

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

AGENDA
REPRESENTATIVE TOWN MEETING
2026 ANNUAL BUDGET HEARING & SPECIAL MEETING
Monday, May 4; Wednesday, May 6; Monday, May 11; Wednesday, May 13
7:00pm – Waterford Town Hall Auditorium

- A. Pledge of Allegiance
- B. Roll Call
- C. To consider and act upon the minutes of the April 6, 2026 Meeting
- D. Correspondence
- E. Public Comment
- F. Transaction of Business on the Call:
 - 1. To consider and act upon the General Fund Budget, which includes both Board of Education and General Government budgets for fiscal year **July 1, 2026 through June 30, 2027** in the amount of **\$115,364,670** as recommended by the Board of Finance, and as may be modified by the determination of the Representative Town Meeting.
 - 2. To establish the schedule of tax payments for real estate, personal property and motor vehicle tax bills for the next fiscal year.
 - 3. To consider and act upon a request from the Board of Finance to move **\$28,000** from designated budget **Line #10140-57639 (Transfers to Cap & NRE Funds)** to appropriated **Line # 20501-57639 (CNR Revaluation)** for Phase 1 of the revaluation services (restricted appraisal).
- G. Adjournment

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 23 | P 1:29
ATTEST: *David J. Langos*
TOWN CLERK

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

C

MINUTES
REPRESENTATIVE TOWN MEETING
Regular Meeting
April 6, 2026

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 10 A 8:46
ATTEST: *David L. Campo*
TOWN CLERK

RTM Moderator Susan Driscoll called the April 6, 2026, Regular Meeting of the Representative Town Meeting to order at 7:03 P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT: Kyrā Augmon-Bossa, JoAnna Bennett, Steve Besade, Guy Calkins, Erica Casper, Mary Childs, Timothy Condon, Susan Driscoll, Kathleen Elbaum, Tim Fioravanti, Emmy Franklin, Paul Goldstein, Narciss Greene, Kate MacKenzie, Kayla Mullen, Kathy Mullen Kohl, Ted Olynciw, Ocean Pellett, Danielle Steward-Gelinas, David Sugrue, Tim Sullivan, Julie Watson Jones

ABSENT: Jim Bartelli, Kristin Gonzalez, Christina Jessuck, Lindsay Khan, Ursula Moreshead, Kathy Nunes Peterson

EX-OFFICIO MEMBERS PRESENT: First Selectman Robert J Brule, Selectman Richard Muckle, and Board of Finance Chair Glenn Patterson

EX-OFFICIO MEMBERS ABSENT: Board of Education Chair Deborah Roselli Kelly, Selectman Greg Attanasio

ALSO PRESENT: Town Clerk David L. Campo, Town Attorney Kristi Kelly, and Director of Finance Kim Allen

AGENDA ITEM C – February 2, 2026, Minutes

MOTION by Steward-Gelinas, seconded Childs, to approve the minutes.

VOTING IN FAVOR: Unanimous

CORRESPONDENCE

Included with the RTM agenda was a letter from First Selectman Robert Brule that the Data Center Host Agreement had terminated. Also received was a letter from Recreation and Parks Commissioner Tim Burrows, a letter of interest to serve on the Ethics Commission from resident John Scimone, and additional back up for Item 5. Moderator Driscoll noted that she would invite the Treasurer to take the RTM through his next Quarterly Report

PUBLIC COMMENT: None

AGENDA ITEM F

Moderator Driscoll noted that the following correction needed to be made to the Moderator's Report: Add the issue, "First Responders Survivors Benefits, RTC 02/03/2025" under Public Protection & Safety. Four committee reports were received from the Legislation and Administration Committee to be

addressed later in the meeting. RTM member Goldstein, asked for a status on the issue of "CIP Approval Process Pilot Program" under Finance, Wage & Personnel. Chair of the committee, Joanna Bennett, updated the body that the committee was working through issues from oldest to most recent and that it would be addressed in the future.

MOTION by Bennett, seconded by Childs to accept the committee reports into the record.

VOTING IN FAVOR: Unanimous

AGENDA ITEM G

Oswegatchie Fire Station Building Committee member Ted Olynciw reported that he had resigned from the committee and a replacement would need to be taken up under new business.

CALL ITEM 1 – Senior Citizen Appointments (Term 04/06/2026 – 04/02/2029)

MOTION by Bennett, seconded by Childs, to nominate Daniel Rissi, 367 Glenwood Avenue Ext.

MOTION by Childs, seconded by Bennett, to nominate Dina Lopes, 82 Longview St, Apt 9.

VOTING IN FAVOR OF DANIEL RISSI: Unanimous

VOTING IN FAVOR OF DINA LOPES: Unanimous

CALL ITEM 2 – Ethics Commission Appointment (Term 02/03/2025 – 02/02/2027)

MOTION by Steward-Gelinas, seconded by Sugrue, to nominate Kevin Reardon, 5 Shawandasse Rd.

MOTION by Bennett, seconded by Franklin, to nominate John Scimone, 347 Boston Post Rd.

VOTING IN FAVOR OF KEVIN REARDON: Augmon-Bossa, Besade, Condon, Elbaum, Fioravanti, Goldstein, MacKenzie, Olynciw, Steward-Gelinas, Sugrue

VOTING AGAINST: Bennett, Calkins, Casper, Childs, Driscoll, Franklin, Greene, Mullen, Mullen Kohl, Pellett, Sullivan, Watson Jones

NOMINATION FAILED: 10-12-0

VOTING IN FAVOR OF JOHN SCIMONE: Bennett, Calkins, Casper, Childs, Driscoll, Fioravanti, Franklin, Greene, Mullen, Mullen Kohl, Olynciw, Pellett, Sullivan, Watson Jones

VOTING AGAINST: Augmon-Bossa, Besade, Condon, Elbaum, Goldstein, MacKenzie, Steward-Gelinas, Sugrue

JOHN SCIMONE APPOINTED: 14-8-0

CALL ITEM 3 – Waterford Code of Ordinances, Chapter 3.08.030

PRESENTATION: Legislation & Administration Committee Chair Erica Casper

Motion by Steward-Gelinas, seconded by Childs, to accept the recommendation from the Legislation & Administration Standing Committee of the RTM, pending the outcome of its upcoming public hearing and Special Meeting, to amend the **Waterford Code of Ordinances, Chapter 3.08.030 Purchase categories – Bids/proposals required – Specifications authorized.** (See Attachment)

MOTION by Childs, seconded by Franklin, to amend the motion to read as follows: Motion by Steward-Gelinas, seconded by Childs, to approve the Legislation & Administration Committee's recommended amendments to **Waterford Ordinance Section 3.08.030, Purchase categories – Bids/proposals required – Specifications authorized**, in order to reflect the revised thresholds in PA 25-92.

