUATION OF WASTEWATER SYSTEM ASSETS**

2 **Q. PLEASE IDENTIFY APPENDIX A-5.2 TO PAWC’S APPLICATION IN THIS**
3 **PROCEEDING?**

4 **A.** Appendix A-5.2 of PAWC’s application includes Gannett Fleming’s appraisal report dated
5 April 26, 2024.

6
7 **Q. HOW DO YOU RECOGNIZE IT?**

8 **A.** I personally prepared, and also directed and supervised Gannett Fleming personnel in
9 preparing, the report, and recognize it as Gannett Fleming’s work product.

10
11 **Q. IS APPENDIX A-5.2 A TRUE, COMPLETE, AND ACCURATE COPY OF THE**
12 **GANNETT FLEMING APPRAISAL REPORT?**

13 **A.** Yes, and I incorporate it into my Direct Testimony as if set forth in its entirety.

14
15 **Q. PLEASE DESCRIBE THE PROCESS BY WHICH YOU PREPARED THE**
16 **GANNETT FLEMING APPRAISAL REPORT.**

17 **A.** In accordance with Section 1329 of the Code, EBMA engaged Gannett Fleming to prepare
18 the fair market valuation report of the Wastewater System. The EBMA provided financial
19 statements and budget statements regarding the Wastewater System and a copy of the
20 Engineering Assessment² as required by Section 1329(a)(4). In addition, Gannett Fleming
21 reviewed the assets, reviewed additional information provided by the EBMA and

² “Engineering Assessment Study, Physical Assets of the Elizabeth Borough Municipal Authority,” dated February 2024, and related files prepared by LSSE, Inc. *See* Application, Appendix A-15-a.

1 conducted additional research regarding the EBMA and the Wastewater System, including
2 a site visit. After those activities and data gathering, we developed the appraisal.

3 The appraisal contains a letter of transmittal; a table of contents detailing all the
4 sections of the report and work papers; and a narrative report explaining our methodology
5 and conclusions.

6 The intent of the valuation report is to provide the appraisal results, as well as the
7 entire appraisal work file, in sufficient detail to satisfy the parties' and Commission's
8 review requirements of Section 1329 and the Commission's Final Implementation Order,
9 *In re: Implementation of Section 1329 of the Public Utility Code*, Docket No. M-2016-
10 2543193 (Order Entered October 27, 2016), and Final Supplemental Implementation
11 Order, *In re: Implementation of Section 1329 of the Public Utility Code*, Docket No. M-
12 2016-2543193 (Order Entered February 28, 2019). In addition to a copy of the appraisal
13 report, I have provided supporting work papers for the appraisal report in Appendix A-4.3
14 of PAWC's Application. The relevant work papers have also been submitted to the
15 Commission and provided to the public advocates in **CONFIDENTIAL** live electronic
16 format.

17
18 **Q. IS THERE ANYTHING THAT YOU WOULD CHANGE IN THE GANNETT**
19 **FLEMING APPRAISAL REPORT SINCE ITS PREPARATION?**

20 **A.** No.

21
22 **Q. WAS THE FAIR MARKET VALUATION OF THE WASTEWATER SYSTEM**
23 **ASSETS DETERMINED IN COMPLIANCE WITH USPAP?**

1 A. Yes. Our fair market valuation was determined in compliance with USPAP 2024 Edition.

2

3 **Q. DID YOU EMPLOY THE COST, MARKET, AND INCOME APPROACHES IN**
4 **PREPARING YOUR VALUATION?**

5 A. Yes.

6

7 **Q. DID YOU INCLUDE ANY EXTRAORDINARY ASSUMPTIONS OR**
8 **HYPOTHETICAL CONDITIONS IN DEVELOPING YOUR APPRAISAL?**

9 A. No.

10

11 **Q. DID YOU INCLUDE ANY LIMITING CONDITIONS IN DEVELOPING YOUR**
12 **APPRAISAL?**

13 A. Yes. We accepted all information and data provided by the EBMA as it pertains to this
14 assignment “as is” after a limited review. That is, we neither audited nor verified any data,
15 engineering assessment, financial record or operating data provided for this assignment.
16 We assumed all title to all assets included in the appraisal is good and marketable and no
17 hazardous conditions or materials exist which could affect the assets. We have not made
18 a specific compliance survey or analysis of the subject property to determine whether it is
19 subject to, or in compliance with, the American Disabilities Act of 1990, and this valuation
20 does not consider the effect, if any, of noncompliance.

21 The economic and industry information and data included in our Appraisal have
22 been obtained from various printed or electronic reference sources that we believe to be

1 reliable. We have not performed any corroborating procedures to substantiate that
2 information and data.

3
4 **Q. PLEASE SUMMARIZE YOUR RESULTS OF THE APPLICATION OF THE**
5 **COST, MARKET, AND INCOME APPROACHES.**

6 **A.** Please see the below table:

Approach	Indicated Value	Weight	Weighted Value
Cost Approach	\$28,371,029	33.33%	\$9,457,010
Market Approach	27,678,195	33.33%	9,226,065
Income Approach	28,359,361	33.33%	9,453,120
		100%	\$28,136,195
Conclusion			\$28,136,195

7
8
9 **Q. PLEASE FURTHER DESCRIBE EACH APPROACH IN THE DEVELOPMENT**
10 **OF YOUR APPRAISAL.**

11 **A.** We developed our appraisal utilizing the cost, income, and market approaches as required
12 by USPAP and Section 1329 of the Code. We used seven methods under the Cost, Market,
13 and Income Approaches to valuation: Original Cost Method, Replacement Cost Method,
14 Capitalization of Earnings Method, Market Multiple Discounted Cash Flow Method,
15 Capitalization Discounted Cash Flow Method, Market Multiples Method, and the Selected
16 Transactions Method.

17 The results from the market multiple discounted cash flow method and the
18 capitalization discounted cash flow method form the basis for our Income Approach. Our
19 Market Approach is supported by the market multiples method and selected transactions
20 method. The results from the original cost method form the basis for our replacement cost

1 method, and both methods form the basis for our Cost Approach. These approaches are
2 summarized below.

