

Hello,

Last week I called the Commissioners Office, and they mentioned I was able to file late comments in regards to Docket M-2016-2543193.

If you need additional information, please contact me at 215-530-2541 or email me at tsmeltzer@raftelis.com

Thank you for your consideration,

Timothy Smeltzer

DATE OF DEPOSIT

APR - 9 2024

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Timothy Smeltzer

M-2016-2543193 Comment

Personal Background

As a Senior Consultant at Raftelis, I have accumulated a decade of experience specializing in financial and valuation services. My focus includes financial planning and analysis, transaction consulting, and utility valuation. In business valuation, my proficiency extends to purchase price allocations, business enterprise valuations, impairment testing, and non-compete valuations. These services have been deployed across diverse industries, prominently including oil and gas, as well as water and wastewater. Notably, I have handled deals ranging from \$10 million to \$1.5 billion in size.

I have earned the Chartered Financial Analyst (“CFA”) and Chartered Alternative Investment Analyst (“CAIA”) designations. Additionally, I am certified as a Series 50 Municipal Advisor Representative. My professional affiliations include membership in the CFA Institute, CAIA Association, American Water Works Association, and Pennsylvania Municipal Authority Association. Furthermore, I actively contribute as a board member for the Horsham Water and Sewer Authority in Pennsylvania, participating in strategic decisions to enhance water and sanitation services in the region.

Default Weights for Appraisals

The primary objective of an appraisal is to impartially and objectively assess the value of the subject property. However, employing a default weighting structure where each valuation methodology is assigned a fixed 33% weight undermines this core purpose. While most Utility Valuation Experts (“UVE”) appraisals tend to distribute weightings evenly, it's imperative that the discretion in weighting lies with the appraiser, rather than being an exception outlined in the acquiring utility's 1329 application.

If the Public Utilities Commission (“PUC”) expresses concerns regarding the independence of appraisers, it calls for a fundamental reevaluation of the UVE process. Ideally, this process should entail the involvement of three independent appraisers selected directly by the PUC, rather than by the buyer or seller. These appraisers should be chosen on a rotational basis from a pre-approved list sanctioned by the PUC. Such a measure would effectively mitigate any perceived bias or lack of objectivity on the part of the appraiser.

Reasonable Review Ratio

Presently, in ratemaking for the acquiring Investor-Owned Utility (“IOU”), either the purchase price or the Fair Market Value (“FMV”) of the acquired utility, whichever is lesser, is factored in. This approach is logical, particularly in the case of distressed utilities, where an IOU assumes additional risks. Conversely, for a well-maintained and efficiently managed utility, the IOU is not exposed to the same level of risk as it would be with a distressed system. Consequently, the incentive received by the IOU should be moderated. Rather than allowing 100% of the lesser of the purchase price or FMV to be considered for ratemaking, the benefit should be capped at Original Cost Less Depreciation (“OCLD”) for non-distressed systems. This adjustment ensures a fair and proportionate approach to incentivizing IOUs while reflecting the varying levels of risk associated with different utility scenarios.



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