

**Application of Pennsylvania-American Water Company for the Acquisition of
the Wastewater Treatment Plant and Collection System Owned and Operated by
Elizabeth Borough Municipal Authority (“EBMA”)**

Docket No. A-2025-3052983

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 service agreements and fees paid to Jerome C. Weinert, P.E., Principal and Director for Weinert Approval and Depreciation Services, LLC (“WAD”) on behalf of PAWC and Harold Walker, III, Manager of Financial Studies of Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett Fleming”) on behalf of EBMA are reflected in **Appendix A-7.1** (WAD) and **Appendix A-7.2** (Gannett Fleming). WAD’s fees paid to date are \$27,325. Gannett Fleming’s fees paid to date are \$31,953.

AMENDED RESPONSE:

Please see **Amended Appendix A-7.2**.



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

September 12, 2022

Via email to mpkenney95@gmail.com (For Hand-Delivery)

Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037

Ladies and Gentlemen:

Fair Market Value Appraisal

In response to your request, Gannett Fleming Valuation and Rate Consultants, LLC (Gannett Fleming) is pleased to submit this cost proposal to provide the Elizabeth Borough Municipal Authority (EBMA or Authority) with a fair market value appraisal of Elizabeth Borough Municipal Authority's wastewater system assets (Wastewater System) consistent with the date of the Engineer's Assessment.

SCOPE OF SERVICES

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

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



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

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

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

SITE INSPECTION

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

APPRAISAL REPORT

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

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



QUALIFICATIONS

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

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

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

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

FIDUCIARY DUTY

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



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

BASIS FOR COMPENSATION

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

Based on our experience, we estimate the cost for a complete appraisal, direct testimony, and other filing requirements will range from \$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 Elizabeth Borough Municipal Authority retain Gannett Fleming Valuation and Rate Consultants, LLC to perform the requested services as outlined in this letter. If this proposal is satisfactory to you, please have an individual authorized to bind the Authority sign where indicated below and then scan and email the executed copy to me via email at



hwalker@gfnet.com, with a copy to our Administrative Manager, Cheryl Rutter, at crutter@gfnet.com.

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

Respectfully Submitted,

GANNETT FLEMING VALUATION
AND RATE CONSULTANTS, LLC

A handwritten signature in black ink, appearing to read 'Harold Walker, III', written over a horizontal line.

HAROLD WALKER, III
Manager, Financial Studies

Elizabeth Borough Municipal Authority accepts the foregoing Proposal and authorizes Gannett Fleming Valuation and Rate Consultants, LLC to proceed with the services described herein.

ACCEPTED BY:

A handwritten signature in black ink, appearing to read 'Timothy C. Guffey', written over a horizontal line.
(Signature)The printed name 'Timothy C. Guffey' written in black ink over a horizontal line.
(Printed Name)The handwritten word 'Chairman' in black ink over a horizontal line.
(Title)The handwritten date 'January 27, 2023' in black ink over a horizontal line.
(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

EXPERIENCE

EXPERIENCE

GANNETT FLEMING, INC.

Gannett Fleming, Inc. (parent company) is an international consulting engineering firm with expertise in numerous disciplines including utility ratemaking, transportation, environmental, water, energy, and facility-related projects. The firm's headquarters is located in Camp Hill, Pennsylvania. Regional offices are maintained in 22 states, Canada, and an office in Qatar. With over 2,500 highly qualified individuals across a global network of over 50 offices, we are united in our passion to deliver excellence. We have played a part in shaping infrastructure and improving communities in more than 65 countries.

Founded in 1915, we embrace sustainability and innovation in our projects and internal activities, achieving results while being responsible stewards of our environment. Our culture of service, ingenuity, and responsiveness empowers us to fulfill a key objective: *make our clients successful.*

At Gannett Fleming, Inc., we take great pride in our ability to deliver a high-quality product to our clients. This commitment to quality is embodied in our written quality policy statement, namely to *"Provide professional services that meet the requirements of clients and involve all personnel in continually improving work processes."* Not only is Gannett Fleming consistently ranked in the top 10 percent on *Engineering News-Record's* Top 500 Design Firms list, but we also maintain an ISO 9001:2015 certification for all practices and business units within our company. This is a major accomplishment and our clients – and the public they serve – are the ultimate beneficiary of this rigorous quality management program.

