

City of Clearwater

Liquid Propane (LP) Business

System Valuation

FINAL REPORT / June 30, 2023



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July 7, 2023

Mr. Brian D. Langille, PE
Executive Director
Clearwater Gas System
777 Maple Street
Clearwater, FL 33755

Subject: City of Clearwater Liquid Propane Business; Fair Market Value of Majority, Marketable Interest on June 1, 2023

Dear Mr. Langille:

I have performed the valuation services provided in this valuation (“Valuation” or “Report”), as those terms are defined by the Uniform Standards of Professional Appraisal Practice (“USPAP”) and in the Professional Standards of the National Association of Certified Valuators and Analysts (“NACVA”). This Report has been prepared in accordance with the NACVA’s Professional Standards dated June 1, 2017, and USPAP dated 2020-21. The estimate of value contained in this Report is expressed as a Conclusion of Value. This Valuation was performed for the purpose of a potential acquisition and the resulting Conclusion of Value should not be used for any other purpose or by any other party for any purpose.

Based on my analysis, as described in this Report, my conclusion of fair market value of the City of Clearwater liquid propane distribution business as a going concern as of June 1, 2023, is:

Two Million Four Hundred Thousand Dollars (\$2,400,000)

This Conclusion of Value is for the Subject Assets described in more detail in this Report and does not include any real property. Further, this conclusion is subject to the representations and certification found in Appendix A and to the statement of assumptions and limiting conditions (Appendix B). There is no obligation to update this Report or my Conclusion of Value for information that comes to my attention after the date of this Report. My experience and qualifications are detailed in Appendix C.

Sincerely,



Steven McDonald, CVA
Chief Economist / Valuation Services
CVA® # 20639



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VALUATION SUMMARY

Date of Valuation:	June 1, 2023
Date of Report:	July 7, 2023
Appraisal Subject:	City of Clearwater Liquid Propane Distribution Business
Transaction Type:	Asset
Ownership Interest Valued:	Majority (sole ownership), Marketable interest
Restrictions, if any:	None identified
Purpose of Valuation:	Potential Transaction (Sale of Subject Assets)
Standard of Value:	Fair Market Value
Premise of Value:	Going concern
Type of Report:	Appraisal Report
Scope Limitations:	Does not include Real Property
Significant Assumptions and Limitations:	See Appendix B
Valuation Methods Considered:	Discounted Cash Flow (DCF) analysis (Income); Capitalization analysis (Income); Replacement Cost New (Cost); Completed Transactions (Market); Public Company Guideline (Market)
Selected Valuation Method(s):	Reproduction Cost New (Cost), Capitalization (Income), and Public Company Guideline (Market)
Valuation Conclusion:	\$2,400,000

REPORT ABBREVIATIONS

ASL	Average Service Life
CAGR	Compound Annual Growth Rate
CCF	Capitalization of Cash Flow
COVID-19	2019 Coronavirus pandemic
DCF	Discounted Cash Flow
DLOC	Discount for Lack of Control
DLOM	Discount for Lack of Marketability
EBITDA	Earnings before Interest Taxes Depreciation and Amortization
FDACS	Florida Department of Agriculture and Consumer Services
FMV	Fair Market Value
FV	Fair Value
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principals
HBU	Highest-and-best-use
IOU	Investor-owned Utility
IRS	Internal Revenue Service
LP	Liquid Propane
MO	Month
MOU	Municipal-owned Utility
NAICS	North American Industry Classification System
NBER	National Bureau of Economic Research
OCN	Original Cost New
OCNLD	Original Cost New Less Depreciation
O&M	Operations and Maintenance
PP&E	Plant, property, and equipment
RCN	Replacement or Reproduction Cost New
RCNLD	Replacement or Reproduction Cost New Less Depreciation
USPAP	Uniform Standards of Professional Appraisal Practice
WAAC	Weighted Average Cost of Capital
WHO	World Health Organization
YR	Year

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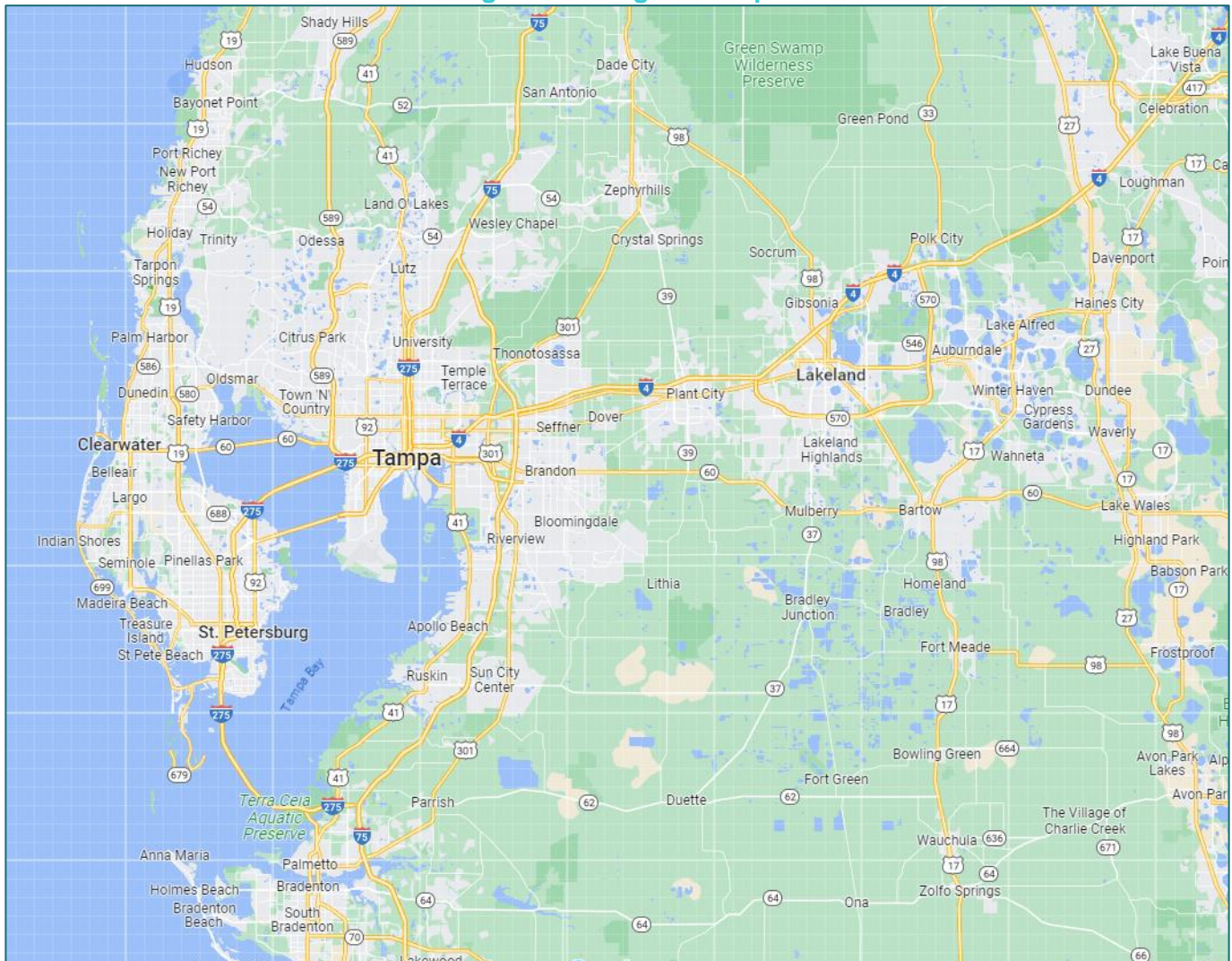
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1. Introduction

1.1. Subject of Valuation

The subject of this Valuation/Appraisal (“Valuation” or “Report”) is the City of Clearwater’s (“City”) liquid propane (“LP”) distribution business (“Subject Assets”) serving portions of Pinellas, Pasco, and Hillsborough counties located in the Tampa–St. Petersburg–Clearwater Metropolitan Statistical Area (“MSA”) (see Figure 1-1).

Figure 1-1: Regional Map



The Subject Assets are operated as a segment of the City’s natural gas and liquid propane business (d.b.a. Clearwater Gas System¹) currently serving residential and commercial customers. The Subject Assets include

¹ <https://www.clearwatergas.com>

both tangible and intangible assets and currently have sufficient demand to create a going concern at the date of the appraisal. The Subject Assets are described in more detail in Section 2.

1.2. Intended Users

This Valuation was requested by the City (“Client”). This Report is intended for the exclusive use of the Client and any other designated representatives of the Client. No reproduction, publication, distribution, or other use of this Report for other than its stated purpose is authorized without prior consent of the Client and the undersigned appraiser of this Report.

1.3. Purpose and Use of this Valuation Report

This Report represents an Appraisal Report as defined by 2020-21 USPAP² Standard 10 for the purpose of providing an opinion of the value (“Conclusion of Value” or “Opinion of Value”) of the System as a business enterprise in conjunction with a potential transfer (asset transaction) involving both tangible and intangible assets. Use of the report is restricted to the intended users and this Report should not be used for any other purpose other than stated above.

1.4. Interest of Valuation

The interest in Subject Assets considered in this Valuation is a majority (sole ownership), marketable interest of the Subject Assets as a business enterprise consisting of both tangible and intangible assets (“Subject Interest”). The interest in Subject Assets does not include ownership or equity in a corporation. Development of a Conclusion of Value of the Subject Interest contained in this Report meets the requirements of USPAP Standard 9.

An intangible asset is generally described as an asset that lacks physical substance. Under most circumstances, a utility system is a monopoly and creates a special purpose property. A buyer for the Subject Assets would be acquiring the bundle of rights including operational rights, service area rights and other permitted rights, which reflect intangible value. More importantly, in my opinion, there is no going concern value for the land, buildings, and equipment as a utility system or business enterprise independent of, or without the intangible rights to operate without competition and deliver an essential public use to a protected, defined service area. Without operational rights or service area rights or permitted rights, a buyer would only value buildings and equipment at liquidation or scrap and would value land as-if vacant and marketable for a different use. The fair market value of operational rights, service area rights, and other permitted rights, however, is not contingent on the inclusion of an existing utility system in the form of land, buildings, and equipment. Based on past experience, and in my opinion, the total enterprise value in a utility system is a bundle of tangible and intangible and is contingent on specific operational rights, service area rights, and other permitted rights. This Valuation was performed for the System in ‘fee simple’, which includes all rights (the bundle of rights, for both tangible and intangible assets) that can be legally vested in an owner, subject to encumbrances whatever they may be.

² The Appraisal Standards Board voted on August 11, 2022, to extend the effective date of the current 2020-21 USPAP through December 31, 2023.

This fee simple ownership includes ownership of assets, operational rights, certain service area rights, and other permitted rights, as well as other tangible assets. Fee simple ownership is the most comprehensive type of ownership since the owner may dispose of the property in any manner they select. One possessing this property has no restrictions or limitations upon ownership except those imposed by governmental entities with jurisdiction over the Subject Assets and those which were willfully created by agreement.

1.5. Ownership and Control of Subject Assets

As of the date of this report, the City is controlling, sole owner of the Subject Assets.

1.6. Date of Valuation

The date of valuation of the Subject Interest is June 1, 2023 (“Valuation Date”). Since the Valuation Date is an arbitrary date, for example, it is not an asset transfer date, or date of agreement, or date of taking, or settlement date, or other agreement or court date, the appraiser reserves the right, at their discretion, to consider and evaluate any additional value influencing data or other pertinent factors that might become available between the date of the Report and a stipulated actual future date or historical date, if applicable, and to make any adjustments to the Report that may be required. This Report was issued July 7, 2023 (“Report Date”). There is no obligation or responsibility to update this Report for events, circumstances, or information that becomes available subsequent to the Report Date.

1.7. Standard of Valuation

The standard of value considered for the purpose of a potential transaction is Fair Market Value (“FMV”). For the purpose of this Report, FMV should be clarified for the development of a credible Conclusion of Value. Specifically, the Internal Revenue Service (“IRS”) Revenue Ruling (“Rev. Rul.”) 59-60, 1959-1, C.B. 237, along with Treasury Regulations § 25.2512-1 and § 20.231-1 defines FMV as:

“The value of the property is the price at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts.”

IRS Rev. Rul. 59-60 further states...

“...in addition that the hypothetical buyer and seller are assumed to be able, as well as being willing, to trade and to be well informed about the property and concerning the market for such property.”

FMV as defined for this Report therefore includes the following assumptions:

1. A hypothetical buyer and seller are both willing, and thus interested in the transaction, and are able to enter into a transaction, implying a hypothetical buyer has sufficient funds and seller has sufficient rights;
2. A hypothetical buyer is prudent, implying a rational buyer, and is considered to be a “financial” and not a “strategic” buyer;
3. Even though a willing buyer and willing seller are hypothetical, they are presumed to be dedicated to achieving their individual maximum economic advantage, but absent any compulsion to buy or sell;

4. Both parties are assumed to understand the industry and other economic conditions and their effects on the Subject Assets, as of the Valuation Date, in a sale of a majority ownership in the Subject Assets;
5. A hypothetical buyer is assumed to represent an independent third party; and
6. A hypothetical sale will be for cash.

FMV is considered the appropriate standard of value because it reflects the value of the Subject Assets as if traded freely in a competitive and open market between independent parties and therefore reflects an anticipated price of a market transaction that is in the interest of both the seller and buyer. In addition, FMV in this context would specifically exclude circumstances of the known seller or known potential buyer that would directly affect indications of value using accepted approaches and methods.

1.8. Hypothetical Willing Buyer

Under a FMV standard, the population of willing buyers for the Subject Assets are considered likely to represent a for-profit company. Not-for-profit, governmental (e.g., county, municipality, special purpose district) entity or consumer-owned corporations were not considered likely buyers. The willing buyers in this pool of market participants might expect to derive individual value from synergistic benefits, but those synergies and the influence they might have on FMV would not be recognized by all potential buyers.

