

Sales Comparison Approach

(Continued)

Sale #5

**Village of Godfrey Wastewater Utility (Sewer)
Village of Godfrey, Madison County, Illinois**

Pending

Asset Purchase Agreement signed November 9, 2018

Price: \$13,550,000

Wastewater System with 6,250 Customers (\$2,168 per customer)

Seller: Village of Godfrey, IL

Buyer: Illinois American

ICC Docket #18-1830

This sale included the transfer of a sewer system. The sale includes a wastewater treatment plant with a current average flow of 0.80 MGD, a 2.2 MGD average capacity and 5.5 MGD maximum flow capacity providing secondary treatment, discharging into the Mississippi River; 16 lift stations; 32,000 linear feet of force mains; 498,000 linear feet of gravity sewer mains; 2,107 manholes; two sanitary sewer detention facilities; 13 parcels of land owned in fee; and permanent easements pertaining to wastewater mains located on private property, and properties that are utilized for lift stations. Approximately 65% of the gravity sewer linear feet, located west of Godfrey Road, flow to the wastewater treatment plant; the other 35%, located east of Godfrey Road, flow to the Alton Treatment Plant.

Sales Comparison Approach

(Continued)

Sale #6

**Village of Glasford Water & Wastewater Utility (Water & Sewer)
Village of Glasford, Peoria County, Illinois**

Sale Pending**Asset Purchase Agreement signed August 28, 2018****Water System Price: \$800,000****Water System with 492 Customers (\$1,626 per customer)****Wastewater System Price: \$1,100,000****Wastewater System with 482 Customers (\$2,282 per customer)****Seller: Village of Glasford, IL****Buyer: Illinois American****ICC Docket #18-1498**

This sale included the transfer of a water and wastewater system.

The water system is in average condition and includes a water treatment plant with a capacity of 200 gpm or 288,000 gpd with attained capacity of 150 gpm or 216,000 gpd; two active wells and one well not in service; a 125,000 gallon elevated storage tank; a 50,000 gallon ground storage tank; meters; hydrants; approximately 48,000 linear feet of water mains; four parcels of land owned in fee; and permanent easements pertaining to water mains located on private property. Well #1 is 876 feet deep; Well #2 is not in service (radium) and is 1,750 feet deep; Well #3 is 1,000 feet deep with 1,300 linear feet of 4" raw water main.

The wastewater system is in average condition and includes a 0.26 MGD DAF wastewater treatment plant with a MDF of 0.65 MGD with basic secondary treatment with filtration and sludge treatment; one lagoon; one wastewater lift station; and approximately 47,000 linear feet of mains.

Sales Comparison Approach

(Continued)

Sale #7

**Village of Manteno Wastewater Utility (Sewer)
Village of Manteno, Kankakee County, Illinois**

Sold July 2018

Asset Purchase Agreement signed September 18, 2017

Price: \$25,000,000

Water System with 4,300 Customers (\$5,814 per customer)

Seller: Village of Manteno, IL

Buyer: Aqua Illinois

ICC Docket #17-0813

This sale included the transfer of a sewer system. The sale includes a wastewater treatment plant, seven lift stations, force and gravity sewer mains, four parcels of land owned in fee and permanent easements pertaining to wastewater mains located on private property, and properties that are utilized for lift stations.

The sewer system was built in 1945 with additional constructed between 1945 and 2006. The sewer system includes a sewer treatment facility, seven lift stations, and the sewer collection system.

Testimony of Paul J. Hanley states expected expenditures after sale of \$4,300,000 over five years.

Sales Comparison Approach

(Continued)

Sale #8

**Grant Park Wastewater Utility (Sewer)
Village of Grant Park, Kankakee County, Illinois**

Pending Sale

Asset Purchase Agreement signed May 17, 2018

Price: \$2,300,000

Wastewater System with 535 Customers (\$4,299 per customer)

Seller: Village of Grant Park, IL

Buyer: Aqua Illinois

ICC Docket #18-1093

This sale included the transfer of a sewer system. The sale includes a wastewater treatment plant, one lift station, portions of two parcels of land owned in fee and permanent easement interests, and a wastewater collection system. The permanent easements pertain to properties that are utilized for the lift station, wastewater mains located on private property, an access road, and septic tanks located on private property.

Sales Comparison Approach

(Continued)

Sale #9

**Skyline Water and Wastewater Utility System (Water and Sewer)
Kane County, Illinois**

Pending Sale (Asset Purchase Agreement signed March 27, 2018)

Price: \$3,550,000

Combined water and wastewater system - 376 customers (\$9,441 per customer)

Seller: Fox River Water Reclamation District

Buyer: Aqua Illinois

ICC Docket #18-0785

This sale included the transfer of a water system and a sewer system. The water system includes five parcels of land owned in fee, a water treatment plant, two wells, a 600,000 gallon elevated storage tank, and a water delivery system. The wastewater system includes one lift station and a sewage collection system.

Sales Comparison Approach

(Continued)

Sale #10

**Alton Wastewater System (Sewer)
City of Alton, Madison County, Illinois**

Pending Sale (Asset Purchase Agreement signed April 13, 2018)

Price: \$53,800,000

Wastewater system with 11,456 customers (\$4,696 per customer)

Seller: City of Alton, IL

Buyer: Illinois American

ICC Docket #18-0879

This sale included the transfer of a sewer system. The sale includes 14 lift stations and related easements, a sewage collection system, two excess flow wastewater detention facilities, two flow meters, one parcel of land, and one wastewater treatment plant with a rated flow capacity of 10.5 MGD and a design maximum flow capacity of 26.25 MGD.