MOTION TO AMEND PASSED: Unanimous

ORIGINAL MOTION AS AMENDED PASSED: Unanimous

CALL ITEM 4: ICE Granted Access Reporting

PRESENTATION: Chief of Police David Ferland

MOTION by Bennett, seconded by Besade, to authorize the RTM Moderator to request that the Board of Police Commissioners provide the RTM each July and February any biennial data related to ICE access granted by the Waterford Police Department, so that the RTM can submit the pertinent information to the Office of Policy and Management as mandated by **CGS Section 54-192h(e)(3)**.

VOTING IN FAVOR: Unanimous

CALL ITEM 5: Out of Town Beach Pass Fees

PRESENTATION: Rec & Parks Director Ryan McNamara, Rec & Parks Assistant Director Tim Ceiplik

Motion by Steward-Gelinas, seconded by Goldstein, to approve a recommendation from the Recreation and Parks Commission to adjust the Waterford Beach Park Fee Schedule as presented.

MOTION by Sugrue, seconded by Steward-Gelinas to move the question.

VOTING IN FAVOR TO MOVE: Augmon-Bossa, Besade, Calkins, Condon, Elbaum, Fioravanti, Goldstein, MacKenzie, Mullen, Olynciw, Steward-Gelinas, Sugrue, Sullivan

VOTING AGAINST: Bennett, Casper, Childs, Driscoll, Franklin, Greene, Mullen Kohl, Pellett, Watson Jones

MOTION FAILED: 13-9-0 (Failed to meet 2/3s threshold to move question)

RTM Member Sugrue left.

A friendly amendment was offered by Steward-Gelinas and accepted to reduce the nonresident seasonal fee increase from \$75 to \$50 (Fee total \$225)

MOTION by Augmon-Bossa, seconded by Bennett, to reduce the increase from \$50 to \$25 (Fee total \$200)

VOTING IN FAVOR OF AMENDED MOTION: Augmon-Bossa, Bennett, Calkins, Driscoll, Franklin, Mullen Kohl, Watson Jones

VOTING AGAINST: Besade, Casper, Condon, Elbaum, Fioravanti, Goldstein, Greene, MacKenzie, Olynciw, Pellett, Steward-Gelinas, Sullivan

ABSTAINED: Childs, Mullen

MOTION FAILED: 7-12-2

VOTING IN FAVOR OF ORIGINAL MOTION WITH FRIENDLY AMENDMENT (Fee total \$225): Calkins, Condon, Elbaum, Fioravanti, Goldstein, Olynciw, Steward-Gelinas, Watson Jones

VOTING AGAINST: Augmon-Bossa, Bennett, Besade, Casper, Driscoll, Franklin, Greene, MacKenzie, Pellett

ABSTAINED: Childs, Mullen, Mullen Kohl, Sullivan

MOTION FAILED: 8-9-4

CALL ITEM 6 – Emergency Legislation

Passed over due to ITEM 5 not being passed.

NEW BUSINESS:

MOTION by Childs, seconded by Fioravanti, to appoint RTM Member Ursula Moreshead to the Oswegatchie Fire Station Building Committee due to the resignation of Ted Olynciw.

VOTING IN FAVOR OF URSULA MORESHEAD: Unanimous

MOTION by Childs, seconded by Steward-Gelinas, to approve Legislation & Administration Committee's recommendation that the RTM take no action at this time on the issue of "Public Act 22-3, An Act Concerning Remote Meetings Under the FOIA." (Committee Report Attached)

VOTING IN FAVOR: Unanimous

MOTION by Childs, seconded by Steward-Gelinas, to approve Legislation & Administration Committee's recommendation that the RTM take no action at this time on the issue of "Review of Senior Citizens Commission and YFSB Ordinances." (Committee Report Attached)

VOTING IN FAVOR: Unanimous

MOTION by Childs, seconded by Steward-Gelinas, to approve Legislation & Administration Committee's recommendation that the RTM take no action at this time on the issue of "Police Commission Expansion to Seven Members." (Committee Report Attached)

VOTING IN FAVOR: Unanimous

MOTION by Franklin, seconded by Childs, to refer the issue of "Fair Rent Commission" to the Public Works, Planning and Development Committee, to comply with the new mandate set forth in Special Session Public Act 25-1.

VOTING IN FAVOR: Unanimous

The consensus was that a committee assignment should be addressed in October to work with the Recreation and Parks Commission to address beach fees.

MOTION by Mullen, seconded by Bennett, to adjourn at 9:19 P.M.

Respectfully Submitted,



David L. Campo, CCTC
Waterford Town Clerk



**LEGISLATION & ADMINISTRATION STANDING COMMITTEE OF THE RTM
COMMITTEE REPORT
REVIEW OF CHPTR. 3.08 TO REFLECT PUBLIC ACT 25-92 (RTC 10/6/25)**

Background & Current Committee Action

Jan. 21, 2026 Committee Meeting. Initial meeting of the new committee; general overview of all pending issues. Public Act 25-92 raises the threshold for sealed bidding on certain municipal contracts from \$25,000 to \$35,000. Committee will invite Kim Allen, finance director, and Shea Davy, purchasing agent, to speak to this item during a future meeting.

(Referral request, ordinances, and Public Act 25-92 available with meeting agenda at waterfordct.org)

Feb. 9, 2026 Committee Meeting. Shea Davy, purchasing agent, spoke in favor of raising the formal bid process threshold from twenty-five thousand to thirty-five thousand dollars. Davy cited rising costs, consistency with neighboring municipalities, and cost savings to the Town by reducing the need for formal bid advertising. The Committee was in agreement to amend the ordinance and recommend adoption by the RTM, with direction to consult with Town Counsel and initiate the required public hearing process.