3 *Cost Approach.* The cost approach utilized the original cost method and
4 replacement cost method. The original cost method determined the original cost of the
5 assets when “new” or first constructed based on the information contained in the
6 Engineering Assessment. The original cost new inventory was then trended using the
7 Handy Whitman Index of Public Utility Construction Costs for the water industry to
8 produce the trended cost, or reproduction cost, and was converted to replacement cost new
9 after obsolescence was factored. The calculated accrued depreciation was determined for
10 the original cost new and for the replacement cost new as of March 31, 2023. The
11 calculated accrued depreciation was based on the assets’ attained ages, and the service life
12 of the assets. The cost basis of depreciable assets was reduced annually by the accumulated
13 depreciation to reflect the loss in the service value of the assets since being constructed.
14 All land and land rights were valued at original cost.

15 *Income Approach.* The income approach utilized the capitalization of earning (cash
16 flow) method and two discounted cash flow methods. The capitalization of earning method
17 converted a single base economic income number to a value by dividing it by a
18 capitalization rate. The discounted cash flow methods used estimates of future debt free
19 net cash flow and discounted them to arrive at a present value or price of the cash flows.
20 The capitalization rate and the discount rate were developed based on market debt and
21 equity rates at the appraisal date. The discounted cash flow methods reflected two types
22 of discounted cash flow analyses, the EBIT and EBITDA terminal value model (market

1 multiple discounted cash flow method) and a capitalization of terminal value model
2 (capitalization discounted cash flow method).³

3 *Market Approach.* The market approach was developed based on the market
4 multiples method and the selected transaction method. The market multiples method was
5 based on the market price data of publicly traded corporations engaged in the same or a
6 similar line of business as the Wastewater System. The market price data of these
7 comparable publicly traded corporations was used to calculate the market multiples for the
8 comparable publicly traded corporations at the appraisal date. The selected transactions
9 method used certain public information relating to the purchase or sale of businesses
10 involved in the same or a similar business line as the Wastewater System to calculated
11 market multiples at the time of transaction (sale/purchase). The calculated market
12 multiples determined by the market multiples method and the selected transaction method
13 were then multiplied by the corresponding Wastewater System financial and operating
14 statistic to produce an indicated value for the Wastewater System.

15
16 **Q. PLEASE STATE THE NUMBER OF CUSTOMERS YOU USED IN DEVELOPING**
17 **YOUR APPRAISAL AND THE SOURCE OF THAT NUMBER.**

18 **A.** The number of customers I used was 683. This customer count number was provided by
19 the EBMA. The Wastewater System's customers include 680 retail customers located in
20 the Elizabeth Borough and three wholesale or bulk customers whose flows are transported
21 and treated at the WWTP. The Wastewater System's three wholesale or bulk customers
22 include: Elizabeth Township, Forward Township, and Lincoln Borough. The Wastewater

³ EBIT is earnings before interest and taxes and EBITDA is earnings before interest, tax, depreciation, and amortization.

1 System's three wholesale customers service 1,502 customers whose flows are ultimately
2 transported and treated at the WWTP ("ultimate wholesale customers"). In total, the
3 Wastewater System provides wastewater service directly and indirectly to 2,182 customers
4 ("ultimate customers").

5
6 **Q. DID YOU MAKE ANY UPDATES TO YOUR APPRAISAL AFTER IT WAS**
7 **SUBMITTED TO EBMA, AND IF SO, WHAT WAS THE UPDATE, WHEN WAS**
8 **IT MADE, AND WHY WAS IT NECESSARY?**

9 **A.** No.

10
11 **Q. DID YOU PERFORM AN ON-SITE INSPECTION OF THE WASTEWATER**
12 **SYSTEM?**

13 **A.** Yes. Gannett Fleming viewed the Wastewater System assets on April 17, 2024.

14
15 **Q. DID YOU RELY UPON A LICENSED ENGINEER'S ASSESSMENT OF THE**
16 **TANGIBLE ASSETS OF THE WASTEWATER SYSTEM IN PERFORMING**
17 **YOUR VALUATION?**

18 **A.** Yes. The EBMA provided a copy of the February 2024 Engineering Assessment and this
19 information was incorporated into our Cost Approach in our appraisal.

1 **Cost Approach**

2 **Q. DID YOU USE THE REPRODUCTION COST OR THE REPLACEMENT COST**
3 **IN YOUR COST APPROACH?**

4 **A.** We utilized the original cost new (“OCN”) to calculate the trended original cost (“TOC”) measures, or the reproduction cost of the depreciable assets by multiplying the OCN by
5 specific cost indices. We converted reproduction cost new to replacement cost new after
6 factoring in obsolescence. We used the TOC method because the mandated use of the
7 Engineering Assessment’s original cost essentially dictates the use of TOC over the
8 reproduction cost or the replacement cost methods.
9

10

11 **Q. WHAT INDEX, IF ANY, DID YOU USE FOR THAT METHOD?**

12 **A.** The original cost new inventory was trended using the Handy Whitman Index of Public
13 Utility Construction Costs for the water industry to produce the reproduction cost new.
14

14

15 **Q. UNDER YOUR APPLICATION OF THE COST APPROACH WHAT ASSETS DID**
16 **YOU VALUE OR TREND DIFFERENTLY FROM OTHER ASSETS AND WHY**
17 **WAS THAT NECESSARY?**

18 **A.** We did not trend land and land rights. That is, all land and land rights were valued at
19 original costs. Plant accounts were trended mainly using the Handy Whitman plant account
20 indices. In limited instances, when Handy Whitman plant account indices were not

1 available, we used the U.S. Bureau of Labor Statistics, Producer Price Index which best
2 matches the assets being trended.⁴

3
4 **Q. UNDER YOUR APPLICATION OF THE COST APPROACH, WHAT YEAR-END
5 DATE DID YOU USE FOR CALCULATING THE DEPRECIATION RESERVE?**

6 **A.** We used the date of March 31, 2023.

7
8 **Q. HOW DID YOU DETERMINE THE DEPRECIATION PARAMETERS OF
9 SURVIVAL/RETIREMENT CHARACTERISTICS AND SERVICE LIVES FOR
10 THE UTILITY PROPERTY UNDER THE COST APPROACH?**

11 **A.** We determined the average service lives of depreciable assets based on the materials used
12 for construction and how long the depreciable assets are likely to meet service demands.

13
14 **Q. WHY ARE THOSE PARAMETERS APPROPRIATE?**

15 **A.** We believe our average service lives of depreciable assets are appropriate based on our
16 experience of having determined average service lives for numerous other water and
17 wastewater utilities and given the fact they resemble those used by other Pennsylvania
18 wastewater companies.