Sales Comparison Approach

(Continued)

Sale #11**Lawson Water and Wastewater Utilities (Water and Sewer)
City of Lawson, Clay and Ray Counties, Missouri****Sold August 2018 (Letter of Intent signed April 21, 2017)****Price: \$4,000,000****Price breakout per appraisal of this system:****\$2,619,000 for Water System with 970 Customers (\$2,711 per customer)****\$1,356,000 for Sewer System with 904 Customers (\$1,515 per customer)****\$3,975,000 for both Water and Sewer System, rounded within client
documentation to \$4,000,000****Seller: City of Lawson, MO****Buyer: Missouri American**

This sale included the transfer of a water system sewer system. The sale includes three parcels of land owned in fee and a permanent easement interest in nine additional tracts. The permanent easements pertain to properties that are utilized for lift stations, a water tower, and a pump station.

The water system was built in 1956 and includes two elevated water storage tanks, a pump system, and the water distribution system. The 300,000 gallon tank was constructed in the 1990-1991. The 50,000 gallon tank was constructed in the 1940s or 1950s. The sewer system includes a sewer treatment facility including a four-cell lagoon system, eight lift stations, and the sewer collection system.

An appraisal report dated July 7, 2017 of the Lawson system indicated the following expected expenditures after sale:

According to information from Lawson's current permit (MO-0091031) and the Missouri Department of Natural Resources affordability study, the regulations regarding the sewer system operations will be changing in 2020. The water will be required to be disinfected prior to discharge. In addition, a different chemical will need to be added to offset the disinfectant that was added before it can be released into a stream. This will require either a new system to be built or significant changes will need to be made to the existing facility. The chemical added is to control the ammonia levels and nutrient levels. Also, an in-cell aeration system will be needed to help remove the sludge the 1st and 2nd cells. Cost at this time are not known.

Sales Comparison Approach

(Continued)

Sale #12**Sundale Utilities (Water and Sewer)
Washington, Tazewell County, Illinois****Sold May 2018 (Asset Purchase Agreement Signed January 9, 2017)****Price: \$2,000,000****\$1,500,000 for Water System with 552 Customers (\$2,717 per customer)****\$500,000 for Sewer System with 1,406 Customers (\$356 per customer)****Seller: Sundale Utilities, Inc.****Buyer: Illinois American Water****ICC Docket #17-0113**

This sale included the transfer of a water system and three sewer systems. The water system is Washington Estates (552 customers), and the sewer systems are Washington Estates (552 customers), Sundale Hills (713 customers), and Highland Hills (141 customers). The sale included 10 parcels of land owned in fee by Sundale Utilities which included office building, sewage treatment parcels, lagoons, lift stations, and water treatment facility.

In addition, permanent easements encumbering private property included approximately 5.17 acres for the water delivery system and 9.47 acres for the wastewater collection system. The water system's primary assets include two wells, a water treatment plant, a 75,000-gallon elevated water tower, and a 150 kw generator.

The wells were drilled in 1970 and 1985 and are 350' deep. A new well was drilled in 1995 and replaced the 1970 well. The wells are rated at 460 gallons-per-minute. The elevated tank was placed in service in 1960. The sewer systems reportedly were in fair to poor condition and required substantial capital investment.

According to testimony by an official from Illinois American Water at an Illinois Commerce Commission hearing, the buyer intends on investing \$900,000 in the water system and \$1,700,000 in the sewer systems, all within the first five years.

Sales Comparison Approach

(Continued)

Sale #13**City of Farmington Water System (Water)
Farmington, Fulton County, Illinois****Sold April 2018 (Asset Purchase Agreement Signed April, 2017)****Price: \$3,750,000****Water System with 1,063 Customers (\$3,528 per customer)****Seller: City of Farmington****Buyer: Illinois American Water****ICC Docket #17-0246**

This sale includes a water delivery system that includes two wells. One was drilled in 1918 and is 1,710' deep. It has a capacity of 350 gallons-per-minute, and was improved with a new submersible pump in 1997. The second well was drilled in 1955 and is 1,743' deep. It has a capacity of 385 gallons-per-minute, and had a new pump installed in 2006. The water treatment plant includes the treatment process, two clearwells, and two high-service pumps. The two clearwells (underground storage tanks) each have a capacity of 125,000 gallons. The system also includes two elevated water storage tanks constructed in 1992 and 1997, respectively. Each has a capacity of 156,000 gallons.

Per testimony of Jeffrey Kaiser, Director of Engineering for Illinois American Water Company, there are expected expenditures after sale totaling \$5,540,000 for the following:

Capital improvements anticipated for the water system in the first five years of ILAW ownership are projected to total approximately Five Million Five Hundred Forty Thousand Dollars (\$5,540,000.00). These improvements include security and safety improvements, SCADA systems integration, customer meter replacements, water main replacement and dead end elimination, and miscellaneous water treatment plant related capital expenditures such as reverse osmosis membrane replacement and conversion from gas to liquid chlorine.