The market for the bulk distribution of LP is highly fragmented between several large, national companies and a significant number of local or regional suppliers. Strategies for growth within the market include customer retention, growing customers within an existing service area and strategic acquisitions of local and regional businesses. These strategies are clearly articulated in Securities and Exchange Commission (“SEC”) annual reports.

“[Suburban Propane] supplements our organic customer base growth and retention initiatives with selective acquisitions of high-quality propane businesses in strategic markets, as well as identifying and fostering new market expansion efforts to establish or extend our presence and expand market share. Our acquisition strategy is to focus on businesses with a relatively steady or predictable cash flow that will extend our presence in strategically attractive markets, complement our existing business segments or provide an opportunity to diversify our operations. We are very patient, disciplined and deliberate in evaluating both traditional and renewable energy acquisition opportunities.”³

“[Ferrellgas] expects to continue the expansion of our propane customer base through both the acquisition of other propane distributors and through organic growth. We intend to concentrate on propane acquisition activities in geographical areas within or adjacent to our existing operating areas, and on a selected basis in areas that broaden our geographic coverage. We also intend to focus on acquisitions that can be efficiently combined with our existing propane operations to provide an attractive return on investment after taking into account the economies of scale and cost savings we anticipate will result from those combinations.”⁴

³ Suburban 2022 10-K Annual Report

⁴ Ferrellgas 2022 10-K Annual Report

“[AmeriGas]’s strategy is to grow by (i) developing internal sales and marketing programs to improve customer service and attract and retain customers, (ii) leveraging our scale and driving productivity through the development of technology, and (iii) by pursuing opportunistic acquisitions. Although we did not complete any material acquisitions during Fiscal 2021 or Fiscal 2022, we regularly consider and evaluate opportunities for growth through the acquisition of local, regional and national propane distributors.”⁵”

Suburban Propane, Ferrellgas, and AmeriGas are leading national propane distribution business with local and regional acquisition strategies and are models for likely buyers of the Subject Assets.

1.9. Premise of Value

The Conclusion of Value as a going concern provided in this Report assumes the Subject Assets will continue, at minimum, serving current demand representing a current and future going concern. This Conclusion of Value as a going concern assumes there is no current planned or contemplated discontinuance of service or any liquidation of the Subject Assets. The Conclusion of Value reflects an existing and operating business including personal property, financial assets, and intangible assets.

In the Valuation of the Subject Assets using the cost approach, it must be recognized that a reproduction or replacement cost new less depreciation (“RCNLD”) only represents that component of value of the physical assets. Those assets, however, are not idle, but are used to provide service within an exclusive service area to a customer base as part of an ongoing operation. A purchaser acquiring a similar system completely installed and operational with customers taking regular service immediately derive revenues and economic benefits at the full component of connected customers. If a purchaser were to construct, in a hypothetical situation, its own similar system of tangible assets, it would not have the ability to generate revenues or economic benefits until some future date or have the ongoing bundle of rights for this specific exclusive service area. Therefore, the Investment Value of the System functioning as a going concern would be considered as part of this Valuation in all approaches and a going concern value could be specifically added to the value of physical assets.

1.10. Appropriate Market and Highest-and-best-use

Highest-and-best-use (“HBU”) was considered collectively for the Subject Interest being valued, including both tangible and intangible assets. The most appropriate market sector for the Subject Assets under a FMV Value standard as a going concern is for the supply and distribution of LP. The collective Subject Assets are considered a special purpose property. The existing function of the Subject Assets is to distribute LP to residential and non-residential customers. Since the assets are specifically designed, configured, and constructed solely as a LP distribution business, no alternate highest and best use should be considered in developing a price for a possible transaction. It is assumed that with any purchase or acquisition of the Subject Assets that those assets would continue to be substantially used for the purposes identified and they would continue to be renewed, replaced, and/or maintained for such purposes.

⁵ AmeriGas 2022 10-K Annual Report

1.11. Scope of the Valuation and Scope of Work

This Report has been prepared in accordance with the NACVA's Professional Standards dated June 1, 2017, and USPAP dated 2020-21. There are no general limitations to the scope of this Report. A site visit or visual inspection of the System was not included in the scope of work.

Details on the scope of work performed and the research and analyses relied upon for the development of a Conclusion of Value are provided in more detail in Section 4. The scope of the assignment generally included gathering, analyzing, and applying relevant information necessary for appropriate valuation approaches, methods, and procedures to complete and express a Conclusion of Value of the System, expressed as a single dollar amount and included:

- Review of existing operational and financial performance of the Subject Assets;
- Compiling detailed information of the Subject Assets, such as type, quantity, size, function, etc.;
- Completion of independent research and analysis concerning the industry and economic environment in which the Subject Assets are utilized;
- Application of appropriate valuation approaches, methods, and procedures to obtain an indication of value of the Subject Interest.

A listing of Assumptions and Limiting Conditions is provided in Appendix B and a Statement of Appraiser Qualifications is included in Appendix C.

1.12. Principal Sources of Information

The principal sources of information utilized for this assignment are references or noted throughout this Report. The Client or other individuals did not deny access to any data deemed essential for this Report. Data collection for this Valuation involved a variety of public and private sources of information. Interviews and analyses were used to confirm and/or cross-check the data and information provided. Comparisons of reports, and other comparisons of sources of information were diligently performed for this Valuation.

1.13. Hypothetical Conditions/Extraordinary Assumptions

The analyses required to develop an indication of value do rely on multiple values that are present today and assumed to continue to exist in the future that would be considered normal financial or operating assumptions. These normal financial or operating assumptions are generally referenced in the Report or included as metrics in the tables supporting each analysis. No assumptions were incorporated about the financial, operating, physical, legal, or economic characteristics of the property or about market trends that were subjectively intended to influence the Conclusion of Value in a positive or negative direction for the benefit of the Client or Subject Assets.

The Conclusion of Value contained in this Report did rely on several extraordinary assumptions. An extraordinary assumption presumes as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis. A listing of Assumptions and Limiting Conditions containing general extraordinary assumptions is provided in Appendix B.

The Conclusion of Value contained in this Report did not rely on a specific hypothetical condition. A hypothetical condition is an assumption directly related to this appraisal assignment, which is contrary to what is known to exist on the Valuation Date but is used for the purpose of analysis.

1.14. Jurisdictional Exceptions

A Jurisdictional Exception is a law or regulation that precludes an appraiser from complying with a part of USPAP. There were no jurisdictional exceptions or requirements identified that would impact a Conclusion of Value of the Subject Assets. The Subject Assets are governed by certain laws of Florida; however, none create a jurisdictional exception that impacts the development of a Conclusion of Value.

1.15. Reliance on Specialist(s)

The development of this Report did not rely on work or opinions of another Appraiser. Certain conceptual and technical engineering data were provided by the Client with respect to financial, operating, and assets of the Subject Assets. A real property appraisal was also not included as part of this scope of work.

1.16. Assumptions and Limiting Conditions

Assumptions and limiting conditions of this Report are provided in Appendix B.

1.17. Exclusions

This Valuation has excluded the following aspects of the System and those aspects are not included in the Conclusion of Value delineated herein:

- a) System cash and cash equivalents and deferred assets;
- b) Real property, including buildings;
- c) Income derived from leasing activities independent of the Subject Assets;
- d) Assumption of liabilities of the Subject Assets;
- e) Assets owned by other associated parties; and
- f) Activities, rights, and privileges of other associated parties.

In other words, this Valuation is only of the Subjects Assets as listed in Section 2 of this Report.

1.18. Lease Agreements of Subject Assets

No lease agreements of the Subject Assets were identified.

1.19. Rounding of Estimated Values

Estimates of value derived from analyses contained in this Report have inherent variation and are not intended to reflect precise calculations. Table 1.1 provides guidelines for rounding estimates contained in this Report.

Table 1-1: Rounding Estimated Values

Amount Estimated	Rounded to Nearest
\$0 – 5,000	\$100
\$2,001 - 50,000	\$1,000
\$20,001 – 500,000	\$10,000
\$500,001 – 50,000,000	\$100,000
Over \$50,000,000	\$1,000,000

1.20. Definitions

The terms used in this Report are used in the context of the definition of terms provided in USPAP 2020-21. Common abbreviations are provided at the beginning of this document.

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2. Subject Assets

2.1. General Description of Market

The propane⁶ market competes with all sources of energy. Propane distribution businesses compete for customers with suppliers of electricity, fuel oil, and natural gas, principally on price, customer service, availability, and portability. Generally, propane serves as an alternative to natural gas in rural and suburban areas where natural gas is not available or portability of fuel is optimal. Natural gas is generally a significantly less expensive source of energy than propane, although in areas where natural gas is available, propane is used for certain industrial and commercial applications and as a standby fuel during interruptions in natural gas service.

Propane is a colorless and highly flammable liquified gas compressed and stored in liquid form in storage tanks with many uses for residential and commercial customers. It is a constituent of natural gas and is obtained by refining and processing natural gas. The most common retail uses of propane are for residential purposes such as heating and cooling, cooking, fireplaces, pool heating, and generators. Commercial uses include chemical processing, construction, food and beverage, welding, and metal fabrication.

Retail propane prices vary regionally and locally for several reasons. First, some retail distribution businesses command higher prices as a result of market perceptions of their brand or customer services. Additionally, as a commodity, market prices for bulk supply can fluctuate and most large retail distributors leverage futures to minimize the risks of increased costs of goods sold. This provides more flexibility in retail pricing for larger distributors compared to smaller independent businesses. Finally, each local jurisdiction generally levy different taxes and service fees which retail distributors often pass onto the customer as a higher propane price.

Retail propane is distributed to residential and commercial customers and stored in tanks generally provided by distribution companies depending on typical uses (see Table 2-1).

Table 2-1: Common Propane Storage Tanks

Tank Sizing	Common Uses
120-gallon	Residential – generally 1 to 2 gas appliances
250-gallon	Residential – multiple household appliances or pool
350-gallon	Residential – small (less than 2,500 sf) home heating system
500-gallon	Residential – large (2,500-4,500 sf) home heating and multiple appliances Commercial – restaurants and other commercial relying on multiple gas appliances
1,000-gallon	Residential – very large (>4,500 sf) home heating and multiple appliances Commercial – commercial, industrial, or agriculture with high-volume gas needs

⁶ Propane, liquid propane, propane gas, and LP are interchangeable terms. “Liquefied petroleum gas” means any material which is composed predominantly of any of the following hydrocarbons, or mixtures of the same: propane, propylene, butanes (normal butane or isobutane), and butylenes. Sec. 527.01(1), Florida Statutes

Unlike natural gas that is delivered to residential and commercial customers via a network of underground pipelines, the inventory of storage tanks represents the largest capital investment (not including real property and structures). Other specialized equipment, including vehicles, accounts for the balance of capital investment for a propane gas distribution business.

2.2. General Description of the Propane Business

Clearwater Gas System (“Clearwater Gas”) is a municipal-owned gas utility founded in 1924, currently providing natural and propane gas to residential and commercial customers in Pinellas, Pasco, and Hillsborough counties. Clearwater Gas is the fourth largest municipal gas system in Florida generating \$45M in annual revenue from approximately 30,000 customer accounts and roughly 1,100 miles of natural gas pipeline.

Clearwater Gas provides a broad range of services to include:

- Commercial and residential natural and propane gas distribution,
- Appliance sales (water heaters, pool/spa heaters, outdoor kitchens, high-end gas appliances),
- Appliance service and repair,
- Gas piping and installation,
- Construction and maintenance of underground gas mains and service lines,
- Pool and spa heating,
- Home heating, and
- Compressed natural gas for vehicles.

The propane gas distribution segment of Clearwater Gas is significantly smaller, generating approximately \$1.7M in annual revenue from approximately more than 2,000 residential and commercial customers. Clearwater Gas generally provides propane distribution if natural gas is not available and requires a minimum of a gas water heater to be installed to qualify for propane gas service. The service area for natural and propane gas generally overlaps, however, the propane service area also includes northwest Hillsborough County (see Figure 2-1).

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Figure 2-1: Map of Service Area



The propane distribution business shares facilities with the natural gas operations at Clearwater Gas’s main facilities at 777 Maple Street, Clearwater. There is also a satellite location in Pasco County. The System’s existing service area is estimated to encompass roughly 350 square miles.

2.3. FDACS Licenses

The Florida Department of Agriculture and Consumer Services (“FDACS”) is responsible for licensing individuals and businesses that sell, transport, dispense or store LP gas and that manufacture, install, service or repair LP gas containers, systems or appliances. The City has an active Category 1 LP Gas Dealer

(#LG889), Category VI Miscellaneous Operator (#LM10857), and Weights and Measures (#WM14965) license. The LP Gas Dealer and Miscellaneous licenses expire on August 31, 2025, and the Weights and Measures license expires on 6/12/2024.

The LP Gas Dealer license allows the City to selling LP gas, exchange cylinders, sell or lease LP gas appliances or equipment, install, service, design, and repair LP gas appliances and equipment, sell and install carburation equipment, and requalify cylinders⁷. The Miscellaneous Operator license allows the City to manufacture and/or sell LP gas appliances and equipment, fabricate, repair, and test vehicles and cargo tanks, requalify LP gas cylinders, and operate pipeline systems.

2.4. Customer Base and Demand

The Subject Assets provide services to a mix of residential and commercial customers. Over the past 5 years, customers, average annual consumption, total revenues, and effective rate have increased (see Table 2-2).