19
20 **Q. IF YOU DID NOT USE THE ORIGINAL COST METHOD, WHAT IS THE
21 SYSTEM'S ORIGINAL COST AND ORIGINAL COST LESS DEPRECIATION?**

⁴ The plant accounts for which Handy Whitman indices were not available included: 390.10 Office Furniture and Equipment; 390.20 Computer and Peripheral; 391.70 Transportation Equipment; 393.70 Tools, Shop and Garage Equipment; 394.10 Camera and Related Equipment; 394.70 Laboratory Equipment; 395.70 Power Operated Equipment; and 396.70 Communication Equipment.

1 A. The Original Cost New (OCN) of the Wastewater System’s utility plant in service as of
2 March 31, 2023, was not less than \$19.2 million (\$19,220,013 rounded). The theoretical
3 calculated accrued depreciation reserve of the utility plant in service was determined to be
4 \$2.6 million (\$2,599,035 rounded) as of March 31, 2023. After factoring in the accrued
5 depreciation reserve, the Original Cost New Less Depreciation (OCNLD) of Wastewater
6 System’s utility plant in service as of March 31, 2023, was determined to be \$16.6 million
7 (\$19,220,013 - \$2,599,035 = \$16,620,978).

8

9 **Income Approach**

10 **Q. REGARDING YOUR APPLICATION OF THE INCOME APPROACH, WHAT**
11 **METHOD DID YOU USE TO DETERMINE THE INCOME APPROACH**
12 **RESULT?**

13 A. We used the Market Multiple Discounted Cash Flow Method (“Market Multiple DCF”),
14 and Capitalization Discounted Cash Flow Method (“Capitalization DCF”) to determine the
15 Income Approach result. We refer to the Market Multiple DCF and the Capitalization DCF
16 collectively as the DCF method. We used the capitalization of earning method to estimate
17 value under current ownership and operations. The capitalization of earning method was
18 not used to determine the Income Approach result.

19

20 **Q. WHAT ASSUMPTIONS DID YOU EMPLOY TO DEVELOP YOUR INCOME**
21 **APPROACH RESULT?**

1 A. All general assumptions are listed on page 3 of Exhibit 12, and page 6 of Exhibits 13, 14,
2 15 and 16.⁵

3
4 **Q. DID YOU USE PAWC’S CAPITALIZATION RATE OR THEIR DISCOUNT**
5 **RATE IN YOUR INCOME APPROACH TO VALUATION?**

6 A. No. Use of PAWC’s capitalization rate or their discount rate in an income approach to
7 valuation is not consistent with the standard of value of fair market value because the
8 “buyer” under the standard of value of fair market value is not a specific entity (i.e.,
9 PAWC), but rather a hypothetical buyer. Use of PAWC’s capitalization rate or their
10 discount rate in an income approach to valuation is only used under the standard of value
11 of investment value.⁶ In accordance with Section 1329 of the Code, the standard of value
12 is fair market value, not investment value.

13
14 **Q. PLEASE EXPLAIN THE CAPITALIZATION RATE AND THE DISCOUNT RATE**
15 **USED IN YOUR INCOME APPROACH TO VALUATION.**

16 A. The capitalization rate used in the capitalization of earnings method and the discount rate
17 used in the DCF method are related. The discount rate is the opportunity cost rate related
18 to the risk of the cash flows. The capitalization rate is simply the discount rate minus the
19 expected growth rate. If no growth is assumed, the capitalization rate is equal to the
20 discount rate.

⁵ Exhibit references herein are to the Exhibits in the Gannett Fleming Appraisal Report.

⁶ Pratt, Shannon P. “Defining Standards of Value.” Valuation 34, no. 2, June 1989.
<http://www.appraisers.org/docs/default-source/college-of-fellows-articles/defining-standards-of-value.pdf>.

1 As explained previously, under the standard of value of fair market value the
2 “buyer” is not a specific entity (i.e., PAWC), but rather a hypothetical buyer. Accordingly,
3 the hypothetical bidder/buyer may range from large regional municipal authorities
4 (“MUNI”) to investor-owned utilities (“IOU”). For a MUNI, the appropriate discount rate
5 is the current municipal revenue bond yield on March 31, 2023, of 4.11%. The appropriate
6 IOU discount rate is the current net of tax overall cost of capital (weighted average cost of
7 capital) on March 31, 2023, and ranges from 7.85% to 9.71%.⁷

8 For a MUNI, the appropriate discount rate is the current municipal revenue bond
9 yield, 4.11%, because debt is the only major source of capital available to finance an
10 acquisition (developed on Exhibit 23, pages 2-5). Although a MUNI likely carries equity
11 on their books (balance sheet), all existing equity is already invested in other assets and
12 therefore, cannot be used to finance an acquisition.⁸ For valuation purposes, an embedded
13 cost of debt, or the historical cost of all debt issuances outstanding is not used because this
14 capital is already invested in assets. Whereas the marginal cost of debt, 4.11%, at the
15 valuation date is used in accordance with accepted valuation practice and used for market
16 valuation purposes.

17 As discussed previously, for an IOU, the appropriate discount rate is the net of tax
18 overall cost of capital (weighted average cost of capital), 7.85% to 9.71% (Exhibit 23,
19 pages 2-8). In this instance, the net of tax overall cost of capital (weighted average cost of
20 capital) is based on the Comparable Group’s market value capital structure of 25.3% debt

⁷ Both the American Society of Appraisers, ASA Business Valuation Standards, 2009, and the National Association of Certified Valuation Analysts, Professional Standards, 2007, use the same definition: “Weighted Average Cost of Capital (WACC). The cost of capital (discount rate) is determined by the weighted average, at market values, of the cost of all financing sources in the business enterprise's capital structure.”

⁸ For example, when a municipal or government entity, such as the Commonwealth of Pennsylvania, finances construction of a road or bridge, they only consider the marginal debt cost despite having “equity” reflected on their books (balance sheet).

1 and 74.7% equity, a market cost of debt of 5.12% and a range of market cost of equity of
2 9.27% to 11.75%.⁹ The Comparable Group’s net of tax overall cost of capital (weighted
3 average cost of capital) is used as a proxy to conform to the “hypothetical buyer” or
4 “hypothetical seller” of fair market valuation. Use of the buyer’s net of tax overall cost of
5 capital (weighted average cost of capital) would produce an investment valuation, not a
6 fair market valuation. The supporting documentation for the development of the MUNI
7 and IOU discount rates is shown on pages 2 to 8 of Exhibit 23.