Sales Comparison Approach

(Continued)

Sale #14**Village of Fisher Water and Sewer System (Water & Sewer)
Fisher, Champaign County, Illinois****Sold March 2018 (Asset Purchase Agreement Signed July, 2017)****Water System Price: \$3,700,000 with 890 Customers (\$4,157 per customer)****Sewer System Price: \$3,100,000 with 890 Customers (\$3,483 per customer)****Seller: Village of Fisher****Buyer: Illinois American Water****ICC Docket #17-0339**

This sale includes a water delivery system that includes a water treatment facility, two elevated water storage tanks and two groundwater supply wells. The water treatment plant includes the treatment process, one 30,000 gallon capacity clearwell, and three pumps rated 167 GPM. The clearwell (underground storage tank) has a capacity of 30,000 gallons. Tank #1 has a capacity of 50,000 gallons and was constructed in 1936. Tank #2 has a capacity of 100,000 gallons and was constructed in 1973. The wells are both 236' deep and rated 125 GPM, drilled in 1936 and 1959. Average daily production is 135,000 per day.

This sale includes a wastewater system that includes a wastewater treatment facility with an average daily flow between 170,000 and 180,000 gallons per day.

Expenditures during the first five years after sale are estimated at \$610,000 for the water utility and \$2,300,000 for the sewer utility.

Sales Comparison Approach

(Continued)

Sale #15

**Village of Peotone Water and Sewer System (Water & Sewer)
Village of Peotone, Will County, Illinois**

**Sold October 1, 2018 (Asset Purchase Agreement Signed July 2017)
Price: \$12,300,000 with 1,500 Customers (\$8,200 per customer)**

**Seller: Village of Peotone
Buyer: Aqua Illinois
ICC Docket #17-0314**

This sale includes a water delivery system that includes three water treatment facilities, two elevated water storage tanks and three groundwater supply wells. Tank #1 has a capacity of 250,000 gallons. Tank #2 has a capacity of 150,000 gallons. There are approximately 145,000 linear feet of mains.

This sale includes a wastewater system that includes a wastewater treatment facility with a capacity of 850,000 gallons per day. There are five lift stations. There are approximately 105,000 linear feet of gravity and force mains.

Sales Comparison Approach

(Continued)

Sale #16**Forest Homes Maple Park (Water)
Cottage Hills, Madison County, Illinois****Sold July 2017 (Asset Purchase Agreement Signed November 03, 2016)****Price: \$900,000****Water System with 525 Customers (\$1,714 per customer)****Seller: Forest Homes Maple Park District****Buyer: Illinois American Water****ICC Docket #16-0581**

The Forest Homes Maple Park system includes one elevated storage tank, one storage tank control system, approximately 9 miles of pipeline, telemetry equipment, and various hydrants, valves, service connections, and other appurtenances. The system became operational in 1959. The water distribution system used wells until 1983 when the district started purchasing water from Illinois American Water. Per information from the water district, there are 525 customer connections, of which approximately 495 were installed in 1994 and 30 were installed in 2004. The elevated water tank has a capacity of 75,000 gallons and is approximately 57 years old. Located on the site with the water tower is the storage tank control structure, an office building, and storage buildings. The water distribution system includes 47,272 lineal feet of pipeline. The mains range from 13 to 58 years old. Most the mains are 6" with the balance being 4". Included in the sale were two small lots owned in fee, permanent easements across two parcels, and mains located in public roads and rights of way. According to an assessment completed by an engineer familiar with the system, there was approximately \$250,000 worth of deficiencies and deferred maintenance items that required immediate attention.

Sales Comparison Approach

(Continued)

Sale #17**Lake Region Water and Sewer Company (Water and Sewer)
Camden County and Miller County, Missouri****Sold June, 2017 (Asset Purchase Agreement Signed December, 2016)****Price: \$6,084,000****Total Customers: 1,608 (\$3,784 per customer)****683 Water Customers, 925 Sewer Customers (1,608 total customers)
per Joint Application for Transfer of Assets****Seller: Lake Region Water and Sewer Company****Buyer: Camden County Public Water District****MO Docket #WM-2017-0186**

Operating in the Lake of the Ozarks area, Lake Region Water & Sewer Company ("Lake Region") was originally granted a Certificate of Convenience and Necessity (CCN) to provide water and sewer service in the 1970s. After various name changes, sales, and the granting of an additional CCN, Lake Region now serves approximately 683 water customers in the Shawnee Bend area and 925 sewer customers in the Shawnee Bend and Horseshoe Bend area.

On December 28, 2016, Lake Region filed a Joint Application with the Camden County Public Water Supply District Number 4 seeking authority to sale, transfer, and assign Lake Region's water and sewer assets to the District. Staff contends that under the terms of the Purchase Agreement, the District is paying an acquisition premium of approximately \$3.7 million.

The Missouri Public Service Commission Staff recommended in February, 2017, that the Commission does not approve the transfer of the assets. According to Staff, were the purchaser of Lake Region's assets a Commission-regulated entity, they would not be allowed to recover the acquisition premium cost in a customer rate increase. However, since the Commission does not regulate the District, Staff fears that the District may choose to recover the acquisition premium costs through a customer rate increase.

The Commission does not share Staff's concern. The Commission does not regulate the District, nor does it have jurisdiction over the District's board of directors or the future rates set by that board. On April 27, 2017, the Commission approved the transfer.

