

BUREAU OF TECHNICAL UTILITY SERVICES DATA REQUESTS

TO PENNSYLVANIA-AMERICAN WATER COMPANY

Docket No. A-2017-2606103

Data Request 1

Data Requests A-2 through A-13 refer to information provided in the Application's Appendix A-5.

A-8. Please explain why AUS' "Water Industry Valuation Summary Created 5-16-2017" Excel file, sheet "Market Approach" changes the value in cell B85 from the value in cell B85 of AUS's "Water Industry Valuation Summary Created 4-8-2017" Excel file, sheet "Market Approach". Also, please separately identify the source of the data in cell B85 for each subject file.

Response: In AUS' "Water Industry Valuation Summary Created 5-16-2017.xlsx" sheet "Market Approach" cell B85, the Market to Net Book (McKeesport financials) ratio of 1.90 was based on the revised Purchase Agreement (May 25, 2017) which established the McKeesport purchase price at \$162,000,000 and a McKeesport Net book of \$85,320,322 (Market to book ratio $1.90 = \$162,000,000 / \$85,302,322$).

In AUS' "Water Industry Valuation Summary Created 4-8-2017.xlsx" sheet "Market Approach" cell B85, the Market to Net Book (McKeesport financials) ratio of 1.78 was based the various Market to book evidence as detailed in the Market Approach worksheet. At that time the Asset Purchase Agreement (September 2016) established the McKeesport purchase price at \$156,000,000; that with a corresponding Net book of \$85,320,322 results in a market to book ratio of 1.83 (Market to book ratio $1.83 = \$156,000,000 / \$85,302,322$).

In AUS' "Water Industry Valuation Summary Created 5-16-2017.xlsx" sheet "Market Approach" cell B85 is an input by AUS; however, it can be referenced to cell D20 which reflects the Market to Net Book (McKeesport Financials) ratio.

Responsible Witness: Jerome C. Weinert, P.E.
Title: Principal and Director
AUS Consultants, Inc.

Date: July 14, 2017