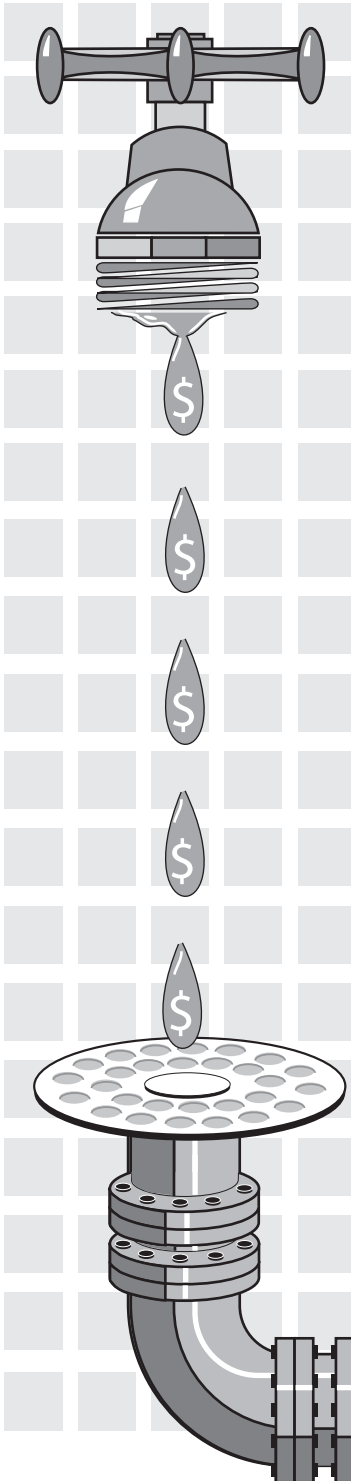# SYSTEM VALUATIONS and APPRAISALS

Privately owned utilities and an increasing number of publicly owned utilities have their rates controlled by various types of State Public Utility Commissions. To substantiate the rates charged, these commissions require an expert valuation and appraisal of the market value of all facilities used by the utility to provide service. Keystone Alliance Consulting performs valuations for water and wastewater systems based on accepted methodologies. Each asset is valued at original cost using either the existing records, or where there is no existing cost documentation, our staff will determine a value based upon the present cost and develop the original cost using industry accepted practices.

Valuations may also be required for the accurate development of tapping fees, as well as, the sale or transfer of utility facilities. A sale or transfer usually involves the determination of the physical condition and service life of the existing facilities, appropriate depreciation method, and other technical aspects of the facilities. This interconnection between financial and engineering concerns requires the skills and experience of a firm such as Keystone Alliance Consulting.

In cases where a water or sewer system is undergoing a transfer of ownership, calculation of the "fair market" value of a system is often necessary for purposes of the negotiation or obtaining the funding. Keystone Alliance Consulting has performed valuations for many public and private utility systems representing both buyers and sellers.

Methods applied during valuation studies include:

• Depreciated Original Cost
• Depreciated Replacement Cost
• Cash Flow or Supported Debt

In many cases these methods are completed in tandem in order to provide the client with the strongest position in negotiating the transfer of the utility system.

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