Sales Comparison Approach

(Continued)

Sale #18**Village of Wardsville Utility System (Water and Sewer)
Wardsville, Cole County, Missouri****Sold May, 2017 (Asset Purchase Agreement Signed December 8, 2016)****Price: \$2,750,000 (\$2,750,003 for both Water and Sewer System, rounded within
client documentation to \$2,750,000)****\$795,428 for Water System with 480 Customers (\$1,657 per customer)****\$1,954,575 for Sewer System with 407 Customers (\$4,802 per customer)****Seller: Village of Wardsville****Buyer: Missouri American Water****MO Docket #WA-2017-0181**

According to a press release on April 11, 2017, from the Board of Trustees of the Village of Wardsville, Wardsville has three sewage treatment plants (Deer Haven, Churchview, and Northwest), none of which reportedly are able to meet the Missouri Department of Natural Resources and the EPA requirements regarding limitations of the amount of ammonia that can be discharged from sewage treatment plants. After a study by an engineering firm, it was determined that the three options to meet the EPA limits ranged from \$4 million to \$12 million. According to Missouri American Water, the expected capital investment after the sale includes \$305,000 for the water system and \$395,000 for the sewer system, all of which is projected to be invested over a five-year period.

Wardsville's water system (MO3010831) produces an average of 90,000 gpd. Water system assets include two (2) wells, 150,000-gallon elevated tank, 250,000-gallon ground storage tank, 300 gpm booster pump, 63 hydrants, 146 valves and over 15 miles of distribution main ranging in size from 2" to 8" in diameter.

The wastewater system includes the following treatment facilities:

Churchview WWTP (NPDES MO-0109118) is a packaged extended aeration system with a design flow of 30,000 gpd and actual flow of 15,000 gpd. It services 102 connections.

Deerhaven WWTP (NPDES MO-119326) is a packaged extended aeration system with a design flow of 21,368 gpd and actual flow of 17,000 gpd. It serves 81 connections.

Northwest WWTF (NPDES MO-0129658) is an aerated lagoon system with design flow of 151,000 gpd and actual flow of 44,000 gpd. It serves 212 connections.

The collection system includes five (5) pump stations, 38 brick manholes, 238 concrete manholes, approximately 9 miles of gravity sewers and 1.7 miles of force main.

Sales Comparison Approach

(Continued)

Sale #19

**Village of Sadorus of Water System (Water)
Village of Sadorus, Champaign County, Illinois**

**Sold March, 2017 (Asset Purchase Agreement Signed April, 2016)
Price: \$240,000 - Water System with 384 Customers (\$625 per customer)**

**Seller: Village of Sadorus, IL
Buyer: Illinois American Water Company
ICC Docket #16-0341**

This sale includes a water delivery system that includes a 40,000 gallon elevated storage tank, two wells and one water treatment plant.

Sale #20

**Woodland Manor Water System (Water)
Kimberling City, Stone County, Missouri**

**Sold June 2016
Price: \$200,000 - Water System with 164 Customers (\$1,220 per customer)**

**Seller: Woodland Manor Water System
Buyer: Missouri American Water
MO Docket #WM-2016-0169**

Sales Comparison Approach

(Continued)

Sale #21

**Village of Ransom Water System (Water)
Village of Ransom, LaSalle County, Illinois**

Sold April, 2016

Price: \$175,000 - Water System with 170 Customers (\$1,029 per customer)

Seller: Village of Ransom, IL

Buyer: Illinois American Water Company

ICC Docket #15-0544

The water delivery system includes a water treatment plant constructed in 1995 including aerator and, 16,700 gallon ground storage tank, a 75,000 gallon elevated water tank constructed in 1990, a 915' primary supply well installed in 1971 and rehabilitated in 2014 with a production rate of 88 gpm, and a 280' secondary supply well installed in 1946 with a production rate of 20 gpm.

Expenditures after sale are estimated at \$2,000,000 in the first five years after sale.

Sales Comparison Approach

(Continued)

Sale #22**Ozark Shores Water Company (Water)
Camden County, Missouri****Sold July, 2015 (Asset Purchase Agreement Signed March 5, 2015)****Price: \$5,252,781****Total of 1,869 Customers (\$2,810 per customer)****Seller: Ozark Shores Water Company****Buyer: Public Water Supply District of Camden County****MO Docket #WM-2015-0231**

The Staff recommended the Commission deny the application.¹ During the approval process before the Missouri Public Service Commission, the Staff had concerns regarding the sale that pertained to the purchase price exceeding the value of Oak Shore's net rate base by more than \$2.6 million, the possibility of rate increases due to the acquisition premium, and the history of an overly-close relationship between Ozark Shores and the buyer.² On July 3, 2015, the Commission rejected the Staff's recommendations and granted the application.³

Included in the sale were 12 parcels of land that were reported to have a total market value of \$448,580.

¹ Document: Staff Recommendation to Deny Transfer of Assets and Request for Local Public Hearing; Date: May 5, 2015

² Document: Suggestions in Support of Staff's Motion for Evidentiary Hearing; Date: May 25, 2015

³ Document: Order Granting Application; Date: July 3, 2015

Sale #23**City of Water System (Sewer)
City of Arnold, St Louis County, Missouri****Sold May, 2015****Price: \$27,200,000 - Sewer System with 7,500 Customers (\$3,627 per customer)****Seller: City of Arnold, MO****Buyer: Missouri American Water****MO Docket #SA-2015-0150**

Sales Comparison Approach

(Continued)

Sale #24**North Maine Water & Sewer System (Water and Sewer)
Village of Glenview, Unincorporated Cook County, Illinois****Sold April, 2015****Price:****\$18,590,000 Water System with 4,724 Customers (\$3,935 per customer)****\$3,410,000 Sewer System with 2,494 Customers (\$1,367 per customer)****Seller: Village of Glenview, IL****Buyer: Aqua Illinois****ICC Docket #14-0396**

This sale is a water and sewer system located in Unincorporated Cook County, IL with portions of the area within the municipal boundaries of Des Plaines, Park Ridge, Morton Grove, Niles, and Glenview covering a population of approximately 44,000 and a mixed residential/commercial customer base, primarily residential. The water system includes a 750,000 gallon storage tank and other water delivery system assets. The system does not include a water treatment plant. The sewer system includes sanitary sewer system assets but does not include a wastewater treatment plant.