Gannett Fleming, Inc.'s Objectives

- *Determine the client's requirements*
- *Communicate with all parties*
- *Deliver projects on time and within budget*
- *Provide a thorough and timely response to client requests*

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Overview

Gannett Fleming Valuation and Rate Consultants, LLC provides consulting services to investor-owned and publicly owned utilities and has successfully represented clients in public pricing policy and related matters before regulators and in courts of law. We have been providing our services since 1915. Our personnel have maintained an honest dedication to job performance and are proud of the reputation for expert representation accorded us by word-of-mouth within the industry. Our team of financial analysts, engineers, accountants, and analysts has a broad experience base to meet your needs, and we are skilled in using computer-modeling techniques to customize your financial studies and analyses. We combine the guiding traditional principles with innovative approaches to provide an understandable product that can stand the test of scrutiny. We remain informed with respect to, and in many cases, help to form the standards of our practice in the utility industry. Our staff provides expert testimony in formal regulatory proceedings before local, county, regional, state, and federal bodies throughout North America.

Partial List of Fair Market Value Appraisals Provided in Pennsylvania

Gannett Fleming Valuation and Rate Consultants, LLC has provided Fair Market Value appraisals in the following transactions:

- Sale of New Garden Township Sewer Authority to Aqua Pennsylvania in 2017;
- Sale of Limerick Township Wastewater system to Aqua Pennsylvania in 2017;
- Sale of East Bradford Township Wastewater system to Aqua Pennsylvania in 2018;
- Sale of Mahoning Township Water system to Suez Water Pennsylvania in 2018;
- Sale of Mahoning Township Wastewater system to Suez Water Pennsylvania in 2018;

- Sale of Exeter Township Wastewater system to Pennsylvania-American Water Company in 2019;
- Sale of Cheltenham Township Wastewater system to Aqua Pennsylvania in 2019;
- Sale of East Norriton Township Wastewater system to Aqua Pennsylvania in 2019;
- Sale of Delaware County Regional Water Quality Control Authority Wastewater system to Aqua Pennsylvania in 2019;
- Sale of Kane Borough Authority Wastewater system to Pennsylvania-American Water Company in 2020;
- Sale of Royersford Borough Authority Wastewater system to Pennsylvania-American Water Company in 2021;
- Sale of Upper Pottsgrove Township Wastewater system to Pennsylvania-American Water Company in 2021;
- Sale of Valley Township Wastewater system to Pennsylvania-American Water Company in 2021;
- Sale of Valley Township Water system to Pennsylvania-American Water Company in 2021;
- Sale of Upper Pottsgrove Township Wastewater system to Pennsylvania-American Water Company in 2020;
- Sale of Lower Makefield Township Wastewater system to Aqua Pennsylvania in 2021;
- Sale of Willistown Township Wastewater system to Aqua Pennsylvania in 2021;
- Sale of East Whiteland Township Wastewater system to Aqua Pennsylvania in 2021;
- Sale of Municipal Authority of the Borough of Shenandoah Water system to Aqua Pennsylvania in 2022; and
- Sale of City of Beaver Falls Wastewater system to Aqua Pennsylvania in 2022.

Additional Information

For further information about Gannett Fleming, Inc. and Gannett Fleming Valuation and Rate Consultants, LLC, our corporate website can be accessed at <https://www.gannettfleming.com/solutions/valuation-rate/>.