Mar. 19, 2026 Committee Meeting. Town Attorney Kristi Kelly reviewed recommended revisions to Ordinance 3.08.030 from March 10, 2026, and suggested additional stylistic changes for consistency with the chapter. Stylistic changes included removing the standalone section heading ("A"), renumbering subsections from "1" and "2" to "A" and "B" for consistency. Additional discussion on style included replacing colons with semicolons in the citation, and adding the approval date to the citation. Kelly outlined the ordinance approval process, including committee vote, submission for public hearing, required public notice, and distribution to relevant boards and departments.

Motion to approve the revised amendments dated March 10, 2026. A friendly amendment was accepted to revise section formatting, update citation punctuation, and include the approval date (as described). Voice vote unanimous in favor.

(Draft ordinance update available with meeting minutes at waterfordct.org)

Mar. 30, 2026 Public Hearing and Special Meeting. No comments from the public. Public hearing was closed at 6:10pm. During the special meeting following the hearing, there was a motion to report the issue out of committee with the recommendation that the RTM adopt the revised ordinance **Section 3.08.030 Purchase categories – Bids/proposals required – Specifications authorized to reflect Public Act 25-92.** Motion passed unanimously.

Submitted by:
Erica Casper
Chair, Legislation & Administration Standing Committee

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR - 1 P 1:30
ATTEST: *[Signature]*
TOWN CLERK

3.08.030 - Purchase categories—Bids/proposals required—Specifications authorized.

Public competitive bidding and purchases of material and equipment and services will be established and administered, pursuant to CGS § 7-148v(a), at the following level:

- A. For purchases exceeding thirty-five thousand dollars, a formal bid process is required as authorized in subsection B of Section 3.08.020 and Section 3.08.040.
- B. For purchases less than or equal to thirty-five thousand dollars, the town purchasing agent's operating rules shall govern the purchasing transactions, and may allow for local vendor preferences as established under the operating rules.

(R.T.M. 4-6-26; Amend. of 4-5-21; Amend. of 12-18-18(1); Amend. of 10-7-13; Amend. of 6-1-15(1); R.T.M. 10-6-97 (part); R.T.M. 12-5-94 (part); R.T.M. 6-6-88; R.T.M. 4-4-88; prior code § 2-39)

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 10 A 9:08
ATTEST: *David H. Longo*
TOWN CLERK



**LEGISLATION & ADMINISTRATION STANDING COMMITTEE OF THE RTM
COMMITTEE REPORT
PUBLIC ACT 22-3, AAC REMOTE MEETINGS UNDER FOI ACT (RTC 2/6/23)**

Background

Sep. 18, 2023 Committee Meeting. No discussion; Chair chose to exclude from agenda.

Feb. 24, 2024 Committee Meeting. Initial meeting for new committee. Chair reported that she had reached out multiple times to the member who had made the motion to refer this issue to provide focus/direction and invite him to speak with committee. Consensus to have Chair continue outreach and contact RTM members who were part of the discussion before referral

Feb. 13, 2025 Committee Meeting. No discussion on this issue; with Attorney Avena present, focus was on ethics and YFSB/Senior Citizens ordinances. Consensus to defer other issues to future meeting.

Current Committee Action

Jan. 21, 2026 Committee Meeting. Initial meeting of the new committee; general overview of all pending issues. Chair provided background that Public Act 22-3 makes permanent rules allowing public agencies to hold virtual or hybrid meetings. Committee members generally agreed that this item could likely be referred out of committee with no action at a future meeting as no current issues with virtual vs. in-person meetings were identified.

Feb. 9, 2026: This item was referred to the Committee for review of Public Act 22-3, which established state rules governing remote meetings under the Freedom of Information Act. The Committee determined that no supporting information or evidence had been presented demonstrating a need for RTM action.

Recommendation: The Committee voted unanimously to report this item out of committee with the recommendation that the RTM take no further action because insufficient backup was provided.

Submitted by:

Erica Casper

Chair, Legislation & Administration Standing Committee

Representative Town Meeting

Town of Waterford

RECEIVED FOR RECORD
WATERFORD, CT
2026 MAR 32 1 A 7:54
ATTEST: *Erica Casper*
TOWN CLERK



LEGISLATION & ADMINISTRATION STANDING COMMITTEE OF THE RTM
COMMITTEE REPORT
REVIEW OF YFSB/SENIOR CITIZENS ORDINANCES (RTC 8/5/24)

Background

Aug. 15, 2024 Committee Meeting. Initial consideration of issue; Senior Citizens Commissioner who had been told RTM planned to combine the board and commission and wanted to comment was invited to participate in the discussion. Chair explained that the purpose of review was to determine what changes were involved in the 2021 "reorganization" and whether ordinances that lay out responsibilities and reporting structure in town government needed revision to remain accurate. Committee assured Commissioner that all meetings were open to the public, members of both parties would be invited to provide information on the new arrangement, and that there would be a public hearing if ordinance revisions were proposed.

(Referral request, ordinances, and legal opinions available with meeting agenda at waterfordct.org)

Feb. 13, 2025 Committee Meeting. Human Services Administrator offered public comment and was included in discussion later in the meeting. She stated that everyone, including her union, was happy with the new arrangement and urged the committee to report the issue out with a recommendation to take no action because the RTM did not have authority to challenge the First Selectman's authority. Several committee members explained that under a checks-and-balance system—and as the legislative body—the RTM did have authority to review/revise ordinances and assured her that members of both the YFSB and Senior Citizens Commission were invited to participate in future discussions, to ask questions and provide information before any decisions were made.

Current Committee Action

Jan. 21, 2026 Committee Meeting. Initial committee meeting; general overview of all pending issues. Committee discussion resulted in consensus that this item should be given discussion time at a future meeting and that Dani Gorman, human services administrator, the Senior Citizen's Commission, and the first selectman should be invited to that meeting to participate in the discussion. Scheduling will be attempted to accommodate committee members and invited participants.