8
9 **Q. WHY IS THE NET OF TAX OVERALL COST OF CAPITAL APPROPRIATE TO**
10 **USE?**

11 **A.** The net of tax overall cost of capital is appropriate because the cash flows being discounted
12 are after tax, or net of tax. The income approach uses estimates of future free cash flow
13 and discounts them to arrive at a present value or price of the cash flows. Generally, this
14 analysis begins with an estimate of the Debt Free Net Cash Flow over the next five to
15 twenty years along with a terminal value. In each year, the Debt Free Net Cash Flow is
16 comprised of projected EBIT, minus income taxes, plus projected depreciation and
17 amortization, plus or minus projected changes in net cash working capital, less projected
18 capital expenditures.

19
20 **Q. WHAT IS THE BASIS FOR THE GROWTH RATE USED TO CALCULATE THE**
21 **CAPITALIZATION RATE USED IN THE INCOME APPROACH?**

⁹ For an example of the net of tax overall cost of capital, see <http://www.investinganswers.com/financial-dictionary/financial-statement-analysis/weighted-average-cost-capital-wacc-2905>. Also see <http://www.wallstreetmojo.com/weighted-average-cost-capital-wacc/>, or <http://accountingexplained.com/misc/corporate-finance/wacc>.

1 A. The growth rate used to calculate the capitalization rate reflects the growth in the Debt Free
2 Net Cash Flow after the terminal value year. For the EBMA, a growth rate of 0.1% was
3 used based on the current level of cash flow and rates. Under both MUNI and IOU
4 ownership a growth rate of 0.1% was used based on the projected growth in population
5 (0.2%), projected inflation (2.5%) and the actual growth in the Debt Free Net Cash Flow
6 in the years prior to the terminal value year. Under MUNI ownership the average growth
7 in the Debt Free Net Cash Flow for the last two years prior to the terminal value year was
8 0.2% and 0.1% under IOU ownership. A minimum growth of 0.1% was deemed
9 reasonable based on the aforesaid.

10

11 **Q. WHAT UTILITY EARNINGS REPORT WAS USED TO CREATE THE CAPITAL**
12 **STRUCTURE USED IN YOUR APPRAISAL?**

13 A. As documented previously in footnotes 6 and 8, book value capitalization is not used in
14 fair market valuation determination. Therefore, we did not use the 6.73% Comparable
15 Group's DSIC (distribution system improvement charge) related net of tax overall cost of
16 capital in our valuation because a "hypothetical buyer" cannot finance an acquisition at
17 such a rate and, therefore, its use would provide a meaningless result. The Comparable
18 Group's 6.73% DSIC related cost was determined based the Comparable Group's book
19 value capital structure of 49.8% debt and 50.2% equity, a cost of debt of 5.12% and a DSIC
20 cost of equity of 9.75% based on the September 2022 Earnings Report (public meeting
21 February 9, 2023). However, we note the 6.73% Comparable Group's DSIC related net of
22 tax overall cost of capital falls below the 7.85% to 9.71% range of discount rates used in
23 our Income Approach.

1 If we used the 6.73% Comparable Group’s DSIC (distribution system improvement
2 charge) related net of tax overall cost of capital in our valuation shown on Exhibit 16, the
3 results of the Capitalization DCF would show a value for Wastewater System of \$30.6
4 million. Further, the results of the Market Multiple DCF would show a value of \$44.1
5 million and collectively, the DCF method based on the IOU ownership scenario and a 0.1%
6 growth assumption indicates a value of \$37.4 million for the Wastewater System. The DCF
7 method based on the MUNI ownership scenario indicates a value of \$29.1 million and the
8 DCF method based on the IOU ownership scenario using DSIC indicates a value of \$37.4
9 million. Collectively, the DCF method indicates a value of \$33.3 million when DSIC is
10 considered.

11
12 **Q. IF YOU USED A TERMINAL VALUE IN YOUR DISCOUNTED CASH FLOW**
13 **ANALYSIS WHAT IS THE NUMBER OF YEARS OVER WHICH THE CASH**
14 **FLOWS ARE CONSIDERED?**

15 **A.** The use of a “terminal value” in a Discounted Cash Flow analysis is reasonable and is in
16 accordance with accepted valuation practice. Simply put, the “terminal value” is a
17 mathematical shortcut to avoid having to show and/or calculate annual Debt Free Net Cash
18 Flows for hundreds of time periods, or hundreds of years. Within the Discounted Cash
19 Flow analysis, the “terminal value” is simply a point in time in which the growth in annual
20 Debt Free Net Cash Flows changes from multiple growth rates to a constant growth rate.
21 For example, in our Discounted Cash Flow analysis, the growth rate of annual Debt Free
22 Net Cash Flows during time periods 1 through 20 changes multiple times due to the various
23 general assumptions listed in the Gannett Fleming Appraisal Report. After time period 20,

1 the growth in annual Debt Free Net Cash Flows is a constant growth rate. Accordingly,
2 period 20, or year 20, is the “terminal value” year in our DCF method.

3
4 **Market Approach**

5 **Q. REGARDING YOUR APPLICATION OF THE MARKET APPROACH, WHAT**
6 **METHODS DID YOU USE TO DETERMINE THE MARKET APPROACH**
7 **RESULT?**

8 **A.** I used the market multiples method and the selected transaction method.

9
10 **Q. WHAT ASSUMPTIONS, ANALYSES, AND/OR ADJUSTMENTS DID YOU**
11 **MAKE UNDER EACH METHOD?**

12 **A.** The general assumptions used for the market multiples method are listed on page 1 of
13 Exhibit 18. No assumptions were made under the selected transaction method.

14
15 **Q. REGARDING YOUR APPLICATION OF THE MARKET MULTIPLES**
16 **METHOD, DID YOU LIMIT YOUR PROXY GROUP USED FOR CALCULATING**
17 **MARKET VALUE TO ONLY COMPANIES WHICH ENGAGE IN**
18 **PENNSYLVANIA FAIR MARKET VALUE ACQUISITIONS?**

19 **A.** No.