Table 2-2: Propane Customer Demand

Year ⁽¹⁾	Total Customers	Consumption (gallons)	Average Use	Total Revenues	Effective Rate
2017	1,871	373,452	200	\$1,246,486	\$3.34
2018	1,904	376,965	198	1,410,438	\$3.74
2019	1,928	391,349	203	1,431,919	\$3.66
2020	1,950	363,491	186	1,254,728	\$3.45
2021	1,982	426,873	215	1,335,432	\$3.13
2022	2,016	416,604	207	1,624,037	\$3.90
2023 ⁽²⁾	2,050	427,300	208	1,670,000	\$3.91
CAGR	1.5%	2.2%	0.7%	6.5%	4.2%

Source: City (2) Estimate.

In 2022, the 2,016 average customers consumed 416,604 gallons (153,502 ccf) of propane gas, representing an average annual consumption of 208 gallons per customer. Based on competitive market rates, the sale and distribution of LP generated more than \$1.4M in total revenue in 2022, reflecting an effective rate of \$3.46 per gallon. The number of reported customers grew at an annual compound rate of 1.5% between 2017 and 2022. The combined effects of customer growth, usage, and rate growth generated a 6.5% annual growth rate in total revenues over the same period.

2.5. System Asset Details

The LP business operates from Clearwater Gas's main facility at 777 Maple Street, Clearwater (see Figure 2-2).

⁷ "Category I liquefied petroleum gas dealer" means any person selling or offering to sell by delivery or at a stationary location any liquefied petroleum gas to the consumer for industrial, commercial, or domestic use; any person leasing or offering to lease, or exchanging or offering to exchange, any apparatus, appliances, and equipment for the use of liquefied petroleum gas; any person installing, servicing, altering, or modifying apparatus, piping, tubing, appliances, and equipment for the use of liquefied petroleum or natural gas; any person installing carburetion equipment; or any person requalifying cylinders. Sec. 527.01(6), Florida Statutes

Figure 2-2: LP Operations Facilities



The City would retain ownership of all real property utilized in operating the LP distribution segment of Clearwater Gas. This Valuation is only for the Subject Assets. Details of the tangible assets expected to be transferred are provided in Table 2-3 as the City provided in a detailed listing with dates of purchase or installation through 6/1/2023.

Table 2-3: Subject Assets

System Component/Asset	Quantity		Year ⁽¹⁾	Size
LP Tank	38	EA	2023	120 gal
LP Tank	16	EA	2023	250 gal
LP Tank	3	EA	2023	500 gal
LP Tank	3	EA	2023	1,000 gal
LP Tank	3	EA	2023	200 lb
LP Tank	24	EA	2023	420 lb
LP Tank	1,155	EA	2011	120 gal
LP Tank	800	EA	2007	250 gal
LP Tank	178	EA	2013	500 gal
LP Tank	36	EA	2010	1,000 gal
LP Tank	3	EA	1950	90K gal
1997 PREDATOR E 14 CARGO *	1	EA	1997	
1999 COXCO TRAILER	1	EA	1999	
2004 VERMEER TLR30	1	EA	2005	
2004 VERMEER RT100	1	EA	2004	
2007 CATERPILLA 416E	1	EA	2007	
2007 INTL 4300	1	EA	2006	
1999 KUBOTA L39-1TLB	1	EA	2015	
2016 FORD F250 EXT *	1	EA	2016	
2016 FORD F250 EXT	1	EA	2016	
2017 FREIGHTLIN M2	1	EA	2017	
2017 FORD F550 REG	1	EA	2017	
2020 FREIGHTLIN M2	1	EA	2019	
2019 FORD F550 REG *	1	EA	2019	
2019 PACE AMERI 7X16 ENCLO *	1	EA	2019	
2019 STIHL TS800	1	EA	2019	
2021 BOBCAT E35 *	1	EA	2020	
1987 WALLACE TRAILER	1	EA	2020	
1999 COXCO TT7	1	EA	2020	
2007 INTL 4300	1	EA	2020	
2013 FREIGHTLIN M2 112	1	EA	2020	

*** Highlighted**
items to be retained by the City of Clearwater.

Source: City; Notes: (1) Actual year of purchase or weighted average year of installation.

Because the Subject Assets are a component of Clearwater Gas, the detailed asset listing did not provide original costs for each tangible asset. In addition, the financial process of reporting cost for each tangible asset includes additions reported in aggregate. Our analysis estimated original costs where the original purchase price was not available (Table 2-4).

Table 2-4: Original Capital Costs

Cost by Component	OCN	Depreciation	OCNLD
LP Tanks (new, in-stock)	\$108,000	\$1,800	\$106,200
LP Tanks (in-service)	2,042,000	1,368,140	673,860
LP Tanks (Supply)	109,000	103,550	5,450
Vehicles	1,297,000	1,087,296	209,704
Total	\$3,556,000	\$2,560,786	\$995,214

Sources: City, Raftelis

Original costs new (“OCN”) of the Subject Assets are estimated at \$3,556,000 with estimated accumulated depreciation totaling \$2,560,786 or 72%⁸ of original costs, resulting in a probable net book value (“OCNLD”) of \$995,214 (see Section 4).

2.6. Real Property

The City’s LP distribution business is operated as a segment of Clearwater Gas System. The main operations are located at 777 Maple Street, Clearwater (PID#09-29-15-74052-000-0020). The Subject Assets do not include any real property and would be assumed to be relocated by a buyer, including the existing LP supply tanks.

2.7. Form of Organization of Owner

The City of Clearwater was first incorporated in 1915 and reestablished in 1923 as a municipal corporation by Chapter 9710, Special Laws of Florida, 1923, as amended. The City is a Florida municipal corporation.

2.8. Restrictions on Sale of Subject Interest

No restrictions on the sale of the Subject Assets were identified by the Client.

2.9. Prior Related Ownership Transactions

The Subject Assets have been owned and actively managed (added and retired, as needed) and maintained over time by the City from their original installation through the today. There is no prior transfer of ownership of any of the Subject Assets other than originally acquired or installed.

2.10. Competition

The City’s LP distribution operations compete with other retail propane distributors as well as other sources of energy. The retail propane industry is highly fragmented and competition generally occurs on a local basis with other large full-service, multi-state propane businesses and smaller local independent distributors. Based on industry statistics⁹ the ten largest LP retailers account for approximately 33% of total retail sales of propane in the U.S. Generally, distribution service locations have an effective marketing radius of approximately 50 miles.

In Florida, there are currently 288 locations with an active LP Gas Dealer license issued by the FDACS. Based on location counts, the top ten companies account for 43% of all 288 locations licensed in the state (see Table 2-5).

⁸ Using accounting depreciation rates.

⁹ 2020 Annual Retail Propane Sales Report, Propane Education & Research Council, December 2021

Table 2-5: LP Gas Dealer Licensed Locations

Propane Company	Count	Cumulative Share ⁽¹⁾
AIRGAS USA, LLC	30	10%
NEXAIR, LLC	19	17%
AMERIGAS PROPANE, L.P.	17	23%
SUBURBAN PROPANE, L.P.	15	28%
FERRELLGAS, L.P.	11	32%
FLORIDA PUBLIC UTILITIES COMPANY	8	35%
THOMPSONGAS, LLC	8	38%
MATHESON TRI-GAS, INC.	7	40%
BLOSSMAN GAS OF LOUISIANA INC.	6	42%
STONE ROAD ENERGY LLC	3	43%

Sources: FDACS; Notes: (1) Cumulative share of locations.

Most of these top retail propane distributors have a licensed LP Gas Dealer location within or near the City's service area.

2.11. Impact of COVID-19

In March 2020, the World Health Organization ("WHO") declared the disease first detected in 2019 caused by the novel strain of coronavirus ("COVID-19") a pandemic. The impact of COVID-19, from a social and economic perspective, has been severe and has reached every population around the world. As of the date of this Report, efforts to mitigate these impacts have progressed significantly with a majority of the adult U.S. population receiving a vaccine, including vaccine boosters. However, a general consensus among health experts continues to indicate that the ease with which COVID-19 is transmitted, the emergence of new variants of COVID-19 both globally and domestically, and unequal access to vaccines in large parts of the world will likely result in COVID-19 shifting from a pandemic disease to an endemic one. An endemic disease remains persistently present but is generally manageable from a health perspective.

The analyses contained in this Report are therefore based on an assumption of a COVID-19 endemic existing for multiple years beyond 2023. Under this scenario, the presence of a COVID-19 endemic is not expected to create additional severe social and economic restrictions similar to the events responsible for the most recent recession in 2020. The roll-out of vaccinations and boosters to a wider population in the U.S. is expected to continue throughout 2023 and certain market trends accelerated during the COVID-19 pandemic are expected to continue, such as in-store pickup, contactless delivery, and remote work arrangements which will continue to contain future impacts of COVID-19 as experienced in 2020. In addition, the proactive response within many consumer industries (e.g., retail, entertainment, food and beverage), including both operational and financial, along with prior Federal stimulus programs are all expected to sustain the current economic recovery into 2023.

Even with a COVID-19 endemic lasting beyond 2023, there is a reasonable expectation that social and economic functions will return and remain “normal”, with the exception of a continued presence of voluntary masks in public, certain operational and capacity modifications remaining permanent in some industries, and the possibility of vaccination or testing documentation requirements for travel and other activities. All of which would not be expected to disrupt ongoing business or the current economic recovery. Returning to “normal” implies that COVID-19 would be a manageable health issue. However, the expected performance of national, state, and local economies would be materially impacted in the event of a future recurrence of the severe social and economic restrictions that occurred in 2020.

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3. Market and Economic Overview

3.1. Current National Economic Situation

In February 2020, the U.S. Economy ended its longest period of expansion since 1945, a consequence of the global response to the COVID-19 pandemic (“Great Lockdown”). The breadth and depth of the Great Lockdown was obvious – the worst economic downturn in employment and production since the Great Depression. Between March and April 2020, the U.S. economy lost nearly 23,000,000 non-farm payroll jobs, and national unemployment rates approached 15%. However, this recession was also the shortest in history, lasting only two months, and the U.S. economy officially began recovering in May 2020.

While the economy grew in 2021 and 2022, a few of factors continued to represent a drag on the economic outlook in the short run, including the impacts of historic inflation, major disruptions in global trade and domestic supply chain capacity, constraints on fiscal spending and stimulus, and rising income inequity. While many households welcomed government stimulus programs, the U.S. has added more than \$11 trillion in debt since 2016, pushing the expected debt burden to \$31 trillion in 2022. This Federal stimulus was a significant reason the economy has rebounded quickly in 2020, and the recession didn’t last much longer, but that bill will come due at some point.

Some of the fallout of the COVID-19 induced recession can be viewed as positive, albeit still difficult for individuals under or unemployed today (some of which appears to be by choice, however). The economic response to this recession has simply accelerated several market trends that existed pre-COVID-19, many of which created stronger productivity gains (e.g., online retail, remote workforce) in 2021 and 2022. Despite the headwinds, the U.S. economy remained fundamentally sound after the Great Lockdown through all of 2022. At the end of 2022, household and business income-to-debt balances were in relatively good shape, and consumers were sitting on a lot of accumulated savings. As well, Gross Domestic Product (“GDP”) reached pre-pandemic levels, even though employment levels lagged immediately following the Great Lockdown. While labor shortages are not good, the strong growth in productivity (output per worker) was a very positive sign. Finally, the passage of the bipartisan infrastructure agreement supported the economy in the short term and would be expected to foster even greater productivity growth in the long run.

Of notable concern in beginning in 2021, however, was the rapid spike in prices, which continued in the first half of the year as a result of specific impacts from the COVID-19 induced recession, supply chain constraints, and energy prices impacted by the situation in Ukraine. For the full year of 2022, the consumer price index remained at a 40-year high, ending the year at 8% year-over-year growth. But, the blistering annual growth rate of GDP (real) continued after the Great Lockdown, growing at 6.7% in the fourth quarter of 2021 despite high consumer prices. The majority of this growth was fueled by consumer demand from pandemic related savings and fiscal stimulus and partly contributed to price pressures. Despite our ability to point to specific problems driving commodity and producer prices (e.g., domestic supply chain), demand-side growth prompted the Federal Reserve to aggressively raise interest rates in an attempt to control the robust inflation in 2022 and beyond. The upper target of the Federal Funds rates has increased from 0.25% at the end of 2021 to 5.25% through June 2023.

For the first half of 2023, the progress of the current economic recovery from the recession created by COVID-19 continues to reflect mixed messages. Recent positive economic news includes:

- Strong employment growth has pushed unemployment to pre-COVID levels by the middle of 2022 and remains near 3.7% in 2023 (May).
- Total payroll employment continued to grow significantly following the Great Lockdown and the U.S. economy added back all of COVID-19 job losses by the middle of 2022.
- Total payroll employment continues to exhibit strong growth, adding more than 339,000 jobs in May of 2023.
- While labor participation still has room to recover, the point is that the vast majority of people looking to work are working.
- Levels of consumer spending are expected to stay afloat from significant households' savings created in 2020 and 2021. Real (inflation adjusted) retail and food service sales were above the prior year despite higher costs.

The negative news generating most discussions on if and when the current recovery will stall include:

- The economy shrank in the first two quarters of 2022 before finishing the year with relatively modest growth of 3.2% and 2.9% in the third and fourth quarters.
- While consecutive quarterly declines in output is a "classic" definition of recession, it is not likely to prompt an official declaration of recession in 2022, generally because of continued strong payroll employment growth and strong durable goods orders continuing into 2023.
- In addition, GDP growth rebounded in the final two quarters of 2022, but reflected significantly slower growth of less than 2% (year-over-year) and only grew at an annual rate of 1.3% in the first quarter of 2023.
- Inflation has begun to slow in the first half of 2023 but is expected to remain well above the 2% target rate.
- Margin compression will continue to create uncertainty in stocks. A reduction in historically high corporate profits will definitely help with inflation but is likely to cause pain for stock prices.
- Housing demand slowed significantly in 2022 from rising interest rates, finishing the year more than 3% down from 2021. National single-family housing starts declined ten months in a row and remains down nearly 24% from the prior year in May 2023. However, cooling demand in the recently blistering housing market would help ease housing prices.
- Regardless of positive news or the ability to find some level of positive outcomes from negative economic news, U.S. consumers remain relatively pessimistic compared with prior economy recoveries. Consumer confidence by the middle of 2022 was off 33%¹⁰ from the start of the recovery despite two years of consecutive growth, adding nearly 23,000,000 payroll jobs, and having more household savings than ever before.