Feb. 9, 2026. Committee Meeting. The Committee discussed the combined position of Director of Youth and Family Services and Director of Senior Services. The Committee noted that the First Selectman has authority over staffing decisions and that the joint position was created in consultation with advisory groups and the union, with a memorandum of understanding (MOU) governing the arrangement. Dani Gorman, who serves as Director of both departments, spoke in support of maintaining the current ordinance language. Based on the discussion, the Committee concluded that no ordinance change is necessary at this time.

Recommendation: The Committee voted unanimously to report this item out of committee with the recommendation that the RTM take no further action because there is an MOU that covers this position.

Submitted by:
Erica Casper
Chair, Legislation & Administration Standing Committee
Representative Town Meeting
Town of Waterford



**LEGISLATION & ADMINISTRATION STANDING COMMITTEE OF THE RTM
COMMITTEE REPORT
POLICE COMMISSION EXPANSION TO SEVEN MEMBERS (RTC 10/2/23)**

Background

Feb. 22, 2024 Committee Meeting. Initial meeting for new committee; brief introduction of four pending issues. Consensus of committee to focus on two issues involving public participation and postpone Police Commission expansion review to future meeting.

(Referral request and Police Commission ordinances available with meeting agenda at waterfordct.org)

Feb. 13, 2025 Committee Meeting. No discussion on this issue; with Attorney Avena present, focus was on ethics and YFSB/Senior Citizens ordinances. Consensus to defer other issues to future meeting.

Current Committee Action

Jan. 21, 2026 Committee Meeting. Initial meeting for the new committee; introduction of all pending issues. No background was identified for the proposed expansion. Committee members generally agreed that the item could likely be referred back to the RTM with no action. The chair will reach out to current commissioners to see if they wish to participate in the next L&A meeting.

Feb. 9, 2026: The Committee noted that no commissioners or other stakeholders have presented evidence demonstrating a need to increase the size of the Police Commission. To the Committee's knowledge, no requests for expansion have been made since the item was referred in October 2023. The Committee also noted that appointment-related concerns are outside the scope of this item and could be addressed separately if necessary.

Recommendation: The Committee voted unanimously to report this item out of committee with the recommendation that the RTM take no further action because underlying concerns about appointments can be addressed in another format.

Submitted by:

Erica Casper

Chair, Legislation & Administration Standing Committee

Representative Town Meeting

Town of Waterford

RECEIVED FOR RECORD
WATERFORD, CT
2026 MAR 31 A 7:54
ATTEST: David H. Casper
TOWN CLERK

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

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DATE: January 30, 2026
TO: Robert Brule
First Selectman
FROM: Christine Walters *CW*
Director of Human Resources
RE: General Government Staffing Roster/Summary

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 17 P 3:47
ATTEST: *David J. Langston*
TOWN CLERK

Enclosed is the Town's staffing roster for General Government as of December 31, 2025 for the Board of Selectmen, Board of Finance and the Representative Town Meeting (RTM). Included in the packet are three (3) documents: the 5-year Staff Summary, the Staff Summary as of December 31, 2025 and the Staffing Roster as of December 31, 2025.

Significant changes since December 2024 include:

Fire Services: Based on FY26 budget approval, two (2) Firefighters were *added* to the staffing roster. In December 2025, another three (3) Firefighters were *added* to the staffing roster with an additional appropriation by the RTM approved on December 1, 2025.

Police Department: Following a retirement, the evening Secretary I position was *eliminated* and *replaced* with an additional Data Technician II.

Library: Based on FY26 budget approval, two (2) part-time Custodian positions were *eliminated* and *replaced* by a contracted service.

Recreation & Parks: Based on FY26 budget approval, one (1) part-time Custodian position was *eliminated* and *replaced* by a contracted service.

Youth & Family Services: The upcoming FY27 budget submittal will reflect one (1) Program Coordinator position *eliminated* and *replaced* with an additional Administrative & Intake Specialist.

If you have any questions, please do not hesitate to contact me at cwalters@waterfordct.org or 860-444-5832.

Enclosures

cc: Kimberly Allen (Finance Director)
Board of Finance (7 copies)
Board of Selectmen (3 copies)
Representative Town Meeting (28 copies)

**Town of Waterford
5 Year Staff Summary
2021 - 2025**

DEPARTMENT	December-21		December-22		December-23		December-24		December-25	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Board of Selectmen	2	2	2	2	2	2	2	2	2	2
Registrar of Voters	0	4	0	4	0	4	0	4	0	4
Board of Finance	0	0	0	0	0	0	0	0	0	0
Board of Finance - Assessor	3	1	3	1	3	0	3	0	3	0
Tax Collector (1)	2	1	2	1	2	1	2	1	2	1
Finance Department	9	1	10	1	10	1	10	1	10	1
Human Resources	3	0	2	0	2	0	2	0	2	0
Town Clerk	3	0	3	0	3	0	3	0	3	0
Planning & Zoning; Building	10	0	10	0	10	0	10	0	10	0
Economic Dev Comm	0	1	0	1	0	1	0	1	0	1
RTM	0	0	0	0	0	0	0	0	0	0
Flood & Erosion	0	1	0	1	0	1	0	1	0	1
Emergency Mgmt (2)	10	0	10	0	11.5	0	11.5	0	11.5	0
Fire Services (3)	15	1	17	1	20.5	0	21.5	0	26.5	0
Police Dept (4)	55	0	55	0	55	0	58	0	58	0
Public Works (5)	34	0	34	0	33	0	33	0	33	0
Utility Commission (6)	15	0	15	0	15	0	15	0	15	0
Sr Citizens Commission (7)	4	12	3.5	11	3.5	11	4.5	10	4.5	10
Library (8)	11	10	11	9	11	9	11	9	11	7
Rec & Parks Commission (9)	11	6	11	6	11	6	11	6	11	5
Youth & Family Services (10)	5	0	2.5	2	2.5	2	4.5	0	4.5	0
TOTALS:	Full Time 192	Part Time 40	Full Time 191	Part Time 40	Full Time 195	Part Time 38	Full Time 202	Part Time 35	Full Time 207	Part Time 32
EMPLOYEE TOTALS:	232		231		233		237		239	