20
21 **Q. REGARDING YOUR APPLICATION OF THE COMPARABLE SALES USED TO**
22 **ESTABLISH THE VALUATION, DID YOU LIMIT THE TRANSACTIONS**
23 **SELECTED TO THOSE THAT YOU PREVIOUSLY APPRAISED?**

1 A. No.

2

3 **Q. PLEASE STATE THE COMPARABLE TRANSACTIONS YOU USED IN**
4 **DEVELOPING YOUR MARKET APPROACH.**

5 A. Please see PAWC's Application Appendix A-5.2 (the Gannett Fleming appraisal), Exhibit
6 19, pages 2 and 3, which shows that we reviewed the following transactions¹⁰ in developing
7 the selected transactions method:

- 8 • Sale of the City of McKeesport Wastewater system to Pennsylvania-American
9 Water Company in 2017.
- 10 • Sale of New Garden Township Sewer Authority to Aqua Pennsylvania
11 Wastewater in 2017.
- 12 • Sale of Limerick Township Wastewater system to Aqua Pennsylvania
13 Wastewater in 2017.
- 14 • Sale of East Bradford Township Wastewater system to Aqua Pennsylvania
15 Wastewater in 2018.
- 16 • Sale of Mahoning Township Water system to Suez Water Pennsylvania in 2018.
- 17 • Sale of Mahoning Township Wastewater system to Suez Water Pennsylvania
18 in 2018.
- 19 • Sale of Sadsbury Township Wastewater system to Pennsylvania-American
20 Water Company in 2018.
- 21 • Sale of Exeter Township Wastewater system to Pennsylvania-American Water
22 Company in 2019.
- 23 • Sale of Steelton Borough Authority Water system to Pennsylvania-American
24 Water Company in 2019.
- 25 • Sale of Cheltenham Township Wastewater system to Aqua Pennsylvania
26 Wastewater in 2019.

¹⁰ The years listed indicate when the applicant sought approval or when the Commission approved each of the transactions.

- 1 • Sale of East Norriton Township Wastewater system to Aqua Pennsylvania
2 Wastewater in 2019.
- 3 • Sale of Kane Borough Authority Wastewater system to Pennsylvania-American
4 Water Company in 2020.
- 5 • Sale of Royersford Borough Authority Wastewater system to Pennsylvania-
6 American Water Company in 2021.
- 7 • Sale of Valley Township Wastewater system to Pennsylvania-American Water
8 Company in 2021.
- 9 • Sale of Valley Township Water system to Pennsylvania-American Water
10 Company in 2021.
- 11 • Sale of Upper Pottsgrove Township Wastewater system to Pennsylvania-
12 American Water Company in 2020.
- 13 • Sale of York City Sewer Authority Wastewater system to Pennsylvania-
14 American Water Company in 2021.
- 15 • Sale of Lower Makefield Township Wastewater system to Aqua Pennsylvania
16 Wastewater in 2021.
- 17 • Sale of Willistown Township Wastewater system to Aqua Pennsylvania
18 Wastewater in 2021.
- 19 • Sale of East Whiteland Township Wastewater system to Aqua Pennsylvania
20 Wastewater in 2021.
- 21 • Sale of Municipal Authority of the Borough of Shenandoah Water system to
22 Aqua Pennsylvania in 2022.
- 23 • Sale of Butler Area Sewer Authority Wastewater system to Pennsylvania-
24 American Water Company in 2022.

25 As a check on the transactions I studied, that are listed above, I also reviewed the
26 purchase of Connecticut Water Service, Inc. by SJW Group (Exhibit 20 page 2), which was
27 approved in 2019, the purchase of New England Service Company, Inc. (“NESC”) by
28 Aquarion Company, parent of Aquarion Water Company (Exhibit 20 page 3), approved in

1 2021, and the purchase of The Torrington Water Company, Inc. by Aquarion Company,
2 parent of Aquarion Water Company (Exhibit 20 page 4), approved in 2022.¹¹

3
4 **Q. WHAT WERE THE RESULTS OF THE MARKET APPROACH ANALYSIS YOU**
5 **PERFORMED?**

6 **A.** The results of the market multiples method are shown on Exhibit 18, and the results of the
7 selected transactions method are shown on Exhibit 19. The conclusion regarding the
8 Market Approach analysis is explained on pages 50 to 51 of our appraisal.

9
10 **CONCLUSION**

11 **Q. WHAT IS YOUR CONCLUSION REGARDING THE FAIR MARKET VALUE OF**
12 **THE WASTEWATER SYSTEM’S ASSETS TO BE PURCHASED BY PAWC?**

13 **A.** Fair market value is defined as “the price, expressed in terms of cash equivalents, at which
14 property would change hands between a hypothetical willing and able buyer and a
15 hypothetical willing and able seller, acting at arm’s length in an open and unrestricted
16 market, when neither is under compulsion to buy or sell and when both have reasonable
17 knowledge of the relevant facts.”¹²

18 Based on our analysis, as described in our appraisal report, we are of the opinion
19 that the fair market value of EBMA’s wastewater system assets is \$28.1 million
20 (\$28,136,195 rounded), as of March 31, 2023. The results of the analyses and calculations
21 are summarized in Table 1 for the Wastewater System as follows:

¹¹ NESG was the sole stockholder of four regulated water companies operating in three separate states.

¹² National Association of Certified Valuers and Analysts, s.v. “Fair Market Value,” *The International Glossary of Business Valuation Terms*

<u>Valuation Approach</u>	<u>Indicated Value</u>
Cost Approach	\$28,371,029
Income Approach	28,359,361
Market Approach	27,678,195

Table 1

We used seven methods under the Cost, Market, and Income Approaches to valuation: Original Cost Method, Replacement Cost Method, Capitalization of Earnings Method, Market Multiple Discounted Cash Flow Method, Capitalization Discounted Cash Flow Method, Market Multiples Method, and the Selected Transactions Method.

The results from the market multiple discounted cash flow method and the capitalization discounted cash flow method form the basis for our Income Approach. Our Market Approach is supported by the market multiples method and selected transactions method. The results from the original cost method form the basis for our replacement cost method, and both methods form the basis for our Cost Approach.

We considered the results of each approach as an indicator of value individually, or as independent indicators of value. Therefore, all three approaches to valuation were given consideration in arriving at our opinion of the fair market value. Based on these facts, our opinion regarding the fair market value is \$28.1 million. Our conclusion regarding the fair market value can be described by the weights and the specific results of the three approaches to valuation that are shown on Exhibit 22. The results of our analyses, shown on Exhibit 22, show a range of value of \$27.7 million to \$28.4 million and collectively

1 support our opinion of a fair market value for the Wastewater System of \$28,136,195, as
2 of March 31, 2023.