Expected expenditures after purchase are estimated at \$9,300,000: \$6,300,000 for water main reinforcement and \$3,000,000 to purchase a reservoir for fire protection.

Sales Comparison Approach

(Continued)

Water

Below is a summary of the water sales transactions that were considered in this analysis. These sales are included on the previous pages. These sales transactions were reported to be cash to the seller at closing unless otherwise noted in the specific sale transaction description. There is not adequate income information available for the sale properties to extract income multipliers and overall rates. The best method of comparison for the subject property in this appraisal is the sale price per customer.

| SUMMARY OF SALES OF WATER DELIVERY SYSTEMS (INCLUDES ALLOCATIONS FROM SALES OF WATER/SEWER SYSTEMS) | | | | | | | |
|--|--------------------------------|--|-------------------------|-------------|---------------|-----------|-----------------------|
| Sale # | Grantor | Grantee | Location | Sale Date | Sale Price | # of Cust | Sale Price / Customer |
| 2 | Village of Sidney | Illinois American | Village of Sidney | IL Pending | \$ 2,300,000 | 567 | \$ 4,056 |
| 3 | Village of Andalusia | Illinois American | Village of Andalusia | IL Pending | \$ 1,800,000 | 490 | \$ 3,673 |
| 4 | Village of Leonore | Illinois American | Village of Leonore | IL Pending | \$ 100,000 | 68 | \$ 1,471 |
| 6 | Village of Glasford | Illinois American | Village of Glasford | IL Sep-2019 | \$ 800,000 | 492 | \$ 1,626 |
| 11 | City of Lawson | Missouri American | City of Lawson | MO Aug-2018 | \$ 2,619,000 | 970 | \$ 2,700 |
| 12 | Village of Sundale, Illinois | Illinois American | Village of Sundale | IL May-2018 | \$ 1,500,000 | 550 | \$ 2,727 |
| 13 | City of Farmington | Illinois American | Fulton County | IL Apr-2018 | \$ 3,750,000 | 1,063 | \$ 3,528 |
| 14 | Fisher Water/Wastewater System | Illinois American | City of Fisher | IL Mar-2018 | \$ 3,700,000 | 890 | \$ 4,157 |
| 16 | Forest Homes Maple Park | Illinois American | Cottage Hills | IL Jul-2017 | \$ 900,000 | 525 | \$ 1,714 |
| 18 | Village of Wardsville | Missouri American | Cole County | MO May-2017 | \$ 795,428 | 480 | \$ 1,657 |
| 19 | Village of Sadorus | Illinois American | Village of Sadorus | IL Mar-2017 | \$ 240,000 | 384 | \$ 625 |
| 20 | Woodland Manor | Missouri American | Kimberling City/Branson | MO Jun-2016 | \$ 200,000 | 164 | \$ 1,220 |
| 21 | Village of Ransom | Illinois American | Village of Ransom | IL Apr-2016 | \$ 175,000 | 170 | \$ 1,029 |
| 22 | Ozark Shores Water Company | Camden County Public Water Supply District Number Four | Camden County | MO Jul-2015 | \$ 5,252,781 | 1,869 | \$ 2,810 |
| 24 | Village of Glenview | Aqua Illinois | Village of Glenview | IL Apr-2015 | \$ 18,590,000 | 4,724 | \$ 3,935 |
| | | | | | | High | 4,724 \$ 4,157 |
| | | | | | | Low | 68 \$ 625 |
| | | | | | | Median | 525 \$ 2,207 |
| | | | | | | Mean | 871 \$ 2,365 |

Of the 16 examples of market data, 12 are closed sales and 4 are pending sales. The analysis of the sale properties for comparison with the subject property is ultimately based on the number of customers within the water system, the age of the system, and the overall general condition of the system. The Missouri and Illinois sale properties indicate a range of sale prices from \$625 to \$4,157 per customer.

The most comparable properties would be those that include a similar number of customer accounts for the water system, although other differences such as age/condition, location and market area must be reconciled. The sales utilized were of water systems that were pending, relatively recent, or took place within the last five years. The dates of sale and market conditions at the time of sale do not appear to significantly impact the unit sale prices of the sale properties selected for analysis in this approach. The Sundale, Fisher and Glenview transactions are reliable for indicating prices for the whole system (water and sewer).