A pending U.S. economic recession in 2023 or 2024 is now likely a 30% probability. The sharp increase in interest rates will continue to provide the necessary adjustments to slow aggregate demand and bring inflation under control in 2023. Even with the improvement in year-over-year prices at the end of 2022, inflation is too high, and the Federal Reserve is expected to stay on course with interest rate increases until it is sustainably

¹⁰ University of Michigan Consumer Sentiment index in June at 50.0 reached the lowest level in more than 30 years.

back to a 2% target. We have clear experiences from the 1970's and 1980's that indicate if the pressure to reduce inflation is removed too soon, the problem will come back stronger.

Real gross domestic product growth slowed to 2.1% in 2022. Under the best-case scenario, a relatively short economic recession at the end of 2023 or in 2024, followed by recovery at the end 2024 is expected to slow gross domestic product for the year to 1.5%. However, the job market has shown no sign of slowing at the beginning of 2023 with nearly 1,600,000 payroll jobs added in the first five months 2023 (314,000 monthly average), so it's likely that expectations for an economic recession are pushed further out. Again, despite most of the positive signs heading into the second half of 2023, the concern is how consumers feel today – the opposite of irrational exuberance. Job growth aside, plenty of jobs for those who want to work, and more savings than most have ever had – but consumers aren't very positive about the future. The relatively smooth 2022 mid-term elections did appear to contribute to some measurable gain in how consumers feel, with confidence gaining nearly 10 points from the 50-point low in the middle of 2022. However, it is not likely consumers will regain post-pandemic confidence until inflation is back to “normal” in the 2% to 3% range.

Table 3-1 provides actual economic performance in 2022, an estimate for 2023, and projection for 2024.

Table 3-1: U.S. Economic Outlook

GDP Component	Actual 2020	Actual 2021	Actual 2022	Estimate 2023	Projection 2024
Gross Domestic Product (\$, bil)	21,060.5	23,315.1	25,461.3	26,952.0	28,461.0
Chain-weighted Price Deflator (2012=100)	113.8	118.9	127.2	132.7	137.4
Real Gross Domestic Product (\$, bil)	18,509.1	19,609.8	20,018.0	20,314.0	20,720.0
Real Gross Domestic Product (% chg)	(2.8)	5.9	2.1	1.5	2.0
Real Disposable Personal Income (\$, bil)	15,836.0	16,129.7	15,085.9	15,825.0	16,275.0
Ratio; DPI to GDP (%)	85.6	82.3	75.4	77.9	78.5
Real Disposable Personal Income (% chg)	6.2	1.9	(6.1)	4.6	2.8
Real Consumer Spending (% chg)	(3.0)	8.3	2.8	2.8	2.8
Retail Sales (% chg)	2.9	18.1	8.1	3.0	4.0
Federal Surplus/(Deficit) Share of GDP (%)	(15.9)	(11.1)	(5.6)	(7.4)	(4.2)
Total Debt (\$, bil)	26,098.6	28,677.0	30,829.5	32,829.5	34,029.5
Total Debt Share of GDP (%)	123.9	123.0	121.1	121.8	119.6
Consumer Price Index (% chg)	1.3	4.7	8.0	4.5	3.6
Wage and Salary Employment Cost Index (% chg)	2.9	4.0	5.3	4.5	4.0
Average Monthly Employment Change (thousands)	(774)	606	399	295	450
Unemployment rate (%)	8.1	5.4	3.6	3.7	3.6
Employment-to-Population (%)	56.8	58.4	60.0	60.0	59.5
Housing Starts, Privately-owned (thousands)	1,395	1,605	1,554	1,275	1,400
30-Year Fixed Mortgage Interest Rate (%)	3.11	2.96	5.34	6.22	5.65
Federal Funds Effective Rate (%)	0.38	0.08	1.68	4.71	4.56
Federal Funds Upper Limit (% year-end)	0.25	0.25	4.50	4.90	4.75
10-year Treasury Note Yield (%)	0.89	1.45	2.95	4.95	4.50

Source: U.S. Federal Reserve; Raftelis; Data updated as of June 2023

Registered Municipal Advisor Disclosure

Raftelis is a Registered Municipal Advisor within the meaning as defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule). However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be, and do not constitute “advice” within the meaning of the Municipal Advisor Rule.

3.2. U.S. Natural Gas and Propane Market

Natural Gas Distribution

The U.S. Natural Gas Distribution industry (NAICS code 22121) is valued at nearly \$170 billion and employs nearly 100,000. The majority of companies in this industry manage gas distribution systems consisting primarily of natural gas line and meters that deliver services to residential, commercial, and industrial end-users and operate in either retail or wholesale markets. Residential and commercial end-users primarily use natural gas for cooking, heating, and electricity. As a result, natural gas demand for retail end-users is an alternative to retail electric services. From an end-user perspective, natural gas is one of several commodities competing for a share of the energy market (e.g., electricity, solar, etc.).

This industry has a relatively low level of market concentration, and a majority of natural gas distribution establishments serve local and regional markets. The fragmentation of the retail market for natural gas makes it difficult for firms to dominate the market, however, there has been some industry consolidation in regional markets through mergers and acquisitions by large natural gas distribution companies or large diversified energy companies. The apparent motivation from consolidating local and regional natural gas distribution is to increase the scale of operations and take advantage of economies to scale to increase profitability.

For the industry as a whole, products and services are well-segmented, stable, and have end-user demand across all sectors of the economy. Over the long-term, demand for natural gas products and services is expected to grow as it replaces the U.S.’s dominant fuel source – coal (see Figure 3-1). Revenue and profit growth for U.S. firms in this industry are expected to experience annual growth over the next 5 years of 2.5% and 7.6%, respectively. From an individual firm perspective, stable demand from residential and commercial customers, expected to rebound significantly from 2020, along with a low industry concentration and relatively high barriers to entry is expected to provide a positive outlook over the next five years for existing firms with a base of current customers and protected service areas.

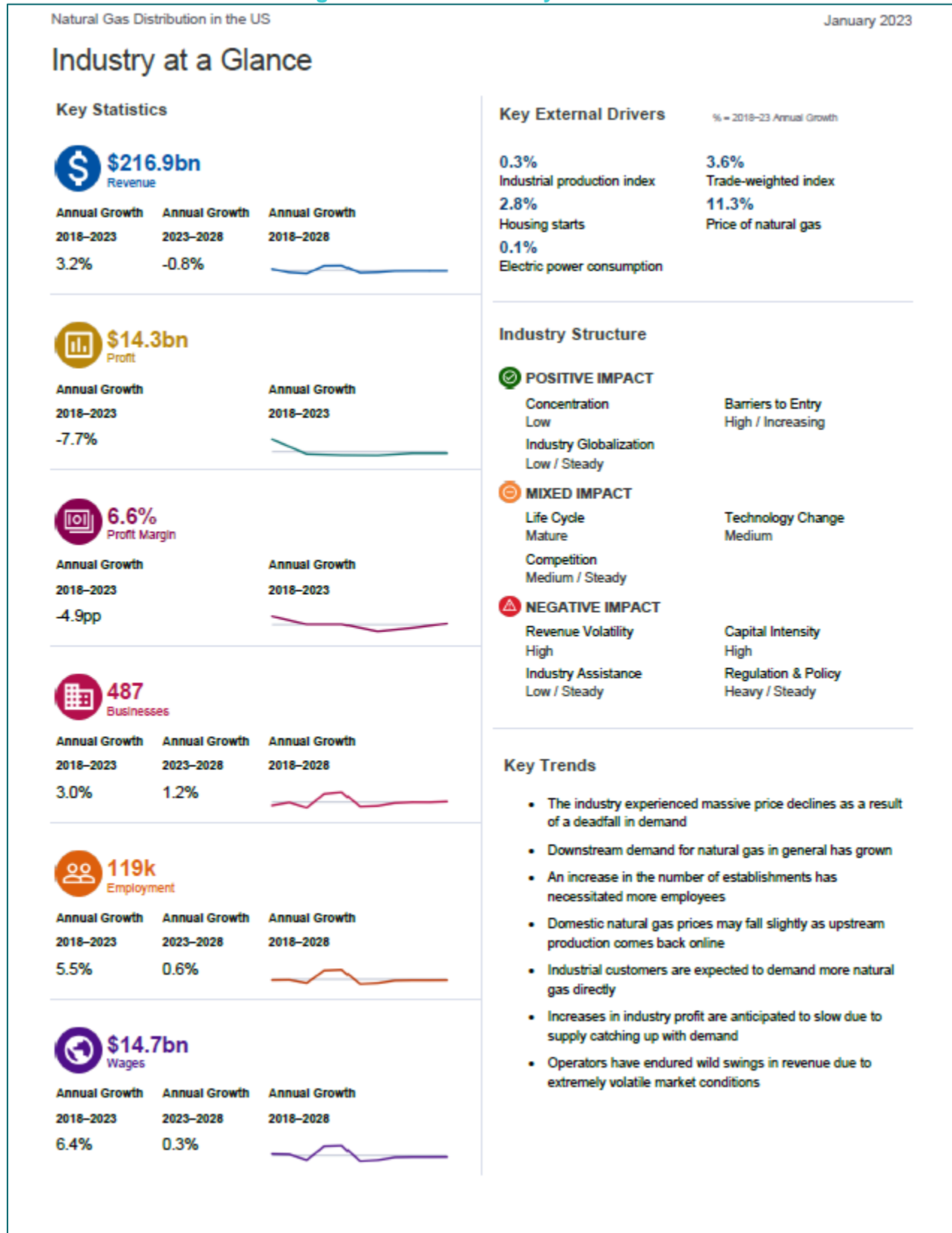
Propane Market

The increasing demand from the residential and transportation sectors has driven market growth, driven by growing demand for clean-burning fuels due to the rising environmental concerns is augmenting the demand for propane. While residential is the most dominant end-user segment of the propane market, propane is extensively used in industrial applications, such as cutting and brazing, soldering, preheating, shrink-wrapping, and heat treatment. Along with this, the widespread usage of propane as an intermediate for producing propylene and ethylene is accelerating product adoption rates. Furthermore, governments of various countries are implementing stringent regulations due to the depletion of non-renewable resources, such as crude oil. This has led to increased focus of manufacturers on the development of sustainable manufacturing practices that use bio-based raw materials for propane production to enhance efficiency and

conserve natural resources. Moreover, the rising adoption of propane in the power and energy sector to generate electricity and the increasing number of LP fueled vehicles is propelling the market growth. Other factors, including the growing popularity of propane-based agricultural engines, rapid industrialization, ongoing research and development activities, product innovations, and technological advancements, are also creating a positive market outlook. During the COVID-19 pandemic, the U.S. propane market had challenges with supply chains; there was more demand for home heating, and demand for commercial and industrial use went down. But as soon as the pandemic was over and the economy reopened, the market started to improve and is estimated to reach a pre-pandemic level in 2023.

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Figure 3-1: 2023 Industry Outlook ¹¹



3.3. Regulation of LP in Florida

The FDACS is responsible for licensing individuals and businesses that sell, transport, dispense or store LP gas and that manufacture, install, service or repair LP gas containers, systems or appliances. FDACS inspects facilities where LP gas is sold or stored and investigates accidents involving LP gas or equipment. In addition, the FDACS monitors minimum insurance requirements for the purpose of obtaining and maintaining a license.

Specifically, the FDACS is empowered to enforce all provisions relating to¹²:

- The safe handling, installing, storing, selling, utilizing, transporting, servicing, testing, repairing, or maintaining of LP gas, LP gas equipment, and LP gas systems.
- Reasonable standards of competency required of persons to safely engage in the business of handling, installing, storing, selling, utilizing, transporting, servicing, testing, repairing, or maintaining LP gas, LP gas equipment, or LP gas systems, including, but not limited to, the training, licensure, testing, and qualifying of such persons.
- Conducting investigations as it may deem proper to determine whether any person has violated rules or to secure information useful in the lawful administration of any such rule.
- Collect, propose, publish, and disseminate information relating to the subject matter of any duties imposed upon it by law.

The FDACS does not regulate market pricing or the rate of return on investment of private, for-profit companies.

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¹¹ IBISWorld.com, September 2022

¹² Sec. 527.055, Florida Statutes

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4. Valuation of the Subject Assets

4.1. Methods Considered and Selected

An Opinion of Value for the Subject Assets was determined considering industry standard approaches and methods of valuation covering the following subjects: 1) cost approach (net assets), 2) income approach, and 3) market approach. These approaches analyze various aspects of the Subject Assets, including the physical conditions of the existing assets, the potential cash flows or income anticipated to be generated by the Subject Assets in the future, and financials or transactions related to the prices for the acquisition of similar assets or systems or equity in the same. None of these methods may be considered ideal on a standalone basis since each evaluates a particular facet of the Subject Assets. The consideration of all three approaches provides valuable input when considering other factors and the use of judgment and opinion in indicating value of the Subject Interest.

The most suitable valuation methods selected for an indication of a Conclusion of Value for the Subject Assets include 1) Adjusted Net Assets (Replacement Costs less Depreciation), 2) Capitalized cash flow (Income), and 3) Public Company Guideline (Market). The context and applicability of each method was considered in the reconciliation of a Conclusion of Value provided in Section 5.0.