(1) Seasonal Clerical

(2) Part Time Dispatchers Work As Needed

(3) Part Time and Volunteer Firefighters Work As Needed

(4) Community Service Officers Work As Needed

(5) Seasonal Workers As Needed

(6) Seasonal Workers As Needed

(7) Seasonal Workers As Needed

(8) Library Pages Work As Needed

(9) Seasonal Workers As Needed

(10) Seasonal Workers and Camp DASH Workers As Needed

Staff Summary

December 31, 2025

Board of Selectmen	2 Full Time 2 Part Time	=	4
Registrar of Voters	4 Part Time	=	4
Board of Finance - Assessor	3 Full Time	=	3
Board of Assessment Appeals	(Once a year clerical help performed by Assessment Aide III on an overtime basis)		
Tax Collector (Seasonal Clerical)	2 Full Time 1 Part Time	=	3
Finance Department	10 Full Time 1 Part Time	=	11
Human Resources Department	2 Full Time	=	2
Town Clerk	3 Full Time	=	3
Planning & Zoning and Building Dept.	10 Full Time	=	10
Economic Dev. Commission	1 Part Time	=	1
Flood & Erosion	1 Part Time	=	1
Emergency Management (PT Dispatchers as needed)	11.5 Full Time	=	11.5
Fire Services (Volunteers and PT Firefighters as needed)	26.5 Full Time	=	26.5
Police Department *(Community Service Officers as needed)	58 Full Time	=	58
Public Works Department (2 Seasonal Maintenance Workers)	33 Full Time	=	33

Utility Commission (3 Seasonal Wastewater Collection System Assts.)	15 Full Time	=	15
Senior Citizens' Commission	4.5 Full Time 10 Part Time	=	14.5
Library **(Library Pages as needed)	11 Full Time 7 Part Time	=	18
Recreation & Parks (2 Seasonal Maintenance Workers) *** (Recreation program workers as needed)	11 Full Time 5 Part Time	=	16
Youth & Family Services **** (Seasonal workers and Camp DASH workers as needed)	4.5 Full Time	=	4.5

Total Full Time	207
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Total Part Time	<u>32</u>
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TOTAL EMPLOYEES:	239
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* The number of Community Service Officers varies depending on need, but none ever works more than an average of 24 hours/week.

** The number of Library Pages varies depending on need, but none ever works more than 10 hours in a week.

*** The number of recreation program workers varies depending on need.

**** The number of seasonal workers and Camp DASH workers varies depending on need.

TOWN OF WATERFORD – GENERAL GOVERNMENT

STAFFING ROSTER

DECEMBER 31, 2025

<u>DEPARTMENT</u>	<u>#</u>	<u>POSITION</u>	<u>FT/PT</u>	<u>HR/WK</u>
Board of Selectmen	1	Chief Executive	FT	40
	1	Executive Assistant	FT	40
	2	Other Selectmen	PT	
		Executive Asst. substitute as needed		
Registrar of Voters	1	Elected Republican	PT	
	1	Elected Democrat	PT	
	2	Deputy Registrars	PT	
Board of Finance – Assessor	1	Assessor	FT	40
	1	Assistant Assessor	FT	40
	1	Assessment Aide III	FT	35
Board of Assessment Appeals	(Once a year clerical help performed by the Assessment Aide III on an overtime basis.)			
Tax Collector	1	Elected Tax Collector	FT	40
	1	Accounts Receivable Clerk	FT	35
	1	Accounts Receivable Clerk	PT	19
		Seasonal Clerical as needed		
Finance Department	1	Finance Director	FT	40
	1	Elected Treasurer	PT	
	1	Purchasing Agent	FT	40
	1	Accountant II	FT	40
	1	Accountant I	FT	40
	1	Administrative Assistant I	FT	35
	1	Finance Coordinator	FT	35
	1	Printer	FT	32.5
	1	IT Manager	FT	40
	1	IT Support Engineer	FT	40
	1	PC Technician	FT	40
Human Resources	1	Director of Human Resources	FT	40
	1	Human Resources Assistant	FT	40

<u>DEPARTMENT</u>	<u>#</u>	<u>POSITION</u>	<u>FT/PT</u>	<u>HR/WK</u>
Town Clerk	1	Elected Town Clerk	FT	40
	1	Deputy Town Clerk	FT	40
	1	Administrative Assistant I	FT	35
Planning & Zoning and Building Department	1	Planning Director (vacant)	FT	40
	1	Planner	FT	40
	1	Environmental Planner	FT	40
	1	Zoning Official	FT	40
	1	Office Coordinator I	FT	35
	1	Secretary I	FT	35
	1	Secretary/Clerk	FT	35
	1	Building Official	FT	40
	2	Assistant Building Officials	FT	40
Economic Dev. Comm.	1	Secretary/Clerk	PT	
Flood & Erosion	1	Secretary/Clerk	PT	
Emergency Management	1	Emergency Management Director	FT	40
	10	Dispatchers	FT	40
	.5	Community Safety Educator	FT	20
		Part Time Dispatchers as needed		
Fire Services	1	Director of Fire Services	FT	40
	1	Fire Marshal	FT	40
	1	Inspector	FT	40
	1	Office Coordinator	FT	35
	1	Clerk/Typist	FT	35
	3	Captains	FT	56
	13 18	Firefighters	FT	56
	.5	Community Safety Educator	FT	20
		Part Time Firefighters as needed		
Police Department	1	Chief of Police	FT	40
	3	Lieutenants	FT	40
	7	Sergeants	FT	40
	5	Detectives	FT	40
	36	Patrol Officers (1 vacant)	FT	40
	1	Office Coordinator II	FT	35
	1	Secretary III	FT	35
	1	Custodian II	FT	40
	1	Accounts Receivable Clerk	FT	35
	1	Secretary I Evening	FT	35
	1 2	Data Technician II	FT	35
		Community Service Officers as needed		