3
4 **Q. DID YOU USE THE DEFAULT VALUATION WEIGHTS OF ONE-THIRD EACH**
5 **FOR COST, MARKET, AND INCOME?**

6 **A.** Yes.

7
8 **Q. THE EFFECTIVE DATE OF THE GANNETT FLEMING APPRAISAL REPORT**
9 **IS MARCH 31, 2023. GIVEN THE PASSAGE OF TIME SINCE THE EFFECTIVE**
10 **DATE, CAN YOUR APPRAISAL BE REASONABLY RELIED UPON TODAY?**

11 **A.** Yes. The March 31, 2023 valuation date is the specific date at which the value of the
12 Wastewater System is based. The appraisal is based on the March 31, 2023 original cost
13 asset inventory contained in the Engineering Assessment and is reasonably close to the
14 date (January 24, 2023) of the Asset Purchase Agreement. I finalized my appraisal on
15 April 26, 2024. In July 2024, I reviewed the revised Engineering Assessment submitted in
16 this proceeding and confirmed it did not impact the results of my appraisal. I have
17 considered all developments since the Asset Purchase Agreement was executed and
18 I believe my appraisal remains accurate.

19
20 **Q. GENERALLY SPEAKING, IS IT COMMON FOR DIFFERENT APPRAISERS TO**
21 **REACH VARYING OPINIONS OF FAIR MARKET VALUE?**

22 **A.** Yes. I do not think the underlying results of the models employed for valuation purposes
23 are ever the same from one appraiser to another appraiser. Further, the conclusion of value

1 from one appraiser to another appraiser usually differs as well. I believe these are some of
2 the reasons the results of the conclusion of value from two different UVEs are averaged
3 under Section 1329, 66 Pa. C.S. § 1329.

4

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A.** Yes. However, I reserve the right to supplement my Direct Testimony as additional issues
7 or facts arise during the course of this proceeding.

APPENDIX HW-1
Professional Qualifications
of
Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC.

EDUCATION

Mr. Walker graduated from Pennsylvania State University in 1984 with a Bachelor of Science Degree in Finance. His studies concentrated on securities analysis and portfolio management with an emphasis on economics and quantitative business analysis. He has also completed the regulation and the rate-making process courses presented by the College of Business Administration and Economics Center for Public Utilities at New Mexico State University. Additionally, he has attended programs presented by The Institute of Chartered Financial Analysts (CFA).

Mr. Walker was awarded the professional designation "Certified Rate of Return Analyst" (CRRRA) by the Society of Utility and Regulatory Financial Analysts. This designation is based upon education, experience, and the successful completion of a comprehensive examination. He is also a member of the Society of Utility and Regulatory Financial Analysts (SURFA) and has attended numerous financial forums sponsored by the Society. The SURFA forums are recognized by the Association for Investment Management and Research (AIMR) and the National Association of State Boards of Accountancy for continuing education credits.

Mr. Walker obtained a license as a Municipal Advisor Representative (Series 50) by Municipal Securities Rulemaking Board (MSRB) and Financial Industry Regulatory Authority (FINRA).

BUSINESS EXPERIENCE

Prior to joining Gannett Fleming Valuation and Rate Consultants, LLC., Mr. Walker was employed by AUS Consultants - Utility Services. He held various positions during his eleven years with AUS, concluding his employment there as a Vice President. His duties included providing and supervising financial and economic studies on behalf of investor owned and municipally owned water, wastewater, electric, natural gas distribution and transmission, oil pipeline and telephone utilities as well as resource recovery companies.

In 1996, Mr. Walker joined Gannett Fleming Valuation and Rate Consultants, LLC. In his capacity as Manager, Financial Studies and for the past twenty years, he has continuously studied rates of return requirements for regulated firms. In this regard, he supervised the preparation of rate of return studies in connection with his testimony and in the past, for other individuals. He also assisted and/or developed dividend policy studies, nuclear prudence studies, calculated fixed charge rates for avoided costs involving cogeneration projects, financial decision studies for capital budgeting purposes and developed financial models for determining future capital requirements and the effect of those requirements on investors and ratepayers, valued utility property and common stock for acquisition and divestiture, and assisted in the private placement of fixed capital securities for public utilities.

Head, Gannett Fleming GASB 34 Task Force responsible for developing Governmental Accounting Standards Board (GASB) 34 services and educating Gannett Fleming personnel and Gannett Fleming clients on GASB 34 and how it may affect them. The GASB 34 related services include inventory of assets, valuation of assets, salvage estimation, annual depreciation rate determination, estimation of depreciation reserve, asset service life determination, asset condition assessment, condition assessment documentation, maintenance estimate for asset preservation, establishment of condition level index, geographic information system (GIS) and data management services, management discussion and analysis (MD&A) reporting, required supplemental information (RSI) reporting, auditor interface, and GASB 34 compliance review.

In 2004, Mr. Walker was elected to serve on the Board of Directors of SURFA. Previously, he served as an ex-officio directors as an advisor to SURFA's existing President. In 2000, Mr. Walker was elected President of SURFA for the 2001-2002 term. Prior to that, he was elected to serve on the Board of Directors of SURFA during the period 1997-1998 and 1999-2000. He also previously served on the Pennsylvania Municipal Authorities Association, Electric Deregulation Committee.

EXPERT TESTIMONY

Mr. Walker has submitted testimony or been deposed on various topics before regulatory commissions and courts in 27 states including: Alaska, Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Hampshire, Nevada, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, and West Virginia. His testimonies covered various subjects including: fair market value, the taking of natural resources, appropriate capital structure and fixed capital cost rates, depreciation, fair rate of return, purchased water adjustments, synchronization of interest charges for income tax purposes, valuation, cash working capital, lead-lag studies, financial analyses of investment alternatives, benchmarking, and fair value. The following tabulation provides a listing of the electric power, natural gas distribution, telephone, wastewater, and water service utility cases in which he has been involved as a witness.