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

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037
UNITED STATES

Invoice : 0000035255
Invoice Date : 4/24/2024
Due Date : 5/24/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered Through 3/29/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

000 - Fair Market Value Appraisal -
Wastewater System

Total :

	Current
	Billings
	6,000.00
	<hr/> 6,000.00
Current Billings	<hr/> 6,000.00
Amount Due This Bill	US <hr/> <hr/> 6,000.00

Harold Walker III

000 - Fair Market Value Appraisal - Wastewater System

Rate Labor

<u>Class</u>	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Harold Walker III	19.00	290.000	5,510.00
Support Staff	3.50	140.000	490.00
Total Rate Labor	22.50		6,000.00

Total Bill Task : 000 - Fair Market Value Appraisal - Wastewater System **6,000.00**

Total Project : 079340 - Elizabeth Borough Mun Auth-Fair Market Value Appraisal-WWtr Sys **6,000.00**



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

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
 1 Locust Street
 Elizabeth, PA 15037
 UNITED STATES

Invoice : 0000035711
Invoice Date : 5/9/2024
Due Date : 6/8/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
 Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered Through 4/26/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
 Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

000 - Fair Market Value Appraisal -
 Wastewater System

Total :

	Current
	Billings
	24,420.00
	<hr/>
	24,420.00
	<hr/>
	24,420.00
	<hr/>
Current Billings	24,420.00
Amount Due This Bill	US <u>24,420.00</u>

Harold Walker III

Outstanding Receivables	Invoice Number	Date	Amount	Balance Due
	0000035255	4/24/2024	6,000.00	6,000.00
				<hr/>
				6,000.00

000 - Fair Market Value Appraisal - Wastewater System**Rate Labor**

<i>Class</i>	<i>Hours</i>	<i>Rate</i>	<i>Amount</i>
Harold Walker III	79.00	290.000	22,910.00
Senior Analyst	1.00	210.000	210.00
Senior Technician	3.00	130.000	390.00
Support Staff	6.50	140.000	910.00
Total Rate Labor	89.50		24,420.00

Total Bill Task : 000 - Fair Market Value Appraisal - Wastewater System**24,420.00****Total Project : 079340 - Elizabeth Borough Mun Auth-Fair Market Value Appraisal-WWtr Sys****24,420.00**



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

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037
UNITED STATES

Invoice : 0000042645
Invoice Date : 10/16/2024
Due Date: 11/15/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered For 9/14/2024 Through 10/11/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

	Current
	Billings
000 - Fair Market Value Appraisal - Wastewater System	1,445.00
Total :	1,445.00
	Current Billings
	1,445.00
Amount Due This Bill	US 1,445.00

Harold Walker III

Outstanding Receivables	Invoice Number	Date	Amount	Balance Due
	0000041608	9/19/2024	88.09	88.09
				88.09



Check Payment Information:
Gannett Fleming Valuation and Rate Consultants, LLC
PO Box 829160, Philadelphia, PA 19182-9160 Federal EIN: 46-4413705
ACH/EFT Payment Information:
Account Name: Gannett Fleming Companies ABA: [REDACTED]
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Send Audit Inquiries: GovtContractAudit@gfnet.com
All Other Inquires Contact the Project Team

Attention: Accounts Payable
Elizabeth Borough Municipal Authority
1 Locust Street
Elizabeth, PA 15037
UNITED STATES

Invoice : 0000041608
Invoice Date : 9/19/2024
Due Date : 10/19/2024
Project : 079340
Project Name : Elizabeth Borough Mun Auth-Fair
Market Value Appraisal-WWtr Sys
Bill Term : 01

For Professional Services Rendered For 4/27/2024 Through 9/13/2024

Contract : GFC748964
Contract Name : Elizabeth Borough Municipal
Authority-GFC748964
Contract Date : 3/21/2024

Fair Market Value Appraisal - Wastewater System

	<u>Current</u> <u>Billings</u>
000 - Fair Market Value Appraisal - Wastewater System	88.09
Total :	88.09
	<u>Current Billings</u> 88.09
	<u>Amount Due This Bill</u> US <u>88.09</u>

Harold Walker III