<u>DEPARTMENT</u>	<u>#</u>	<u>POSITION</u>	<u>FT/PT</u>	<u>HR/WK</u>
Public Works Department	1	Director	FT	40
	1	Assistant Director	FT	40
	1	General Foreman	FT	40
	1	Floor Leader – Mechanics	FT	40
	3	Maintainer IV	FT	40
	7	Maintainer III	FT	40
	5	Maintainer II (2 vacant)	FT	40
	1	Traffic Control Dev. Tech.	FT	40
	1	Toolkeeper	FT	40
	2	Recycling Route Operators	FT	40
	4	Mechanics	FT	40
	3	Refuse Truck Drivers	FT	40
	1	Office Coordinator II	FT	35
	2	Clerk Typist III (1 vacant)	FT	35
		Seasonal Maintenance Workers as needed		
Utility Commission	1	Director of Utilities	FT	40
	1	Assistant Director	FT	40
	1	Compliance Enforcement Tech.	FT	40
	1	Foreman	FT	40
	1	Lead Maintenance Operator	FT	40
	4	Sewer Maintenance Operators	FT	40
	2	Sewer Technician 2	FT	40
	1	Sewer Technician 1 (vacant)	FT	40
	1	Office Coordinator II	FT	35
	1	Accounts Receivable Clerk	FT	35
	1	Secretary/Clerk	FT	35
		Seasonal Wastewater Collection System Assts as needed		
Senior Citizens' Commission	.5	Human Services Administrator	FT	20
	1	Assistant Director	FT	40
	1	Senior Services Assistant	FT	35
	1	Office Support Technician	FT	35
	1	Community Café Manager	PT	19
	1	Driver	FT	35
	3	Drivers	PT	19
	6	Meals on Wheels Drivers	PT	varies
		Seasonal Senior Services Clerks as needed		
		Seasonal Instructors as needed		

<u>DEPARTMENT</u>	<u>#</u>	<u>POSITION</u>	<u>FT/PT</u>	<u>HR/WK</u>
Library	1	Director	FT	40
	1	Dept. Head – Tech & Circ. Services	FT	40
	1	Dept. Head – Youth Serv	FT	40
	1	Dept. Head – Adult Services	FT	40
	1	Technical/Department Asst.	FT	40
	1	Secretary II	FT	35
	1	Info/Ref & Tech Asst – Youth Serv	FT	35
	3	Technician II	FT	35
	1	Buildings & Grounds Manager	FT	40
	2	Info/Ref Asst – Adult	PT	
	1	Info/Ref Asst – Youth Serv	PT	
	3	Technician I	PT	
	1	Technician I - Graphics	PT	
	2	Custodian II	PT	
		Dept. Assistant, Tech I and Custodian substitutes as needed		
		Library Pages as needed		
Recreation & Parks Commission	1	Director	FT	40
	1	Assistant Director	FT	40
	1	Program Coordinator	FT	40
	1	Office Coordinator I	FT	35
	1	Parks Foreman	FT	40
	1	Maintainer IV	FT	40
	1	Maintainer III	FT	40
	4	Maintainer II	FT	40
	1	Clerk Typist II	PT	19
	1	Custodian	PT	19
	3	Community Center Monitors	PT	
	1	Clerk	PT	
		Seasonal Maintenance Workers as needed.		
		Seasonal Recreation Program Workers as needed.		
Youth & Family Services	.5	Human Services Administrator	FT	20
	1	Human Services Coordinator	FT	40
	2 1	Program Coordinator	FT	40
	1 2	Admin/Intake Specialists (1 vacant)	FT	35
		Seasonal Workers as needed		
		Camp D.A.S.H. Workers as needed		

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

1

REPRESENTATIVE TOWN MEETING BUDGET HEARINGS
FY 2026-27

Town Hall Auditorium
7:00 P.M.

RECEIVED FOR RECORD
WATERFORD, CT
2026 FEB - 6 1 A 2:04
ATTEST: *David J. Lange*
TOWN CLERK

MONDAY MAY 04, 2026

Social Services Grants/Review
Public Health Nursing (VNA)
Conservation of Health
Board of Education

WEDNESDAY MAY 06, 2026

Ethics Commission
Registrar of Voters
Human Resources Dept
Youth & Family Services Bureau
Senior Citizens Commission
Board of Assessment Appeals
Assessor
Contingency
Debt Service
Retirement Commission
Insurance
Town Clerk
Representative Town Meeting

MONDAY MAY 11, 2026

Zoning Board of Appeals
Economic Development Commission
Conservation Commission
Planning and Zoning Commission
Flood and Erosion Control Board
Building Department
Building Maintenance
Recreation and Parks Commission
Board of Selectmen
Public Works

WEDNESDAY MAY 13, 2026

Tax Collector
Waterford Public library
Finance Department
Board of Finance
Legal Department
Emergency Management
Fire Services
Board of Police Commissioners
Information Technology
Current Year Capital Improvements
Transfers to Capital & Nonrecurring Expenditures