Sales Comparison Approach

(Continued)

The Eureka water system has 4,009 customers. Sales of systems with customer counts less than 550 were excluded from the analysis.

| SUMMARY OF SALES OF WATER DELIVERY SYSTEMS (INCLUDES ALLOCATIONS FROM SALES OF WATER/SEWER SYSTEMS) | | | | | | | |
|--|----------------------------------|--|---------------------|-------------|---------------|-----------|-----------------------|
| Sale # | Grantor | Grantee | Location | Sale Date | Sale Price | # of Cust | Sale Price / Customer |
| | | | | | | Low | 68 \$ 625 |
| | | | | | | Median | 525 \$ 2,207 |
| | | | | | | Mean | 871 \$ 2,365 |
| SUMMARY OF SALES OF WATER DELIVERY SYSTEMS EXCLUDING SALES WITH CUSTOMER COUNTS UNDER 550 (INCLUDES ALLOCATIONS FROM SALES OF WATER/SEWER SYSTEMS) | | | | | | | |
| Sale # | Grantor | Grantee | Location | Sale Date | Sale Price | # of Cust | Sale Price / Customer |
| 2 | Village of Sidney | Illinois American | Village of Sidney | IL Pending | \$ 2,300,000 | 567 | \$ 4,056 |
| 11 | City of Lawson | Missouri American | City of Lawson | MO Aug-2018 | \$ 2,619,000 | 970 | \$ 2,700 |
| 12 | Village of Sundale, Illinois | Illinois American | Village of Sundale | IL May-2018 | \$ 1,500,000 | 550 | \$ 2,727 |
| 13 | City of Farmington | Illinois American | Fulton County | IL Apr-2018 | \$ 3,750,000 | 1,063 | \$ 3,528 |
| 14 | Fisher Water & Wastewater System | Illinois American | City of Fisher | IL Mar-2018 | \$ 3,700,000 | 890 | \$ 4,157 |
| 22 | Ozark Shores Water Company | Camden County Public Water Supply District Number Four | Camden County | MO Jul-2015 | \$ 5,252,781 | 1,869 | \$ 2,810 |
| 24 | Village of Glenview | Aqua Illinois | Village of Glenview | IL Apr-2015 | \$ 18,590,000 | 4,724 | \$ 3,935 |
| | | | | | | High | 4,724 \$ 4,157 |
| | | | | | | Low | 550 \$ 2,700 |
| | | | | | | Median | 970 \$ 3,528 |
| | | | | | | Mean | 1,519 \$ 3,416 |

Sales with a similar customer count are most comparable. However, recent sales of water delivery systems with a similar number of customers have not taken place. Primary weight is placed on the pending Sidney transaction and the Lawson transaction with lesser weight on other recent Missouri and Illinois sales.

The Village of Sundale allocation, at \$2,729 per water customer and \$355 per sewer customer, reflects the substantially higher water contribution versus the sewer contribution as the Sundale sewer system was in fair to poor condition. Therefore, the Village of Sundale sale is given the least weight in our analysis of the subject property water system.

Using unit prices that result from allocations are generally less reliable than sales of individual systems. And, in cases such as Sundale – where one component of the system has an allocation substantially higher than the other component – it is important to use the allocations with caution as internal bookkeeping purposes may have been a factor in the diverse allocations.

We have concluded a unit value of \$4,500 per water customer for the subject property water system. Based on the 4,009 reported water customers, the indicated value of the Eureka Water System as of the effective date of March 18, 2020, is \$18,040,000 (EIGHTEEN MILLION FORTY THOUSAND DOLLARS).

Sales Comparison Approach

(Continued)

Sewer

We were able to determine a unit value (price per sewer customer) for 11 sewer or water and sewer system sales transactions. The table below summarizes the transactions for which a price per sewer customer was calculated. In six cases, the unit values are developed based upon an allocation of a sale price that included a water and sewer system. The Village of Godfrey, Village of Manteno, Village of Grant Park, City of Alton, and City of Arnold sales were of sewer systems.

| SUMMARY OF SALES OF SEWER SYSTEMS (INCLUDES ALLOCATIONS FROM SALES OF WATER/SEWER SYSTEMS) | | | | | | |
|---|----------------------------------|-------|-----------|---------------|-----------|-----------------------|
| Sale # | Grantor | State | Sale Date | Sale Price | # of Cust | Sale Price / Customer |
| 1 | City of Rosiclare | IL | Pending | \$ 120,000 | 400 | \$ 300 |
| 3 | Village of Andalusia | IL | Pending | \$ 1,500,000 | 460 | \$ 3,261 |
| 5 | Village of Godfrey | IL | Nov-2019 | \$ 13,550,000 | 6,250 | \$ 2,168 |
| 6 | Village of Glasford | IL | Sep-2019 | \$ 1,100,000 | 482 | \$ 2,282 |
| 7 | Village of Manteno | IL | Jul-2018 | \$ 25,000,000 | 4,300 | \$ 5,814 |
| 8 | Village of Grant Park | IL | Pending | \$ 2,300,000 | 535 | \$ 4,299 |
| 10 | City of Alton | IL | Jun-2019 | \$ 53,800,000 | 11,456 | \$ 4,696 |
| 11 | City of Lawson | MO | Aug-2018 | \$ 1,356,000 | 904 | \$ 1,500 |
| 12 | Village of Sundale | IL | May-2018 | \$ 500,000 | 1,410 | \$ 355 |
| 14 | Fisher Water & Wastewater System | IL | Mar-2018 | \$ 3,100,000 | 890 | \$ 3,483 |
| 18 | Village of Wardsville | MO | May-2017 | \$ 1,954,575 | 407 | \$ 4,802 |
| 23 | City of Arnold | MO | May-2015 | \$ 27,200,000 | 7,500 | \$ 3,627 |
| 24 | Village of Glenview | IL | Apr-2015 | \$ 3,410,000 | 2,494 | \$ 1,367 |
| | | | | High | 11,456 | \$ 5,814 |
| | | | | Low | 400 | \$ 300 |
| | | | | Median | 904 | \$ 3,261 |
| | | | | Mean | 2,884 | \$ 2,920 |

Of the 13 examples of market data, 10 are closed sales and 3 are pending sales that are under contract. The analysis of the sale properties for comparison with the subject property is ultimately based on the number of customers within the sewer system, the age of the system, and the overall general condition of the system. The Missouri and Illinois sale properties indicate a range of sale prices from \$300 to \$5,814 per customer.