4.2. Cost Approach

The methodology selected for use in the cost approach for valuation of the Subject Assets was a replacement cost new less depreciation (“RCNLD”). This method is commonly utilized in the determination of value of public utilities, special purpose properties, or utility systems and has been an accepted method involving the acquisition of assets throughout the U.S. This approach and method are based on an appraisal theory of substitution and the prevailing market concept that an investor or hypothetical buyer may not consider paying more for an interest in assets than the cost to replace the same assets or system components with the same characteristics.

The replacement cost was derived from a detailed listing of asset details provided by the City and applying common cost unit rates to each asset based on specific characteristics of assets (e.g., type, size, capacity). This cost approach does not include the consideration of any future capital cost requirements after the Date of Valuation.

Replacement versus Reproduction Costs

There is a difference between the reproduction cost and the replacement cost of utility assets. The reproduction cost is a duplication of exactly the same facilities in the same manner as originally installed and is derived by escalating project costs from original installation values. This method therefore escalates all costs incurred at installation which may include restoration, overages, conflicts, etc. In contrast, the replacement cost is the provision of facilities that would be available today with their improved efficiencies and more effective cost, utilizing commercially available materials, equipment, etc. In addition, the purchase and installation of assets is assumed to be completed as one single project and obtaining the economy of scale of a larger project versus the incremental addition of assets from multiple smaller projects. The replacement cost

method assumes that the most economical sequence of purchase, construction, or installation is utilized. This means that the cost of restoration, impacts of conflicts, etc. are not included. In addition, only one (1) start up and shut down cost is included. Similarly, any premiums or overtime costs or special procurement or special mobilization or demobilization costs are not included other than for the single large economic construction project. Thus, the reproduction cost approach generally includes excess capital which an investor might not consider paying for in the existing facilities.

Recommended Depreciation

There are three (3) components to the overall depreciation considered in the cost approach, whether utilizing a replacement or reproduction cost method. The first component of depreciation, and the first to be applied, is the physical depreciation of each asset line item using each asset's date of installation and an average expected lifecycle in years. Depreciation has been taken on a straight-line basis using average service lives ("ASL") for each system component. ASL values used in the replacement cost analysis in this Report are within the ranges provided in the table below.

Table 4-1: Average Service Life

Category	ASL (Years)
LP Tanks	30 to 50
Meters	15 to 25
Vehicles	5 to 10

Source: General Industry Standards derived from prior Valuation/ Appraisal analyses and engineering reports

The utilization of ASL values in any cost approach reflects expected physical depreciation on an "average" basis, meaning all system components are likely to be required to be replaced earlier or later than the exact value of an ASL. For the purpose of estimating the probable remaining replacement value considering physical depreciation, however, an approach assuming components are required to be replaced on average at the same time would result in the same value if each component's actual future date of failure is known. Therefore, the fact that some components will remain used and useful after its ASL would be balanced with components of the same asset class that need to be replaced earlier. These ASLs can be derived from prior work experience in utility system valuation, utility system design and construction, utility impact fee analyses and utility cost of service rate analyses. This type of information can be assembled through public and private clients over many years and generally represents a proprietary source of information available to an appraiser. Based on my education, training, and experience, ASL values used in the study are reasonable.

The second consideration is the possibility of functional obsolescence or depreciation of the existing assets. Functional obsolescence is associated with the facilities themselves and is inherent to the Subject Assets, being derived from construction, configuration, operation, management, and administration inefficiencies that are not reflected in physical depreciation. For example, a poor or inefficient system design that has been newly installed would have minimal physical depreciation but could have substantive functional depreciation. These functional inefficiencies are not intentional and are generally recognized after years of operating the system. Functional obsolescence can be considered as a whole or specific to one or more aspects of the Subject Assets (e.g., significant water loss versus undersized design capacity).

The final component is external obsolescence or economic depreciation. External obsolescence accrues from all external factors impacting the Subject Assets and includes the impact of federal, state, and local regulation, customer acceptance of financial requirements or perceptions of water quality, historical rate and charge regulation, the ability to generate excess revenues sufficient to support the physical asset value or improvements to physical assets, market conditions, development conditions, and many other factors external to the system itself. Economic depreciation is generally considered for the system as a whole and likely reflects the impacts considered in the principle of contribution. In appraisal practice, the principle of contribution states that an asset’s specific value is no more than what it contributes total value, not what the asset costs to acquire or construct.

Site Work and Indirect Cost Components

Site work, generally including grading, site access, mobilization, demobilization, and other overhead costs are inherently included in unit cost rates and are assumed to generally reflect approximately 14.5% to 20.0%¹³ of direct asset costs. These indirect cost components would be expected to include legal costs; insurance costs and other related items; licenses, permits, and fees; technical services; financing; and overhead costs.

Adjusted Net Assets

Unit cost rates were applied to specific line items of the Subject Assets. Table 4-2 provides a summary of the resulting current replacement costs for the Subject Assets described in Section 2.

Table 4-2: Subject Assets (Replacement Cost) Method

Cost by Component	RCN	DEPR	RCNLD
LP Tanks (New, in-stock)	\$109,450	\$1,824	\$107,626
LP Tanks (In-service)	3,033,000	1,355,369	1,677,631
LP Tanks (Supply)	945,000	897,750	47,250
Vehicles and Equipment	1,572,200	860,530	711,670
TOTAL	\$5,659,650	\$3,115,473	\$2,544,177

Sources: City, Raftelis

The estimated new reproduction cost value of the tangible System assets is \$5,659,650 and rounds to \$5,700,000. The total physical depreciation of these assets using and average years-in-service and reasonably expected ASLs is \$3,115,473 based on a Valuation Date of June 1, 2023, and rounds to \$3,100,000. The remaining RCNLD is \$2,544,177 and rounds to \$2,500,000. Based on the RCNLD analysis, the total weighted average depreciation of the system components is estimated at 55%.

¹³ Indirect costs from our research was found to range from 14.5% to 20%.

Probable Original Cost

A common approach in appraisal practice in determining reproduction cost new is to apply appropriate utility cost indices to know original cost values. The process results in known original costs at the date of installation inflated to some current period. In theory, the appropriate inflation index would convert historical cost values into current cost rates for the same asset (i.e., reproduction cost). Reversing the reproduction cost process from current cost to original cost would result in identical results for the process described above. Therefore, a reasonable theory for estimating probable original costs would be to apply the same indices to deflate estimated replacement costs.

Raftelis was provided with a detailed asset listing outlining the original purchase price of some of the assets, but not all. Applying a reversion of expected cost inflation to the replacement cost estimate provides a reasonable estimate of the original cost of all of the Subject Assets. Based on this analysis, original costs (“OC”) of the Subject Assets are estimated at \$3,556,000 with estimated accumulated depreciation totaling \$2,560,786 or 72% of original costs, resulting in a net book value (“OCLD”) of \$995,214. The main reason for the higher rate of depreciation is the difference between accounting and operating depreciation rates. Accounting depreciation generally accelerates depreciation relative to acceptable operating ASLs.

Land

All assets are tangible personal property. No real property is include.

Consumables and Inventory

No consumables and inventory (other than LP tanks in-stock) are included.

Vehicles, Tools, Equipment, and Miscellaneous Property

All vehicles and equipment are included in the asset inventory. No additional tools or equipment, including chattel property, were identified to be included.

Records

Drawings, reports, and other rights to documentation or information associated with the System have been included. An allowance of two percent (2.5%) of the depreciated value for the Subject Assets is estimated for this Report and equates to \$160,000.

Deficiencies and Deferred

The issue of deficiencies and deferred in the context of the business valuation of a utility system is relatively subjective. For example, a typical average service life of vehicles ranges between 5-10 years depending. Assets that continue to be used long after their average service life is not an indication of “deferred” replacement or maintenance. There are many procedures and processes that can extend as well as reduce the useful life or an asset. The impact on value for the System as a result of management practices of deferring typical maintenance or operating with observed and unobserved deficiencies should be considered as a whole. Based on information provided in the process of data collection and due diligence, no apparent issues or concerns

with deficiencies or deferred maintenance have been identified. No deduction of the RCNLD was therefore included for a deficiencies and deferred allowance.

Functional Depreciation

Functional obsolescence or depreciation is associated with the specific facilities themselves and is inherent to the System, being derived from certain construction, configuration, operation, management, and administration. Current issues that are assumed to not be corrected by planned or future capital expenditure requirements included in the Report or those that corrective measures are unknown, warrant consideration for a deduction for functional depreciation. Functional depreciation is not generally considered in the income or market approaches. To the degree that assets are inherently obsolete or not functioning as intended, those impacts would be reflected in those approaches. Based on information provided in the process of data collection and due diligence, no deduction of the RCNLD was included for a functional depreciation allowance.

External Depreciation

External (economic) obsolescence or depreciation accrues from all external factors impacting the System. The impact of regulation, customer acceptance, historical rate and charge regulation or lack thereof, the ability to generate excess revenues sufficient to support the physical asset value or improvements to physical assets, market conditions, development conditions, and many other factors external to the System itself. External depreciation is not generally considered in the income or market approaches. To the degree that external factors are, in fact, impacting the ability to generate income or are causing an increase in operating costs, those impacts would be reflected in those approaches. An informed, hypothetical buyer is assumed to maximize their economic advantage from a potential transaction and would consider certain external factors, such as those described above, as potential risks.

A common measure of potential economic depreciation can be reflected in the variance between current asset replacement or reproduction costs and indications of value from an income or market approach. Again, based on the appraisal principle of contribution, an individual asset's value is no more than its contribution to total value, which may not be its current cost to construct or replace. The market for the delivery of bulk residential or commercial LP is highly competitive. While there are some barriers to entry based on capital costs, customer contracts are not guaranteed long-term and there is no exclusive service area. Without guarantees for a rate of return on a purchase price, it is expected that the market for the Subject Assets would not likely be considered at its full cost to reproduce or replace. Based on the appraisal principle of substitution, the indication of valuing using a RCNLD generally reflects the upper limit of what a hypothetical buyer may pay. Therefore, an allowance for economic depreciation was applied to total net RCNLD of 10% or \$256,250.

Going Concern

The value of a business property, including a utility system, is more than the mere cost to reproduce or replace less depreciation. Going concern value is an enhancement to the structure physical asset value because these assets are in use. Elements of going concern value include, but are not limited to, the time and cost of building the business, the establishment of services and customers, the exercise of managerial skill, the efficiency of the work force, and the records of the fully functioning, organized business.

Going concern value of comparable systems generally ranges from zero to fifteen (0 to 15) percent of net assets. An alternative indication of going concern could be expressed as three (3) to six (6) months of net income, reflecting the time required to fully replace or reproduce the System and begin operating as a going concern. For the purpose of this analysis, the amount of \$100,000 (equal to roughly 5% of net assets and roughly equal to three (6) months pre-tax net income or (“EBIT”)) is applied to the Subject Assets for the estimated going concern value. The adjustment to reflect a going concern value as used in the cost approach is not exclusively an estimate of the intangible value of the System.

Total RCNLD

The summary of the RCNLD with additions, deductions, and allowances is shown on Table 4-3.

Table 4-3: Total Net Assets (Replacement Cost) Method

Replacement Costs by Component		
RCNLD (Table 4-2)		\$2,500,000
Land		None
Consumables and inventory		Not included
Tools and equipment (Included in RCNLD of assets)		No additional
Records, Reports, Business Information, SOPs, O&M Manuals		62,500
Deficiencies and deferred		-
Functional depreciation		-
Subtotal		\$2,562,500
External depreciation (10%)		(256,250)
Subtotal		\$2,306,250
Going concern (10%)		100,000
Total Indication of Value	Calculated	\$2,406,350
	Rounded	\$2,400,000

Source: Raftelis

The reproduction cost analysis indicates a total estimated value of the Subject Interest at \$2,406,250 and rounds to \$2,400,000. The value indicated by this method is on a “control” and “marketable” basis with respect to the Subject Assets. Discounts for a lack of control (“DLOC”) and a lack of marketability (“DLOM”) reflected in the Subject Interest of this valuation will be considered and applied in a later section.

4.3. Income Approach

The Income Approach is based on an appraisal principal of anticipation and the premise that the value of a property is the present value (“PV”) of the anticipated future economic benefits of owning the property¹⁴. The underlying principle in this approach is that buyers invest in or acquire ownership in assets with the expectation of receiving anticipated future economic benefits. This approach is relevant when the property being valued generates or is anticipated to generate economic benefits in the form of net income, profits, or free cash flows that benefit a future owner. It is assumed (hypothetical) that future ownership of the Subject Assets would include revenues generated from adopted rates and charges and provide economic benefits in the form of net income, profits, or free cash flows.

Methods of Income Approach

The income approach measures a hypothetical buyer's risk against the potential earnings of an asset or system of assets, either tangible or intangible. Two methods are typically used to provide an indication of value including 1) net income capitalization and 2) discounting future cash flow. Both methods use a formula to calculate the present value of a business enterprise based on future cash flows or profits (i.e., economic benefits). An enterprise's total value (i.e., Enterprise Value) can be defined as the sum of total equity and total long-term debt¹⁵.

Commonly accepted measures of economic benefit that can be capitalized or measured as cash flow over time include either cash flow to equity or cash flow to invested capital. Cash flows to invested capital represent the total after-tax cash flow (Net-operating Profit After Taxes or “NOPAT”) generated by the enterprise and available to the owners of the subject's invested capital: stockholders (equity) and creditors (debt). This measure of economic benefit is defined as follows¹⁶:

$$\text{Net cash flows or Economic Benefit} = \text{NOPAT} + \text{depreciation and amortization} + \text{changes in working capital additions} - \text{capital expenditures}$$

In its simplest form, the capitalization method basically divides expected annual cash flow at the discretion of an owner as defined above by an appropriate capitalization rate (capitalization of cash flow or “CCF”). CCF provides a relatively non-complex method to use for valuing assets based on expected cash flow available to a hypothetical buyer. A comparatively lower capitalization rate would indicate less risk associated with an investment and a comparatively higher cap rate for a property might indicate more risk. A CCF approach to income valuation reflects an approach based on historical revenue and expense performance trends, adjusted to reflect expected future financial performance.