FINAL ACTION

TOWN OF WATERFORD
GENERAL FUND EXPENDITURES
2026-2027 PROPOSED BUDGET

DEPT/AGENCY:		DEPARTMENTAL SUMMARY										
LINE ITEM	DESCRIPTION	2024-2025 ACTUAL EXPENDED	2025-2026 RTM APPROP.	2025-2026 ADDITIONAL / TRANSFERS (1/1/26)	ACTUAL EXPEND & ENCUMB AS OF 1/1/26	2026-2027 DEPT/ AGENCY REQUEST	BOS REDUCTIONS	2026-2027 BOS APPROVED	2026-2027 BOARD OF FINANCE REDUCTIONS	2026-2027 BOS APPROVED	BOF APPROVED FY27 AMOUNT (INC/DEC)	BOF APPROVED FY27 PERCENT (INC/DEC)
GENERAL GOVERNMENT:												
10101	BOARD OF SELECTMEN	195,254	206,402	0	98,702	207,470		207,470		207,470	1,068	0.52%
10102	REGISTRARS OF VOTERS	124,596	121,255	0	61,004	126,410		126,410		126,410	5,155	4.25%
10103	BOARD OF FINANCE	85,342	83,608	0	53,370	86,406		86,406		86,406	2,798	3.35%
10104	ASSESSOR	311,197	319,641	0	154,921	351,260		351,260	(12,064)	339,196	19,555	6.12%
10105	BD. OF ASSESSMENT APPEALS	1,271	1,829	0	226	5,693		5,693		5,693	3,864	211.26%
10106	TAX COLLECTOR	216,940	227,817	0	109,910	233,609		233,609		233,609	5,792	2.54%
10107	FINANCE DEPARTMENT	761,497	784,326	0	431,364	805,507		805,507		805,507	21,181	2.70%
10108	LEGAL DEPARTMENT	286,169	295,000	0	291,458	295,000		295,000		295,000	0	0.00%
10109	TOWN CLERK	260,585	272,301	0	122,720	271,688		271,688		271,688	(613)	-0.23%
10110	PLANNING & ZONING	660,450	695,016	0	314,468	699,654		699,654		699,654	4,638	0.67%
10111	BUILDING MAINTENANCE	1,152,391	1,020,000	0	669,801	1,217,876		1,217,876		1,217,876	197,876	19.40%
10112	INSURANCE	4,849,536	5,604,561	0	3,611,694	5,947,106		5,947,106	(83,667)	5,863,439	258,878	4.62%
10113	ECONOMIC DEVELOPMENT COMM	9,191	25,352	0	9,462	25,407		25,407		25,407	55	0.22%
10114	CONSERVATION COMMISSION	5,031	18,250	0	10,317	18,250		18,250		18,250	0	0.00%
10115	ZONING BOARD OF APPEALS	2,108	4,310	0	2,960	4,310		4,310		4,310	0	0.00%
10116	RETIREMENT COMMISSION	7,461,685	7,200,257	0	3,939,325	8,301,874	(1,006,351)	7,295,523	(1,183,112)	6,112,411	(1,087,846)	-15.11%
10117	REPRESENTATIVE TOWN MTG.	17,085	17,403	0	15,652	17,802		17,802		17,802	399	2.29%
10118	BUILDING DEPARTMENT	264,700	321,515	0	111,881	355,537		355,537		355,537	34,022	10.58%
10119	YOUTH & FAMILY SERVICES	289,113	307,435	0	113,992	292,078		292,078		292,078	(15,357)	-5.00%
10120	SOC. SVC. GRANTS/MISC.	99,380	103,510	0	72,860	122,825		122,825		122,825	19,315	18.66%
10121	CONTINGENCY	263,706	265,000	0	7,113	285,000		285,000		285,000	20,000	7.55%
10122	EMERGENCY MANAGEMENT	1,086,655	1,230,035	0	521,510	1,270,180		1,270,180		1,270,180	40,145	3.26%
10123	FIRE SERVICES	3,618,796	3,958,130	88,640	1,874,316	4,345,218		4,345,218		4,345,218	387,088	9.78%
10129	POLICE DEPARTMENT	7,054,299	7,215,097	0	2,369,159	7,321,043	(13,919)	7,307,124		7,307,124	92,027	1.28%
10130	PUBLIC WORKS DEPARTMENT	4,705,872	5,154,902	0	2,320,484	5,312,218		5,312,218		5,312,218	157,316	3.05%
10132	CONSERVATION OF HEALTH	148,407	155,063	0	155,063	160,368		160,368		160,368	5,305	3.42%
10133	PUBLIC HEALTH NURSING SERV.	25,862	21,600	0	1,100	17,280		17,280		17,280	(4,320)	-20.00%
10135	SENIOR CITIZENS COMMISSION	524,333	523,586	0	266,193	528,682		528,682		528,682	5,096	0.97%
10136	WATERFORD PUBLIC LIBRARY	1,012,967	1,012,780	0	495,299	1,045,991		1,045,991		1,045,991	33,211	3.28%
10137	RECREATION & PARKS COMM.	1,487,357	1,535,328	0	824,869	1,608,405		1,608,405		1,608,405	73,077	4.76%
10141	FLOOD & EROSION CONTROL BD	327	1,109	0	168	1,104		1,104		1,104	(5)	-0.45%
10143	ETHICS COMMISSION	540	900	0	526	900		900		900	0	0.00%
10145	HUMAN RESOURCES DEPT.	224,945	244,204	0	143,365	256,477		256,477		256,477	12,273	5.03%
10147	INFORMATION TECHNOLOGY	1,203,901	1,214,796	0	1,003,971	1,380,069		1,380,069		1,380,069	165,273	13.61%
TOTAL GENERAL GOV'T OPERATIONS		38,411,488	40,162,318	88,640	20,179,223	42,918,697	(1,020,270)	41,898,427	(1,278,843)	40,619,584	457,266	1.14%

TOWN OF WATERFORD
GENERAL FUND EXPENDITURES
2026-2027 PROPOSED BUDGET

DEPT/AGENCY:

DEPARTMENTAL SUMMARY

LINE ITEM	DESCRIPTION	2024-2025 ACTUAL EXPENDED	2025-2026 RTM APPROP.	2025-2026 ADDITIONAL / TRANSFERS (1/1/26)	ACTUAL EXPEND & ENCUMB AS OF 1/1/26	2026-2027 DEPT/ AGENCY REQUEST	BOS REDUCTIONS	2026-2027 BOS APPROVED	2026-2027 BOARD OF FINANCE REDUCTIONS	2026-2027 BOF APPROVED	BOF APPROVED FY27 AMOUNT (INC/DEC)	BOF APPROVED FY27 PERCENT (INC/DEC)
CAPITAL AND DEBT SERVICE:												
10138	CURRENT YEAR CAPITAL IMPR.	2,634,168	1,101,089		1,101,089	3,364,490		3,669,490	(305,000)	3,364,490	2,263,401	205.56%
10140	TRANS TO CAP & NON-REC.	4,296,312	773,264		773,264	816,971		816,971		816,971	43,707	5.65%
10139	DEBT SERVICE	8,109,746	7,964,500		7,354,264	7,922,996		7,922,996		7,922,996	(41,504)	-0.52%
TOTAL CAPITAL & DEBT SERVICE		15,040,226	9,838,853	0	9,228,617	12,104,457	0	12,409,457	(305,000)	12,104,457	2,265,604	23.03%
TOTAL TOWN (OPERATING, CAPITAL, DEBT)		53,451,714	50,001,171	88,640	29,407,840	55,023,154	(1,020,270)	54,307,884	(305,000)	52,724,041	2,722,870	5.45%
BOARD OF EDUCATION:												
10160	OPERATING BUDGET	57,500,835	59,828,308			62,999,629				62,640,629	2,812,321	4.70%
TOTAL BOE OPERATIONS		57,500,835	59,828,308			62,999,629		0	(359,000)	62,640,629	2,812,321	4.70%
TOTAL GENERAL FUND		110,952,549	109,829,479	88,640	29,407,840	118,022,783	(1,020,270)	54,307,884	(1,942,843)	115,364,670	5,535,191	5.04%