The most comparable properties would be those that include a similar number of customer accounts for the sewer system, although other differences such as age/condition, location and market area must be reconciled. The sales utilized were of sewer systems that were pending or took place within the last four years. The dates of sale and market conditions at the time of sale do not appear to significantly impact the unit sale prices of the sale properties selected for analysis in this approach.

Sales Comparison Approach

(Continued)

Sewer systems with less than 500 customers and more than 9,000 customers, in comparison to the subject property sewer system's 3,957 customers, are less comparable to the subject property based on number of customers. The Village of Sundale (Sale 12) transaction was also removed from analysis due to its poor condition. When the sales with less than 500 customers and more than 9,000 customers (Sales 1, 3, 6, 10, and 16) are omitted from the analysis, market data indicates an average sale price of \$2,993 per customer with a range of sale prices from \$1,367 to \$5,814 per sewer customer.

The Lawson and Fisher transactions are reliable for indicating prices for the whole system (water and sewer). We have given most consideration to the Lawson and Glenview transactions, Sales 11 and 24, based on overall comparability including number of customers, location, type of system, and system condition. Lesser consideration is given the remaining sales.

| SUMMARY OF SALES OF SEWER SYSTEMS EXCLUDING SALES WITH CUSTOMER COUNTS UNDER 500 AND OVER 9,000 (INCLUDES ALLOCATIONS FROM SALES OF WATER/SEWER SYSTEMS) | | | | | | |
|--|----------------------------------|-------|-----------|-----------------------------|-----------|-----------------------|
| Sale # | Grantor | State | Sale Date | Sale Price | # of Cust | Sale Price / Customer |
| 5 | Village of Godfrey | IL | Nov-2019 | \$ 13,550,000 | 6,250 | \$ 2,168 |
| 7 | Village of Manteno | IL | Jul-2018 | \$ 25,000,000 | 4,300 | \$ 5,814 |
| 8 | Village of Grant Park | IL | Pending | \$ 2,300,000 | 535 | \$ 4,299 |
| 11 | City of Lawson | MO | Aug-2018 | \$ 1,356,000 | 904 | \$ 1,500 |
| 14 | Fisher Water & Wastewater System | IL | Mar-2018 | \$ 3,100,000 | 890 | \$ 3,483 |
| 23 | City of Arnold | MO | May-2015 | \$ 27,200,000 | 7,500 | \$ 3,627 |
| 24 | Village of Glenview | IL | Apr-2015 | \$ 3,410,000 | 2,494 | \$ 1,367 |
| | | | | High | 7,500 | \$ 5,814 |
| | | | | Low | 535 | \$ 1,367 |
| | | | | Median | 2,494 | \$ 3,483 |
| | | | | Mean | 2,859 | \$ 2,782 |
| | | | | Mean of Lawson and Glenview | 1,699 | \$ 1,434 |

We have concluded a unit value of \$2,500 per sewer customer for the subject property sewer system. Based on the 3,957 reported sewer customers, the indicated value of the Eureka Sewer System as of the effective date of March 18, 2020, is \$9,890,000 (NINE MILLION EIGHT HUNDRED NINETY THOUSAND DOLLARS).

Sales Comparison Approach

(Continued)

Water Delivery and Wastewater Collection Systems Combined

The combined value opinion of the water delivery and wastewater collection systems is \$27,930,000. Based upon the subject property system having a total of 7,966 customers (4,009 water customers, 3,957 sewer customers), the overall value per customer is approximately \$3,500.

| SUMMARY OF EURKA WATER AND SEWER SYSTEMS COMBINED | | | |
|---|--------------|--|---------------------|
| Value of Eureka Water Delivery System: | \$18,040,000 | | |
| Value of Eureka Wastewater Collection System: | \$9,890,000 | | |
| TOTAL VALUE OF WATER AND WASTEWATER SYSTEMS: | | | \$27,930,000 |
| Number of Customers for Water Delivery System: | 4009 | | |
| Number of Customers for Wastewater Collection System: | 3957 | | |
| TOAL NUMBER OF CUSTOMERS: | | | \$7,966 |
| VALUE PER CUSTOMER (COMBINED WATER AND SEWER): | | | \$3,506 |

Our market data included 11 examples of transactions that included both water and sewer systems.