The discounting method works a bit differently than the capitalization method. First, the income stream as defined above is projected over some future period of time, usually measured in years. Next, the discount rate which reflects the risk of realizing this income over time is determined using generally accepted methods. In addition to the income over time, a calculation is made to estimate what the system will be worth at the end of the projection period. This end-of-period value is also known as a reversion value, or residual value, or

¹⁴ Hitchner, James R. Financial Valuation: Applications and Models, 2011, 3rd Edition

¹⁵ Corporate Finance Institute

¹⁶ American Society of Appraisers, BV202: Introduction to Business Valuation – Income approach, ©2014

terminal value. The summation of these discounting calculations provides an indication of present value of what the owner interest in income is worth today (discounted cash flow or “DCF”). A DCF approach reflects a specific set of conditions and assumptions into the future.

Neither method is more accurate. In fact, if growth of the benefiting cash flow is constant, zero, or negligible, the results of a DCF or CCF approach would be identical. When short-term and long-term growth are measurably different or annual rates of growth are expected to oscillate significantly, a DCF is capable of reflecting different growth rates annually. A capitalization approach tends to be favored in a mature, low growth or low change environment. A DCF method tends to be more favored in a high growth or change environment.

Appropriate Discount Rate – CCF and DCF

Discount rates and capitalization rates are a reflection of the relative risk and uncertainty of receiving a stream of benefits in the future. The difference between the two rates is the capitalization rate equals the discount rate less the expected growth rate of the stream of benefits. Because the economic benefits typically being measured include those available to pay back equity and debt (i.e., capital), discount rates can be closely aligned with “cost of capital” concepts, but they are not synonymous. Cost of capital refers to the required rate of return necessary to attract sufficient equity or debt for a specific capital investment. A discount rate is a concept of risk that is used to reflect the value of future cash flows to determine if they are greater than the cost¹⁷ of an investment in the present. Therefore, the cost of capital is the minimum rate required for investors and creditors, where the discount rate is a rate that meets or exceeds the cost of capital¹⁸, required to reflect future risk.

Risk and uncertainty associated with the amount, timing, or both, of cash flows of an asset or system of assets, either tangible or intangible, are key considerations when measuring FMV because a hypothetical buyer presumed to be reasonably risk-averse would demand an adjustment to value for bearing the uncertainty inherent in potential future cash flows. An indication of FMV should include a risk premium reflecting the amount that market participants would demand as compensation for the uncertainty inherent in the cash flows. In some cases, determining the appropriate risk premium might be difficult or rely on subjective judgement. However, the degree of difficulty or subjectivity are not sufficient reasons to exclude a risk premium.

An appropriate discount rate to be applied using the income approach was considered using both an industry standard approach of a weighted average cost of capital (“WACC”) and an alternative risk assessment of the future earning potential of the System. Most importantly, because we are considering FMV of the Subject Assets from the perspective of a hypothetical buyer, it is not appropriate to use a specific WACC that is unique to a specific buyer.

WACC Consideration

The overall rate of return considering WACC is comprised of long-term debt and common equity capital and the corresponding cost rates for debt and equity. Among regulated utilities (e.g., electric, water, wastewater),

¹⁷ Total cost, including overhead, profit, and contingency.

¹⁸ Harvard Business Review: A Refresher on Cost of Capital, April 30, 2015

WACC is a common consideration for approving a rate of return on capital investment. While the Subject Assets are not rate regulated, expected returns on equity and the cost of debt is relatively consistent across utility markets.

The Florida Public Service Commission (“FPSC”) is authorized to establish annually a leverage formula to calculate a reasonable range of ROE for water and wastewater utilities¹⁹. In 2022, the PSC updated leverage formula is as follows: $ROE = 6.10\% + (1.74 \div \text{Equity Ratio})$ and results in a range of returns of 7.84% at 100% equity to 10.45% at 40% equity²⁰. Using this leverage formula, based on my experience, education, and training, it is my opinion that a reasonable WACC in the hands of a hypothetical buyer would include an equal distribution of equity and debt (50% equity and 50% debt)²¹. Using a reasonable return to equity of 9.58% determined by the FPSC leverage formula and a 5.70% rate for long-term debt²² results in a discount rate of 7.25%.

Alternative Discount Rate Consideration

An alternative discount rate for the purpose of this Report is estimated using a build-up method and is represented by the sum of 1) a risk-free market rate of return, 2) a futures risk discounting the value of the US dollar, 3) an industry risk based on industry specific betas, and 4) a specific risk for the System itself. Table 4-4 provides a summary of the discount rate calculation.

Table 4-4: Calculated Discount Rate

Factor	Rate	Notes:
Risk-free rate	3.88%	30-year Treasury constant maturity yield
Futures risk	-1.81%	Difference between 10-year and 3-month Treasury constant maturity
Industry risk	5.78%	Sum of Risk-free, futures, and specific risk multiplied by Beta of 1.20
Specific risk	2.75%	Risk specific to the Subject Assets considering multiple factors
Total	10.60%	

Source: U.S. Federal Reserve; NYU; Raftelis

A risk-free market rate of return is generally measured using long-term US Treasury yields on actively traded non-inflation-indexed issues adjusted to constant maturities. The yield on a 30-year Treasury constant maturity on June 1, 2023, was 3.88% and was used to reflect a risk-free market rate of return. Futures risk is reflected in the difference between long-term and short-term Treasury yields. The numerical difference in yields (constant maturity) between 10-year and 3-month Treasury issues was -1.81% on June 1, 2023. Industry risk is represented by the sum of risk-free market rate of return and futures risk multiplied by an industry specific Beta. A Beta value of less than 1.0 reflects low industry risk, and vice versa. As of January 2022, the Stern School of Business at New York University estimated Beta values for comparable industries between 1.00 and 1.4. Finally, specific risk is an adjustment that requires significant professional judgment to capture the risk associated with, but not limited to the following factors:

¹⁹ Section 367.081(4)(f), Florida Statutes

²⁰ FPSC docket No. 20220006-WS

²¹ Actual distribution of equity and debt can vary widely among regulated and non-regulated public utility systems. It is generally accepted that a maximum debt ratio of 60% reflects a financially prudent investment.

²² Aaa Corporate Yield plus 100 basis points (6/1/2023); St. Louis Federal Reserve Bank

- a) Future financial risk of the business enterprise
- b) Operational characteristics of the business enterprise
- c) Key management and employee risk
- d) Size premium or discount of the business enterprise
- e) Market barriers or lack of service projection risk

An individual business enterprises' risk profile is unique and could change over time. As of the Valuation Date, based on my experience, education, and training, a specific risk of 2.75% was used to reflect consideration of risk specific to the Subject Interest being valued.

Selected Discount Rate

There is recent upward pressure on discount rates as a result of recently rising market interest rates. The peak of risk-free rate alone increased by nearly 350 basis points since 2020. The theory of discounting and risk would suggest that the market is reflecting higher levels of future risk and therefore would require higher rates of return for the same investment. The negative value of futures risk (i.e., an inverted yield curve) also suggests a higher probability of recession in the near-term. While a reduction of a market discount rate on the same cash flow would increase capitalized value, the inverted yield curve implies that the market expects a near-term decline in economic activity – reflecting the likelihood of lower cash flow on the same investment.

Upward movement in market rates would be expected to reduce an enterprises' market value, holding all else constant. However, because firms can strategically change the mix of equity and debt, it would be reasonable for WACC rates to remain constant in the short-term as market interest rates continue to rise and would not fully represent the potential risk involved in a specific business. Therefore, considering both a WACC and a build-up of potential risks and uncertainty in future cash flow and based on my experience, education, and training, a discount rate of ten and fifty-hundredths percent (10.50%) was considered most appropriate using general and specific market risk assumptions. With a compound annual growth rate of 1.5%, the capitalization rate is nine percent (9.00%).

Business Expenses and Net Income

The City provided allocated expenses of the LP operating segment of Clearwater Gas. In addition, our analysis examined the fixed and variable cost of Clearwater Gas as a whole. Because the FMV standard assumes both a hypothetical buyer and hypothetical seller, the pro forma utilized for the CCF method is based on “normalized” net income (see Appendix E).

Capital Spending

In theory, an asset's annual depreciation expense is a reasonable indication of annual capital spending requirements, excluding expanding capacity for future growth. However, the observed relationship between depreciation and actual capital spending also depends on the stage of development of a system of assets. For example, the initial assemblance of assets would generally recognize significant capital spending in advance of depreciation expenses. As the assets age, capital spending requirements can begin to outpace depreciation as asset replacement as opposed to expansion or maintenance becomes a focus. However, spikes in capital spending relative to depreciation expenses can also be temporary as depreciation is generally taken on a straight-line basis using “financial” average service lives, which can be significantly lower than the practical

service life of major assets. Especially when some of the costly components of assets such as mains can have service lives significantly extended with maintenance projects such as cured-in-place lining.

Capital spending requirements in the context of an income approach can be identified as 1.) maintenance capital or 2.) growth capital. The income approach using the CCF method assumes the economic benefits defined are perpetual. Thus, future capital requirements must reflect, at minimum, the replacement of assets no less than the estimated physical deterioration (e.g., depreciation) of the same. If a business is expected to grow, future capital spending to meet additional capacity must also be added along with growth in revenues. Capital requirements for the purpose of this Report are assumed to be consistent with the rate of depreciation in order to maintain future economic benefits perpetually, recognizing that a portion of the Subject Assets are newly acquired and require minimal current repair and maintenance.

Normalized Pro Forma

For purposes of this analysis, a CCF method was utilized to reflect the current value of future revenue. The development of the income approach for valuation analysis required certain assumptions and considerations with regard to financial, economic, and operational conditions that may occur in the future. Although such assumptions and considerations are applied based on current and historical data pertaining to the Subject Assets, to the extent that actual future conditions differ from those utilized herein, the results may vary from those in the analysis. The principal assumptions and considerations utilized to normalize net income in the income approach are summarized as follows:

- a) The Subject Assets, if sold, would be expected to continue providing service to its existing customers, with all current inherent efficiencies and inefficiencies.
- b) A hypothetical buyer is assumed to be a financial buyer, not a strategic buyer. As a financial buyer, the System could be operated as a not-for-profit or for-profit enterprise.
- c) It is assumed that rates and charges to support the operation of the Subject Assets would be allowed to increase consistent with market conditions.
- d) It is assumed that a hypothetical buyer would consider potential economies of scale resulting in a reduction in future operating costs from current levels. This is a common acquisition strategy of the largest distributors. However, it is assumed that the Subject Assets would generate a normalized net income consistent with historical operations.

Table 4-5 provides a summary of normalized annual revenues and expenses for the Subject Assets.

Table 4-5: Hypothetical Revenue and Expenses

Revenues and Expenses	Normalized Annual
Total Revenues	\$1,755,000
Operating Expenses	1,325,000
Depreciation	97,000
Taxes Other Than Income	85,000
Net Operating Income (EBIT)	\$248,000

Source: Raftelis; Adjusted and normalized for a Valuation Date of June 1, 2023

Based on the hypothetical conditions of increased gross revenues and a reduction in fixed operating expenses, annual normalized net income (EBIT) is \$248,000 (see Appendix E).

Cash Flow to Invested Capital

The Income Approach is based on the premise that value of a financial resource is equal to the present value of the future cash flow and future reversionary value of the same. A widely practiced approach in business valuation is to adjust net operating profit after taxes (“NOPAT”) by adding back depreciation, amortization, interest, and deducting requirements for future capital expenditures and working capital. Depending on the desire to measure value to invested capital or value to equity, there are additional additions of interest payments for long-term debt and changes in debt principal, respectively. The resulting net cash flow represents a benefit stream available to an owner with a controlling interest (whether equity or debt depending on the value calculated) in the business enterprise and total enterprise value can be calculated using a capitalization rate which is equal to the discount rate less future growth in economic benefits. Table 4-6 provides a summary of normalized (hypothetical) annual financial performance of the System.

Table 4-6: Summary of Cash Flow to Invested Capital

Net Economic Benefits	Normalized Annual
Operating Income (Table 4-5)	\$248,000
Interest on long-term debt ⁽¹⁾	(34,000)
Income taxes	(32,000)
Net Operating Profit after Taxes (NOPAT)	\$182,000
Depreciation (Table 4-5)	97,000
Working Capital ⁽²⁾	(2,400)
Capital Expenditures	(92,150)
Interest expenses (net of taxes)	28,100
Cash Flow to Invested Capital	\$214,400

Source: Raftelis; Notes: (1) assumes 60% of FMV funded with debt at 5.7%, (2) 12.5% of operating costs to serve System growth

For the purpose of this Report, operating income was normalized by adding and subtracting specific items. It is normal to add values for depreciation and amortization and deduct requirements for capital expenditures. Finally, long-term debt interest payments were added to reflect value of invested capital. These adjustments result in an expected annual net cash flow to invested capital of \$214,400 to be capitalized for the purpose of determining enterprise value.

Capitalization of Cash Flow

Table 4-7 provides an indication of value based on a capitalization method for the Subject Assets. Applying a 9.00% capitalization rate on normalized cash flow implies an enterprise value of \$2,382,222. No adjustment would be made for functional or external depreciation. Net economic benefits would be realized with all inherent efficiencies or inefficiencies, including those described in the allowance for functional or external depreciation. Capital expenditures used to adjust operating income are considered normal and no additional adjustment for deficiencies and deferred maintenance. The capitalization of income analysis a total estimated value of the Subject Interest at \$2,400,000, as provided on Table 4-7.