<u>Client</u>	<u>Docket No.</u>	
Alpena Power Company	U-10020	
Armstrong Telephone Company - Northern Division	92-0884-T-42T	
Armstrong Telephone Company - Northern Division	95-0571-T-42T	
Artesian Water Company, Inc.	90 10	
Artesian Water Company, Inc.	06 158	
Aqua Illinois Consolidated Water Divisions and Consolidated Sewer Divisions	11-0436	
Aqua Illinois Hawthorn Woods Wastewater Division	07 0620/07 0621/08 0067	
Aqua Illinois Hawthorn Woods Water Division	07 0620/07 0621/08 0067	
Aqua Illinois Kankakee Water Division	10-0194	
Aqua Illinois Kankakee Water Division	14-0419	
Aqua Illinois Vermilion Division	07 0620/07 0621/08 0067	
Aqua Illinois Willowbrook Wastewater Division	07 0620/07 0621/08 0067	
Aqua Illinois Willowbrook Water Division	07 0620/07 0621/08 0067	
Aqua Pennsylvania, Inc	A-2022-3034143	*
Aqua Pennsylvania Wastewater Inc	A-2016-2580061	*
Aqua Pennsylvania Wastewater Inc	A-2017-2605434	*
Aqua Pennsylvania Wastewater Inc	A-2018-3001582	*
Aqua Pennsylvania Wastewater Inc	A-2019-3008491	*
Aqua Pennsylvania Wastewater Inc	A-2019-3009052	*
Aqua Pennsylvania Wastewater Inc	A-2019-3015173	*
Aqua Pennsylvania Wastewater Inc	A-2021-3024267	*
Aqua Pennsylvania Wastewater Inc	A-2021-3026132	*
Aqua Pennsylvania Wastewater Inc	A-2021-3027268	*
Aqua Pennsylvania Wastewater Inc	A-2023-3041695	*
Aqua Virginia - Alpha Water Corporation	Pue-2009-00059	
Aqua Virginia - Blue Ridge Utility Company, Inc.	Pue-2009-00059	
Aqua Virginia - Caroline Utilities, Inc. (Wastewater)	Pue-2009-00059	
Aqua Virginia - Caroline Utilities, Inc. (Water)	Pue-2009-00059	
Aqua Virginia - Earlysville Forest Water Company	Pue-2009-00059	
Aqua Virginia - Heritage Homes of Virginia	Pue-2009-00059	

Aqua Virginia - Indian River Water Company	Pue-2009-00059	
Aqua Virginia - James River Service Corp.	Pue-2009-00059	
Aqua Virginia - Lake Holiday Utilities, Inc. (Wastewater)	Pue-2009-00059	
Aqua Virginia - Lake Holiday Utilities, Inc. (Water)	Pue-2009-00059	
Aqua Virginia - Lake Monticello Services Co. (Wastewater)	Pue-2009-00059	
Aqua Virginia - Lake Monticello Services Co. (Water)	Pue-2009-00059	
Aqua Virginia - Lake Shawnee	Pue-2009-00059	
Aqua Virginia - Land'or Utility Company (Wastewater)	Pue-2009-00059	
Aqua Virginia - Land'or Utility Company (Water)	Pue-2009-00059	
Aqua Virginia - Mountainview Water Company, Inc.	Pue-2009-00059	
Aqua Virginia - Powhatan Water Works, Inc.	Pue-2009-00059	
Aqua Virginia - Rainbow Forest Water Corporation	Pue-2009-00059	
Aqua Virginia - Shawnee Land	Pue-2009-00059	
Aqua Virginia - Sydnor Water Corporation	Pue-2009-00059	
Aqua Virginia - Water Distributors, Inc.	Pue-2009-00059	
Atlantic City Sewerage Company	WR21071006	
Berkshire Gas Company	18-40	
Berkshire Gas Company	22-20	
Bermuda Water Company, Inc	W-01812A-22-0256	
Borough of Brentwood	A-2021-3024058	*
Borough of Hanover	R-2009-2106908	
Borough of Hanover	R-2012-2311725	
Borough of Hanover	R-2014-242830	
Borough of Hanover	R-2021-3026116	
Borough of Hanover	P-2021-3026854	
Borough of Royersford	A-2020-3019634	*
Butler Area Sewer Authority	A-2020-3019634	*
Chaparral City Water Company	W 02113a 04 0616	
California-American Water Company	CIVCV156413	*
Connecticut-American Water Company	99-08-32	
Connecticut Water Company	06 07 08	
Citizens Utilities Company Colorado Gas Division	-	
Citizens Utilities Company		

Vermont Electric Division	5426	
Citizens Utilities Home Water Company	R 901664	
Citizens Utilities Water Company of Pennsylvania	R 901663	
City of Beaver Falls	A-2022-3033138	*
City of Bethlehem - Bureau of Water	R-00984375	
City of Bethlehem - Bureau of Water	R 00072492	
City of Bethlehem - Bureau of Water	R-2013-2390244	
City of Bethlehem - Bureau of Water	R-2020-3020256	
City of Dubois – Bureau of Water	R-2013-2350509	
City of Dubois – Bureau of Water	R-2016-2554150	
City of Lancaster Sewer Fund	R-00005109	
City of Lancaster Sewer Fund	R-00049862	
City of Lancaster Sewer Fund	R-2012-2310366	
City of Lancaster Sewer Fund	R-2019-3010955	
City of Lancaster Sewer Fund	R-2019-3010955	
City of Lancaster Water Fund	R-00984567	
City of Lancaster Water Fund	R-00016114	
City of Lancaster Water Fund	R 00051167	
City of Lancaster Water Fund	R-2010-2179103	
City of Lancaster Water Fund	R-2014-2418872	
City of Lancaster Water Fund	R-2021-3026682	
City of Lancaster Water Fund	P-2022-3035591	
Coastland Corporation	15-cvs-216	
Commonwealth Edison Company	23-0728	
Community Utilities of Pennsylvania-Water	R-2023-3042804	
Community Utilities of Pennsylvania-Wastewater	R-2023-3042805	
Consumers Pennsylvania Water Company Roaring Creek Division	R-00973869	
Consumers Pennsylvania Water Company Shenango Valley Division	R-00973972	
Country Knolls Water Works, Inc.	90 W 0458	
East Resources, Inc. - West Virginia Utility	06 0445 G 42T	
Elizabethtown Water Company	WR06030257	
ENSTAR Natural Gas Company	U-22-081	
Falls Water Company, Inc.	FLS-W-23-01	
Forest Park, Inc.	19-W-0168 & 19-W-0269	