| SUMMARY OF SALES OF COMBINED WATER & SEWER SYSTEMS | | | | | | | |
|--|-----------------------------------|--|--------------------------|-----------|------------------------|--------------|-----------------------|
| Sale # | Grantor | Grantee | Location | Sale Date | Sale Price | # of Cust | Sale Price / Customer |
| 1 | City of Rosiclare | Illinois American | City of Rosiclare | IL | Pending \$ 600,000 | 925 | \$ 649 |
| 3 | Village of Andalusia | Illinois American | Village of Andalusia | IL | Pending \$ 3,300,000 | 850 | \$ 3,474 |
| 8 | Village of Glasford | Illinois American | Village of Glasford | IL | Sep-2019 \$ 1,900,000 | 974 | \$ 1,951 |
| 9 | Fox River Water Reclamation Dist. | Aqua Illinois | Kane County | IL | Pending \$ 3,550,000 | 752 | \$ 4,721 |
| 11 | City of Lawson | Missouri American | City of Lawson | MO | Aug-2018 \$ 4,000,000 | 1,874 | \$ 2,134 |
| 12 | Village of Sundale | Illinois American | Village of Sundale | IL | May-2018 \$ 2,000,000 | 1,960 | \$ 1,020 |
| 14 | Fisher Water/Wastewater System | Illinois American | City of Fisher | IL | Mar-2018 \$ 6,800,000 | 1,788 | \$ 3,807 |
| 15 | Peotone Water & Sewer System | Aqua Illinois | Village of Peotone | IL | Oct-2018 \$ 12,300,000 | 3,000 | \$ 4,100 |
| 17 | Lake Region Water & Sewer Co | Camden County Public Water Supply District Number Four | Camden & Miller Counties | MO | Jun-2017 \$ 6,084,000 | 1,608 | \$ 3,784 |
| 18 | Village of Wardsville | Missouri American | Cole County | MO | May-2017 \$ 2,750,000 | 887 | \$ 3,100 |
| 24 | Village of Glenview | Aqua Illinois | Village of Glenview | IL | Apr-2015 \$ 22,000,000 | 7,218 | \$ 3,048 |
| | | | | | | High 7,218 | \$ 4,721 |
| | | | | | | Low 752 | \$ 649 |
| | | | | | | Median 1,608 | \$ 3,100 |
| | | | | | | Mean 1,994 | \$ 2,880 |

The above market data indicates a water and sewer system sale price of \$649 to \$4,721 per customer. A review of the market data pertaining to utility systems that included water and sewer shows the subject property's unit value of \$3,500 per customer is within the range indicated by the market data.

Based upon this analysis, it is our opinion the market value of the subject property systems (water and sewer) as a whole as of the December 10, 2019 effective date is supported at \$27,930,000 (TWENTY-SEVEN MILLION NINE HUNDRED THIRTY THOUSAND DOLLARS) based upon the Sales Comparison Approach.

Final Reconciliation

The purpose of this appraisal report was to arrive at an estimate of market value for the City of Eureka water delivery and wastewater systems based upon conditions evident in the market as of March 18, 2020. The market value opinion pertains to the subject property as a private water and wastewater system (its intended use). We inspected the subject property, reviewed numerous reports and documents provided by the client and Missouri American Water Company, conducted research with regard to land values and easement valuation, and reviewed a report prepared by Flinn Engineering.

Our analysis of the Eureka water delivery and wastewater collection systems included the application of the Cost Approach and the Sales Comparison Approach. As explained in the report, the Income Capitalization Approach is not customarily relied on for the valuation of water delivery and wastewater collection systems acquired by investor-owned entities. The table below summarizes the valuation opinions.

| SUMMARY OF VALUATION OPINIONS | | | |
|----------------------------------|--------------|-------------------|--------------|
| VALUATION APPROACH | WATER SYSTEM | WASTEWATER SYSTEM | TOTAL |
| <i>Sales Comparison Approach</i> | \$18,040,000 | \$9,890,000 | \$27,930,000 |
| <i>Cost Approach</i> | \$18,200,000 | \$13,400,000 | \$31,600,000 |

The Sales Comparison Approach included an analysis of transactions from Missouri and transactions from Illinois. As explained in this report, the Illinois market is more representative of a competitive market with balance the supply and demand forces.

The Cost Approach included the analysis and valuation of the system by its components: land (fee owned parcels and permanent easements), buildings/improvements, and facilities/infrastructure associated with the water delivery and wastewater collection systems.

The Market Value of a non-profit municipal water system is much lower than a private system with profit income potential. And, the sales reflect the prices of only municipal systems.

The intended use is as a private system, and the property should be appraised consistent with anticipated use. In order to appraise the property as a private system, investment incentive (increased income) must be considered.

The application of the Sales Comparison Approach and Cost Approach take into account private ownership incentive/benefit.

Final Reconciliation

(Continued)

Based upon a review of the market data available for both applications, we have concluded that most emphasis should be placed on the value opinions indicated by the Sales Comparison Approach. Due to the lack of detailed information available for the engineer's assessment, the reliability of the Cost Approach is weakened.

Therefore, it is our opinion the market values of the subject property systems as of March 18, 2020, were as follows:

| | |
|--|---|
| Market Value of Water Delivery System | Market Value of Wastewater Collection System |
| \$18,000,000 | \$10,000,000 |

These opinions of market value reflect our opinions of the systems individually and independent of each other.

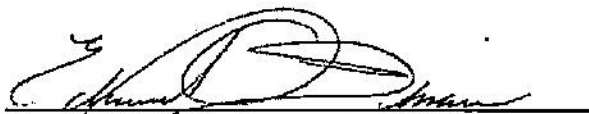
Statement of Certification – Edward Dinan

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have not completed a real estate appraisal of the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and in conformity with the requirements of the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- no one other than Elizabeth Goodman Schneider and Joseph E. Batis provided significant real property professional assistance to the person signing this certification.

As of the date of this report, Edward Dinan has completed the requirements of the continuing education program of the Appraisal Institute.

Furthermore, I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



Edward W. Dinan, CRE, MAI
Dinan Real Estate Advisors, Inc.

March 23, 2020