Table 4-7: CCF of Invested Capital

	Values
Weighted Normalized Cash Flow after adjustments	\$214,400
Capitalization rate	9.00%
Capitalized Equity Value	\$2,382,222
(less) Deficiencies and deferred and External Depreciation	-
Total Indication of Value	Calculated
	\$2,382,222
	Rounded to
	\$2,400,000

Source: Raftelis

The value indicated by this method is on a “control” and “marketable” basis with respect to the net cash flow available to an owner of the Subject Assets. DLOC and a lack of marketability DLOM reflected in the Subject Interest of this valuation will be considered and applied in a later section.

4.4. Comparative Company or Sales (Market Approach)

There are two methods for the market approach that are primarily used when indicating the enterprise value of a business to include, 1.) the Completed Transactions Method and 2.) the Guideline Public Company Method. Generally, these methods are used to value both intangible and tangible assets or total enterprise value of a business based on the pricing multiples observed for similar companies that were sold (merger or acquisition) or have shares of equity traded in a public stock exchange (e.g., NYSE, NASDAQ).

The Completed Transactions Method is similar to the Guideline Public Company Method with respect to selecting a set of comparable companies as a basis of indicating a value for the Subject Assets. However, this method evaluates observed purchase prices at a specific transaction date of recent acquisitions for the set of comparable companies. Where the set of companies using the Public Company Method are publicly traded, the set of comparable companies for the Completed Transactions method can reflect both public and private companies.

The market for utility system investment and merger and acquisitions (i.e., transactions) can include a variety of circumstances that affect observed enterprise values or purchase prices. The type of ownership (e.g., municipal-owned, investor-owned) between buyer and seller is a major factor that can affect both performance and perceived market value. In appraisal practice, FMV is generally considered in the future and in the hands of the buyer, unless otherwise defined. Therefore, considering the economic motivation of the buyer in the future versus the seller in the past is an important part of applying the Guideline Public Company. A for-profit, IOU buyer will have different expectations about future value, and therefore what they are willing to pay for that value, than a not-for-profit MOU is currently performing or has performed in the past. The premise of the market method is that either observed equity prices or transaction prices in fact are a reflection of the buyer’s perceived value in the future. However, when the seller, for example, is an

MOU and a likely buyer is considered an IOU, applying the market method must carefully consider the different economic and individual self-interests that affect an indication of value.

The Guideline Public Company method evaluates the prices paid for publicly traded equities as the basis to determine the value of the Subject Assets. The financial data available from public sources has generally been audited by registered independent accountants and prepared according to Generally Accepted Accounting Principles (“GAAP”). As a result, the information is reliable, consistent, and independently verified. This is a significant advantage since the alternative (Completed Transactions Method) is not generally subjected to the same transparency.

The basic principle of the Guideline Public Company Method is that the prices of an individual share of stock indicates the market value of the equity when applied to all outstanding shares. Credible application of this method relies on the assumption that the selection of public companies similar to the Subject Assets. Because the multiples are based on the market’s expectation of value in the equity pricing of a set of comparable companies as of the valuation date, the multiples produced are therefore indicative of the perceived fair market value and risk associated with the Subject Assets. This limits adjustments to the multiple based on economic activity, industry outlook, or regulatory factors. The market is assumed to rationally respond to these factors and therefore these issues are factored into the equity pricing.

While the set of comparable companies used in the Guideline Public Company Method differ from the Subject Assets in their respective stages of development and size, they have comparable operational models and financial risks. Current performance from an equity value perspective also reflects the economic conditions of the industries in which the Subject Assets operate. Thus, the comparative analysis to the Subject Assets is based on the performance and characteristics of the sample as a whole rather than on any individual guideline company selected.

Guideline Public Company Method (Equity Traded)

Table 4-8 provides a list of publicly traded companies operating in the distribution of propane to customers. While these companies operate larger and more diverse systems and businesses, it is reasonable to assume that multiples of certain characteristics of these systems and businesses would reflect comparable financial performance for a for-profit system operating in the same market. In other words, while the scale of the business and types of products provided are not exactly comparable, it is reasonable to assume that the financial benefits for owners or investors from invested capital and debt are comparable when reduced to a multiple of revenues or sales, or assets, or earnings (i.e., EBITDA or EBIT).

The enterprise value as a multiple of several financial metrics is provided based on year-end 2022 audited annual reports, adjusted to reflect 6/1/2023 including a size adjustment.

Table 4-8: Guideline Public Company Method Enterprise Value Multiple

Company (Symbol)	Enterprise Value Multiple per...				
	Revenue	Sales ⁽²⁾	Net Plant ⁽²⁾	EBITDA	EBIT
Suburban (SPH)	1.06x	3.74x	2.82x	6.11x	11.33x
Ferrellgas (FGPR)	0.57x	1.46x	1.93x	3.57x	8.10x
AmeriGas (APU)	1.04x	2.94x	2.18x	6.625x	24.34x
Weighted Average ⁽¹⁾	0.89x	2.55x	2.26x	5.52x	14.11x

Source: SEC 10-K Reports (12/31/2022); Notes: Enterprise value is defined as the sum of shareholder equity and long-term debt and is consistent with value of invested capital; (1) Weighted average. (2) Gallons of Propane and other fuels sold. (2) OCLD or Book Value

Using the Guideline Public Company analysis (average of multiple value) indicates a total enterprise value of the Subject Interest of \$2,067,759 and rounds to \$2,100,000 (see Table 4-9). Calculated values ranged between \$1,100,000 and \$3,500,000.

Table 4-9: Guideline Public Company Indication of Enterprise Value

System Metric	Subject Assets	Value Multiple	Implied Value
Gross Revenues ⁽¹⁾	\$1,755,000	0.89	\$1,561,950
Sales Volume (kgal) ⁽²⁾	429,900	2.55	\$1,096,245
Net Plant (Book Value) ⁽³⁾	\$995,000	2.26	\$2,248,700
EBITDA ⁽⁴⁾	\$345,000	5.52	\$1,904,400
EBIT ⁽⁴⁾	\$250,000	14.11	\$3,527,500
Total Indicated Value		Calculated ⁽⁵⁾	\$2,067,759
		Rounded to	\$2,100,000

Notes: (1) Normalized gross revenues, rounded; (2) Annual propane sales, normalized. (3) Estimate of original cost less depreciation as of 6/1/2023. (4) Normalized. (5) Average, equally weighted.

It is my opinion that most of the variance in calculated values results from the diversified nature of companies listed in Table 4-8. Generally, they operate a significant number of systems, creating a large base of revenues and assets. In addition, these businesses also generate other revenue and profit from other or complimentary services. Finally, it is also likely that many of the acquisitions made by these companies include a purchase premium applied to asset value, resulting in a more consistent relationship with gross revenues and asset value. However, excluding the highest and lowest values or weighting the indication of values would not materially change the indication of value. Therefore, it is my opinion that additional adjustments, whether weighting or excluding values, do not materially affect the reasonableness of this method.

Because equity ownership in publicly traded companies reflects fractional ownership, the value indicated by this method is on a minority control, marketable basis with respect to the Subject Assets. DLOC and a lack of marketability DLOM reflected in the Subject Interest of this valuation will be considered and applied in a later section.

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5. Adjustments

5.1. Adjustments for Control

The Subject Interest of this Report is the majority, marketable interest of the Subject Assets. Minority shareholding or ownership interests that lack the ability to control a business enterprise are considered to have less value on a pro rata basis than a controlling, majority interest. The only adjustment or discount for lack of control (“DLOC”) is warranted for the Guideline Public Company Method since the basis for the indication of value is equity shares (minority control) of those enterprises included. Generally, a control premium can range from 20% to 40% resulting in a discount for lack of control equal to $DLOC = 1 - \frac{1}{(1+control\ premium)}$ or 16.7% to 28.6%. In my opinion, an assumed control premium of 30% is reasonable to adjust the Guideline Public Company indication of value resulting in an implied DLOC of 23% using the Guideline Public Company Method.

The balance of methodologies selected (i.e., Cost, Income, and Completed Transactions) reflect values on a controlling basis. In those analyses, net cash flow, net assets, and transfer of both tangible and intangible assets through acquisition are at the discretion of the owner and therefore reflect control of the business enterprise.

5.2. Adjustments for Lack of Marketability

Ownership of a majority or minority interest in a closely held private company or for assets in a special purpose market are not readily marketable and a discount for lack of marketability (“DLOM”) may be appropriate for the determination of a Conclusion of Value of the Subject Assets. The IRS has addressed the issue of discounts for a lack of marketability in Revenue Ruling 77-287, by stating:

“Securities traded on a public market are generally worth more to investors than those that are traded on a private market.”

Theoretically, the use of a discount for a lack of marketability arises from the risks associated with a potential sale of the Subject Assets. This risk can generally be categorized in the following categories²³:

- a. Uncertain time horizon to complete sale
- b. Cost to prepare for and execute sale
- c. Risk as to eventual sale price and future expenses
- d. Non-cash and deferred transaction proceeds
- e. Inability to borrow against the estimated value of assets

These categories can be viewed as the absence of a ready or existing market for the sale or purchase of the Subject Assets in contrast to publicly traded stock.

²³ Chapter 7: Valuation Discounts and Premiums. Fundamentals, Techniques, & Theory. NACVA. 1995-2012

Some common factors that have been identified as impacting marketability²⁴ and applicable to the Subject Assets are as follows:

Subject Company Factor	Observation ⁽¹⁾
Dividend-paying history	None
Dividend Yield	Not applicable
Attractiveness of subject business	Good
Attractiveness of industry	Good (stable industry demand and earnings)
Prospects for a sale or public offering	Very Good (contingent on potential buyers)
Number of identifiable buyers	Very Good
Availability of access to reliable information	Very Good
Management	Very Good
Earnings (relative to investor market)	Good
Revenue	Good
Financial condition	Good
Percent of share held by insiders	None (0%)
Percent of independent directors	100%
Business risk	Moderate
Ease of transfer of assets	Good-

Notes: (1) Quality scale = Poor, Good-, Good, Good+, Very Good, Excellent

The application of a DLOM in a Valuation is relatively subjective and can range from zero (0) to forty (40) percent. There are relative degrees of marketability that depend on a number of factors (as noted above) and circumstances for each valuation engagement and applied to each value methodology considered. Based on my training, prior valuation experience, and opinion, a DLOM of 5% was determined to be appropriate for this Valuation. The Subject Assets have a documented history of income earnings and future growth potential.

5.3. Other Adjustments

Other adjustments, including the loss of key persons or thin management, were considered but not found appropriate for the Conclusion of Value.

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²⁴ Discount for Lack of Marketability: Job Aid for Valuation Professionals. IRS. September 2009

6. Reconciliation of Indicated Values

An Opinion of Value for the Subject Assets was determined considering industry standard methods of valuation. These approaches analyze various aspects of the Subject Assets and even though none of these methods may be considered ideal on a standalone basis, the consideration of all three approaches provides valuable input when considering other factors and the use of judgment in indicating value of the Subject Interest. Table 6-1 provides a summary of the Conclusion of Value considering the methods of valuation utilized in this Report and applying discounts for control and marketability.

Table 6-1: Reconciliation of Valuation Methods Utilized Indication of FMV

Valuation Method	Approach	Value Indicated (Rounded)	DLOC ⁽¹⁾	DL0M ⁽²⁾	Adjusted Value (rounded)
Reproduction Costs	Cost	\$2,400,000	0%	5%	\$2,300,000
Discounted Cash Flow (DCF)	Income	Not Included	-	-	-
Capitalized Cash Flow (CCF)	Income	\$2,400,000	0%	5%	\$2,300,000
Guideline Public Company	Market	\$2,100,000	23%	5%	\$2,600,000
Completed Transactions	Market	Not Included	-	-	-

Notes: (1) The DLOC, if applicable, is applied by dividing the value indicated by 1 minus the calculated discount. (2) The DL0M, if applicable, is applied by multiplying the value indicated by 1 minus the discount indicated.

The indications of value derived in this Report are based on the scope of work as described, the nature of the Subject Assets, the Subject Interest being valued, the application of each valuation method, and my experience, education, and training. None of these methods may be considered ideal on a standalone basis since each evaluates a particular facet of the Subject Assets. The consideration of all three approaches provides valuable input when considering other factors and the use of judgment and opinion in indicating an Investment Value of the Subject Interest.

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7. Conclusion of Value

I have performed the valuation services provided in this Valuation, as those terms are defined in the Uniform Standards of Professional Appraisal Practice and in the Professional Standards of the National Association of Certified Valuers and Analysts. This Report has been prepared in accordance with the NACVA's Professional Standards dated August 1, 2017, and USPAP dated 2020-21. The estimate of value contained in this Report is expressed as a Conclusion of Value. This valuation was performed for the purpose of a potential acquisition and the resulting Conclusion of Value should not be used for any other purpose or by any other party for any purpose.

Based on my analysis, as described in this Report, the Conclusion of Value of the City of Clearwater's liquid propane distribution business as a going concern as of June 1, 2023, is:

Two Million Four Hundred Thousand Dollars (\$2,400,000)

This Conclusion of Value is for the Subject Assets described in more detail in this Report and does not include any real property. Further, these conclusions are subject to representations and certification found in Appendix A and to the Statement of Assumptions and Limiting Condition found in Appendix B. There is no obligation to update this Report or my Conclusion of Value for information that comes to my attention after the date of this Report. My experience and qualifications are detailed in Appendix C.