Hampton Water Works Company	DW 99-057	
Hidden Valley Utility Services, LP	R-2018-3001306	
Hidden Valley Utility Services, LP	R-2018-3001307	
Illinois American Water Company	16-0093	
Illinois American Water Company	22-0210	
Indian Rock Water Company	R-911971	
Indiana Natural Gas Corporation	38891	
Jamaica Water Supply Company	-	
Kane Borough Authority	A-2019-3014248	*
Kentucky American Water Company, Inc.	2007 00134	
Kentucky American Water Company, Inc.	2023-00191	
Middlesex Water Company	WR 89030266J	
Millcreek Township Water Authority	55 198 Y 00021 11	*
Missouri-American Water Company	WR 2000-281	
Missouri-American Water Company	SR 2000-282	
Missouri-American Water Company	WR-2022-0303	
Mount Holly Water Company	WR06030257	
Nevada Power Company d/b/a NV Energy	20-06003	
Nevada Power Company d/b/a NV Energy	23-06007	
New Jersey American Water Company	WR 89080702J	
New Jersey American Water Company	WR 90090950J	
New Jersey American Water Company	WR 03070511	
New Jersey American Water Company	WR-06030257	
New Jersey American Water Company	WR08010020	
New Jersey American Water Company	WR10040260	
New Jersey American Water Company	WR11070460	
New Jersey American Water Company	WR15010035	
New Jersey American Water Company	WR17090985	
New Jersey American Water Company	WR19121516	
New Jersey American Water Company	WR22010019	
New Jersey Natural Gas Company	GR19030420	
New Jersey Natural Gas Company	GR21030679	
Newtown Artesian Water Company	R-911977	
Newtown Artesian Water Company	R-00943157	
Newtown Artesian Water Company	R-2009-2117550	
Newtown Artesian Water Company	R-2011-2230259	
Newtown Artesian Water Company	R-2017-2624240	

Newtown Artesian Water Company	R-2019-3006904	
North Maine Utilities	14-0396	*
Northern Indiana Fuel & Light Company	38770	
Oklahoma Natural Gas Company	PUD-940000477	
Palmetto Utilities, Inc.	2020-281-S	
Palmetto Wastewater Reclamation, LLC	2018-82-S	
Pennichuck Water Works, Inc.	DW 04 048	*
Pennichuck Water Works, Inc.	DW 06 073	
Pennichuck Water Works, Inc.	DW 08 073	
Pennsylvania-American Water Company	A-2023-3039900	*
Pennsylvania Gas & Water Company (Gas)	R-891261	
Pennsylvania Gas & Water Co. (Water)	R 901726	
Pennsylvania Gas & Water Co. (Water)	R-911966	
Pennsylvania Gas & Water Co. (Water)	R-22404	
Pennsylvania Gas & Water Co. (Water)	R-00922482	
Pennsylvania Gas & Water Co. (Water)	R-00932667	
Philadelphia Gas Works	R-2020-3017206	
Philadelphia Gas Works	R-2023-3037933	
Public Service Company of North Carolina, Inc.	G-5, Sub 565	
Public Service Electric and Gas Company	ER181010029	
Public Service Electric and Gas Company	GR18010030	
Presque Isle Harbor Water Company	U-9702	
Sierra Pacific Power Company d/b/a NV Energy	19-06002	
Sierra Pacific Power Company d/b/a NV Energy	22-06014	
St. Louis County Water Company	WR-2000-844	
Suez Water Delaware, Inc.	19-0615	
Suez Water Idaho, Inc.	SUZ-W-20-02	
Suez Water New Jersey, Inc.	WR18050593	
Suez Water New Jersey, Inc.	WR20110729	
Suez Water Owego-Nichols, Inc.	17-W-0528	
Suez Water Pennsylvania, Inc.	R-2018-3000834	
Suez Water Pennsylvania, Inc.	A-2018-3003519	*
Suez Water Pennsylvania, Inc.	A-2018-3003517	*
Suez Water Rhode Island, Inc.	Docket No. 4800	
Suez Water Owego-Nichols, Inc.	19-W-0168 & 19-W-0269	
Suez Water New York, Inc.	19-W-0168 & 19-W-0269	
Suez Westchester, Inc.	19-W-0168 & 19-W-0269	

Town of North East Water Fund	9190	
Township of Exeter	A-2018-3004933	*
United Water New Rochelle	W-95-W-1168	
United Water Toms River	WR-95050219	
Upper Pottsgrove Township	A-2020-3021460	*
Valley Township (water)	A-2020-3019859	*
Valley Township (wastewater)	A-2020-3020178	*
Valley Water Systems, Inc.	06 10 07	
Veolia Water Idaho, Inc.	VEO-W-22-02	
Veolia Water Delaware, Inc.	23-0598	
Veolia Water New Jersey, Inc.	WR23110790	
Veolia Water New York, Inc.	23-W-0111	
Virginia American Water Company	PUR-2018-00175	
Virginia American Water Company	PUR-2021-00255	
Virginia American Water Company	PUR-2023-00194	
West Virginia-American Water Company	15-0676-W-42T	
West Virginia-American Water Company	15-0675-S-42T	
Wilmington Suburban Water Corporation	94-149	
York Water Company	R-901813	
York Water Company	R-922168	
York Water Company	R-943053	
York Water Company	R-963619	
York Water Company	R-994605	
York Water Company	R-00016236	
Young Brothers, LLC	2019-0117	

* - Testimony related to valuation

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**In re: Application of Pennsylvania- :
American Water Company under Sections :
1102(a) and 1329 of the Pennsylvania :
Public Utility Code, 66 Pa C.S. § § 1102(a) :
and 1329, for approval of (1) the transfer, :
by sale, to Pennsylvania-American Water :
Company, of substantially all of the assets, :
properties and rights related to the :
wastewater treatment plant and collection :
system owned and operated by the :
Elizabeth Borough Municipal Authority, :
(2) the rights of Pennsylvania-American :
Water Company to begin to offer or :
furnish wastewater service to the public in :
the Borough of Elizabeth, Allegheny :
County, Pennsylvania :**

Docket Nos. A-2025-3052983, et al.

VERIFICATION

I, Harold Walker, III, hereby state that the facts set forth in EBMA Statement No. 2 and accompanying exhibits, if any, are true and correct to the best of my knowledge, information, and belief. I understand that this verification is made subject to the provisions and penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Date: January 28, 2025



Harold Walker, III
Manager, Financial Studies
Gannett Fleming Valuation and Rate Consultants, LLC