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APPENDIX A:

Valuation Representations and Certification



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 (see Appendix B), and are my personal, impartial, and unbiased professional analyses, opinions, and conclusion.
- I have no present or prospective interest in the Subject Assets and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity regarding the Subject Assets within the three-year period immediately preceding acceptance of this engagement.
- I have no bias with respect to the Subject Assets or the parties involved with this engagement.
- Acceptance of this engagement was not contingent upon developing or reporting predetermined results.
- My compensation for this Report is fee-based and is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the Conclusion of Value, or the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.
- My analyses, opinions and conclusions were developed, and this Report has been prepared, in accordance with the NACVA's Professional Standards dated June 1, 2017, and USPAP dated 2020-21.
- I did make a personal inspection of a portion of the Subject Assets.
- No work from one or more independent, outside valuation specialist was used during the valuation engagement.
- The parties for which the information and use of this Report is restricted are identified and the Report is not intended to be, and should not be, used by anyone other than such parties.



Steven McDonald, CVA, Chief Economist
CVA© #20639



July 5, 2023

Date

APPENDIX B:

Assumptions and Limiting Conditions



1. The Conclusion of Value contained in this Report did not rely on a hypothetical condition.
2. All other assumptions are listed in the description of the analyses used to indicate value in the Subject Assets, some of which are extraordinary assumptions.
3. No responsibility is assumed for legal matters, nor is any opinion on the title rendered herewith. It is assumed that the title to the property is good and marketable.
4. All existing liens and encumbrances, if any, have been disregarded and it is assumed that the property is free and clear.
5. The appraiser has made no survey of the property and, unless specifically stated, assumed there are not encroachments involved.
6. Any sketches and maps in this Report are included to assist the reader in visualizing the property and are not necessarily to scale or depict all items above or below ground.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in this Report.
8. It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless non-conformity has been stated, defined, and considered in this Report.
9. It is assumed that all required permits, licenses, certificates of occupancy, consents, easements, and other legislative or administrative authority from any local, state, or national government or public entity or organization have been or can be obtained or renewed and transferred with minimal effort for any use on which the value estimate in this Report is based.
10. Proposed improvements, if any, on or off-site, as well as any repairs required, are considered for purposes of this appraisal to be completed in a good and workmanlike manner.
11. Responsible ownership and competent management are assumed.
12. No impact studies and/or special market, or feasibility analysis or studies have been required or made unless otherwise specified. We reserve the right to alter, amend, revise, or rescind any of the statements, findings, opinion, value estimates, or conclusions contained herein if any of these studies require it.
13. We have accepted as correct and reliable all information provided by the Client and Client's counsel, or the Client's agents, which was used in the preparation of this Report. All data came from sources deemed reliable, but no liability is assumed for omissions or inaccuracies that subsequently may be disclosed in any data used in the completion of the appraisal.
14. Possession of this Report, or copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone except for the client without the prior written consent of the client and in any event, only in it's entirely and with proper qualification.
15. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author excepting appropriate Freedom of Information Act requests.
16. All applicable agreements, customer agreements, developer agreements or other utility-related agreements are assumed to be fully disclosed or provided and therefore have been considered as part of this Report.
17. Acceptance of, and/or use of, this Report constitutes acceptance of the above conditions and assumptions.

APPENDIX C:

**Statement of Appraiser
Qualifications**



Steven McDonald, CVA, Chief Economist / Valuation Services, Raftelis Financial Consultants, Inc.

Mr. McDonald is an Economist, Researcher, and Strategist with nearly 30 years of experience, almost equally divided between consulting assignments and corporate roles. He specializes in quantitative and qualitative research and analysis to include Business Valuation and Appraisal (CVA©#20639), economic analyses and econometrics, cost-benefit analyses, and short- and long-term financial analyses. Over this time, Mr. McDonald has developed a high degree of technical expertise balanced with strategic management experience from high-profile, innovative projects, both domestically and internationally, focused on economic and financial issues across a broad range of industries. Altogether, corporate roles and consulting assignments, along with managing work efforts across no less than four business cycles, have provided Mr. McDonald the opportunity to develop strong expertise in the field of economics and understanding enterprise business value.

Mr. McDonald strives to maintain active participation as a member of the NACVA and is currently the President of the NACVA Florida North Chapter. In addition, he has served on the NACVA Ethics Oversight Board for three years, one of those years as Chairman. Mr. McDonald is also an Adjunct Instructor with Webster University's Orlando Campus in Economic Concepts and Managerial Economics.

Specialties:

- Business Valuation and Appraisal
- Economic Impact Analysis
- Cost-Benefit Analysis

Professional History:

- Raftelis: Chief Economist/Valuation Services (2021-present)
- GAI Consultants (2012-2021)
- The Disney Company (2008-2012)
- RERC (2004-2008)
- Burton & Associates (2002-2004)
- CHEP International (1999-2002)
- The Disney Company (1996-1999)
- Fishkind & Associates (1990-1996)

Education:

- Bachelor of Arts in Public Policy – University of Central Florida (1988)
- Master of Arts in Applied Economics
- University of Central Florida (1990)

Professional Affiliations:

- National Association of Certified Valuators and Analysts (NACVA)
- Past Chairman and member of NACVA Ethics Oversight Board (EOB)
- President, NACVA Florida North Chapter
- American Society of Appraisers, Member
- Webster University, Adjunct Instructor

Business Valuation Experience:

Business Valuation services have been provided for purposes of insurance, litigation, and purchase and sale transactions (M&A), generally resulting in a detailed, summary, or oral appraisal or value reports. A Business Valuation, as defined by Uniform Standards of Professional Appraisal Practice (USPAP) Standard 9, provides a specific value based on purpose and use of the appraisal or calculation. All valuation services provided conform with the Professional Standards of the NACVA. Professional experience with providing Business Valuation services has included the following:

- South Carolina Public Utility (Electric), 2023 – Asset Transaction
- South Carolina Public Utility (Water), 2023 – Asset Transaction
- South Carolina Public Utility (Wastewater), 2023 – Asset Transaction
- Texas IOU (Water), 2023 – Asset Transaction
- North Carolina IOU (Sewer), 2022 – Asset Transaction
- North Carolina IOU (Sewer), 2022 – Asset Transaction
- Florida Public Utility (Service Area Rights), 2022 – Asset Transaction
- Florida IOU (Water), 2022 – Asset Transaction
- Arizona (7 systems) Utility, 2022 (Water) – Asset Transaction
- South Carolina Utility, 2022 (Water) – Asset Transaction
- Virginia Public Utility, 2022 (Water and Sewer) – Divestiture
- South Carolina Public Utility, 2022 (Water) – Asset Transaction
- North Carolina Public Utility, 2022 (Water) – Asset Transaction
- Ohio Public Utility, 2022 (Water) – Asset Transaction
- South Carolina Public Utility, 2021 (Wastewater) – Asset Transaction
- Florida Public Utility, 2021 (Water) – Asset Transaction
- Florida Public Utility, 2021 (Natural Gas) – Asset Transaction
- Pennsylvania Public Utility, 2021 (Sewer) – Asset Transaction
- Texas IOU (Water), 2021 – Asset Transaction
- Florida Public Utility, 2021 (Service Area) – Litigation
- Pennsylvania Public Utility, 2021 (Sewer) – IOU Acquisition
- California Water Market, 2021 (Credits) – Asset Transaction
- Pennsylvania Public Utility, 2021 (Sewer) – IOU Acquisition
- Florida Public Utility, 2020 (Water) – Asset Transaction
- Florida Public Utility, 2020 (Water) – Foreclosure
- Florida Public Utility, 2019 (Water and Wastewater) – Business Damages
- Florida Public Utility, 2019 (Water and Wastewater) – Acquisition
- Florida Public Utility, 2018 (Chilled Water) – Acquisition
- California Private Discharge Capacity, 2018 (Wastewater) – Acquisition
- Tennessee Public Utility, 2018 (Electric) – Acquisition
- Florida IOU, 2017 (Water-Sewer) – Acquisition
- Florida IOU, 2017 (Electric) – Tangible Property Tax
- Ohio IOU, 2017 (Water) – Financing
- Florida Public Utility, 2017 (Water Storage) – Acquisition
- South Carolina Public Utility, 2016 (Water) – Acquisition
- Ohio Public Utility, 2016 (Water-Sewer) – Acquisition
- Mississippi Certificate of Public Conveyance and Necessity, 2016 (Water) – Acquisition
- Florida IOU, 2016 (Electric) – Tangible Property Tax
- Florida IOU, 2015 (Electric) – Acquisition

Economic and Fiscal Analysis Experience:

Economic Development as a concept is measured in jobs and income but most importantly reflects a community's overall quality of life that is only maintained with sufficient public (fiscal) resources to meet existing and future needs. Therefore, understanding economic and fiscal outcomes assists communities with assessing the potential benefits on concepts of an overall "quality of life" – cost-benefit, employment growth, the nature of jobs, economic welfare,

community income and wealth, and public infrastructure and services. Economic and Fiscal Analyses and services have been provided for more than 30 years; experience has included the following (completed assignments):

- Virgin Islands Environmental User Fee Economic Impact Analysis, U.S. Virgin Islands
- Economic Impact of Protecting the Florida Manatee
- U.S. Rental Car Economic and Market Demand, National Car Rental
- Gulf War Economic Impact on Rental Car Industry, National Car Rental
- European Banana Economic and Market Demand, CHEP Europe
- Orlando Parks and Recreation Economic Benefits
- SED (Florida) Community Impacts
- St Lucie (Florida) Water Reclamation Facility Economic Impacts
- Rose Arts (Florida) Fiscal Impacts
- Miami New Drama Economic Impact Analysis
- Miami-Dade Pike Transit Oriented Development Economic Impact Analysis
- Economic and Fiscal Impact Analyses (continued)
- Apopka (Florida) Economic and Fiscal Analysis
- Marion County (Florida) Aquatics Center Economic and Fiscal Analysis
- Reunion Resort (Florida) Fiscal Impact Analysis
- Amelia Island (Florida) Development Economic and Fiscal Impact Analysis
- Neptune Road (Florida) Economic and Fiscal Impact Analysis
- IOC Pompano Beach (Florida) Economic Impact
- Sorrento Pines (Florida) Fiscal Impact Analysis
- New Smyrna (Florida) Beach Fiscal Analysis
- Downtown Daytona (Florida) Fiscal Impact Analysis
- Tohoqua (Florida) Fiscal Impact Analysis
- Albert Whitted (Florida) Airport Economic Benefit Analysis
- Gaylord Palms (Florida) Fiscal Impact Analysis
- North End Charlotte (North Carolina) Economic and Fiscal Impact Analysis
- Maitland West (Florida) Fiscal Impact Analysis
- River District (North Carolina) Fiscal Impact Analysis
- Florida Hospital Fiscal & Economic Analysis
- Kendall Town Center (Florida) Economic Analysis
- Miami (Florida) Icebox Café Economic Analysis
- Osceola (Florida) Fiscal Impact Analysis
- Melbourne (Florida) Economic Impact Analysis
- Kansas State University Economic Impact Analysis
- Miami-Dade (Florida) Fiscal Analysis
- CEMEX (Florida) Facility Economic Analysis
- University of Central Florida Downtown Economic Impact Analysis
- US 17-92 Flyover (Florida) Modification Economic Analysis
- Miami Uptown (Florida) Economic Analysis
- Ocean Cadillac (Florida) Economic Analysis
- Vizcaya (Florida) Economic Analysis
- Economic Impact of Spring Training Facility, New York Yankees (Florida)
- Biomedical Cluster Economic and Fiscal Impacts at Lake Nona, Tavistock (Florida)
- Economic Development Analysis, Piedmont Triad and City of Havelock (North Carolina)

APPENDIX D:
Site Pictures

































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APPENDIX E:

**Normalized Pro Forma
Assumptions**



LP Distribution	Normalized	Share	Adjustment	Normalized			
				Customers	Use (avg)	Total sales (gal)	Eff rate
System Revenues							
Charges for Services	\$ 1,670,000	95.2%	0.0%	2,050	17	422,900	\$ 3.949
Miscellaneous Services	85,000	4.8%					
Total	\$ 1,755,000	100.0%					
Expenses							
Fixed Operating	\$ 350,000	19.9%		1,410,000	Operating Costs		
Variable Operating	975,000	55.6%		80.34%	share of revenue		
Taxes Other Than Income	85,000	4.8%					
Depreciation and amortization	95,000	5.4%			5% D&A share of total revenue		
Total	1,505,000	85.8%		\$ 1,222,621	Total system book value		
Net Operating Income (EBIT)	250,000	14.2%					
Net Operating Income (EBIT)	250,000	14.2%					
less: Interest expense	(33,000)	-1.9%					
Pretax Income	217,000	12.4%					
less: Income taxes	(33,000)	-1.9%			15% = effective tax rate		
Net income	184,000	10.5%					
plus: Depreciation and amortization	95,000						
Gross equity cash flow	279,000						
plus/less: Additions to working capital	(2,400)						
less: Capital expenditures	(90,250)						
plus: Interest expense (tax adjusted)	28,050						
Equity net cash flow	214,400						
Discount Rate	10.50%						
Long-term growth (explicit + perpetual)	1.50%						
Capitalization rate	9.00%						
Total Enterprise Value	\$ 2,382,222						

APPENDIX F:
Sources of Data



1. Securities and Exchange Commission
2. U.S. Federal Reserve
3. Hitchner, James R. Financial Valuation: Applications and Models, 2011, 3rd Edition
4. Corporate Finance Institute
5. American Society of Appraisers, BV202: Introduction to Business Valuation – Income approach, ©2014
6. Harvard Business Review: A Refresher on Cost of Capital, April 30, 2015
7. New York University, Stern, Industry Beta
8. Chapter 7: Valuation Discounts and Premiums. Fundamentals, Techniques, & Theory. NACVA. 1995-2012
9. City of Clearwater Annual Financial Audit
10. City of Clearwater Detailed Asset listing as of 6/1/2023
11. City of Clearwater Annual Financial Audits
12. City of Clearwater Detailed Asset Listing