TOTAL BOARD OF EDUCATION FUNDS BEING REQUESTED/PROPOSED

Operating (account 10160)	62,640,629
Capital (accounts 10138 & 10140)	858,307
Fleet Management Plan	144,000
Debt Payments (account 10139)	6,506,701
Retirement (account 10116)	1,678,715
GRAND TOTAL BOE BUDGET	71,828,352

October 1, 2025 Enrollment
Cost per pupil

2,219
\$ 32,369.69

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

2

To: Susan Driscoll, RTM Moderator
David Campo, Town Clerk

From: Alan Wilensky, CCMC
Waterford Tax Collector

Date: April 23, 2026

Subject: Tax Payment Schedule for Fiscal Year 2026 – 2027
For the RTM meeting agenda of May 13, 2026

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 23 | P 1:39
ATTEST: David J. Campo
TOWN CLERK

I have the following recommendations for the schedule of tax payments for Fiscal Year 2026– 2027:

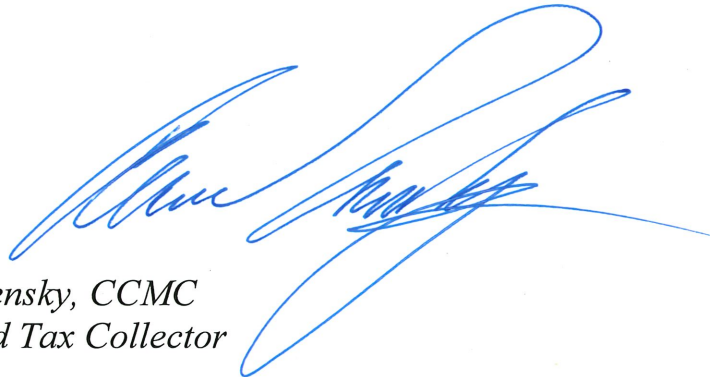
- Retain the two-payment system for Real Estate tax bills, providing for collections in July and January.
- Real Estate tax bills over \$100.00 would be collected in two equal installments, due July 1, 2026, and January 1, 2027.
- Real Estate tax bills of \$100.00 or less would be due in full July 1, 2026.
- Personal Property and Motor Vehicle tax bills would be due in full July 1, 2026.
- Motor Vehicle Supplemental tax bills will once again be created twice per fiscal year. Vehicles registered between October 2, 2025 and March 31, 2026 will be billed in July 2026. Vehicles registered between April 1, 2026 and September 30, 2026 will be billed in January 2027.

This collection schedule is recommended in order to keep the Town in compliance with Connecticut General Statutes 12-142, 12-144, and 12-144a.

Sec. 12-142. Installments; due date. The legislative body of each municipality, upon approving any budget calling for the laying of a tax on property, shall determine whether such tax shall be due and payable in a single installment or in two semiannual installments or in four quarterly installments and shall, unless otherwise provided by law, designate the date or dates on which such installment or installments shall be due and payable, subject to the provisions of section 7-383, in any municipality in compliance with requirements concerning the uniform fiscal year under chapter 110; provided the last installment of any such tax shall be due and payable not later than forty-five days before the end of the fiscal year in which the first installment thereof is due and payable, and provided any special tax shall be due and payable in a single installment. In case of failure of the legislative body to determine when such tax shall be due and payable or whenever the date on which such tax shall be due and payable has been determined, however, (1) the preparation and mailing of rate bills for such tax is delayed until after the date such tax is due or (2) such tax is not applicable to certain property until after the date such tax is due, such tax shall be due and payable, with respect to all property or property which becomes subject to tax after the date such tax is due, whichever is applicable, not later than thirty days following the date on which rate bills for such tax are mailed or handed to persons liable therefor. Except as otherwise provided by law, the several installments of a tax due in two or four installments shall be equal, but any taxpayer may pay two or more of such installments when the first is due.

Sec. 12-144. Payment of taxes of not more than one hundred dollars. Any property tax due in any municipality of this state in an amount not in excess of one hundred dollars shall be due and payable in a single payment when so determined by the appropriating body of such municipality.

Sec. 12-144a. Payment of tax on motor vehicles. Irrespective of the provisions of sections 12-142 and 12-144, the appropriating body of each municipality, upon approving any budget calling for the laying of a tax on property, shall determine whether such tax as it applies to motor vehicles shall be due and payable in a single installment.



*Alan Wilensky, CCMC
Waterford Tax Collector*

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

3

April 10, 2026

Ms. Susan Driscoll, Moderator
Representative Town Meeting
15 Rope Ferry Road
Waterford, CT 06385

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 10 P 2:06
ATTEST: *[Signature]*
TOWN CLERK

Subject: Agenda Request: Board of Finance Recommendation Appropriation for Phase I Revaluation Services

Dear Moderator Driscoll:

During the Board of Finance meeting on April 8, 2026, the Board voted to recommend that the Representative Town Meeting approve a request from Paige Walton, Assessor. The recommendation is to move **\$28,000** from designated budget line **#10140-57639 (Transfers to Cap & NRE Funds)** to appropriated line **#20501-57639 (CNR Revaluation)**.

I respectfully request that this item be placed on the agenda for the next Representative Town Meeting.

Supporting documentation is attached.

Respectfully submitted,

Glenn Patterson

Glenn Patterson, Chairman
Board of Finance

Enclosure: Assessor, Appropriation & Bid Waiver Request – Federal Appraisal LLC

GP/rlh

Cc: Town Clerk

Town of Waterford
Assessor's Office
15 Rope Ferry Road
Waterford, CT 06385



Phone: (860) 444-5820
Fax: (860) 444-5819

TO: Robert Brule, First Selectman
Cc: Kimberly Allen, Finance Director
Shea Davy, Purchasing Agent
FROM: Paige Walton, Assessor
RE: Appropriation & Bid Waiver Request – Federal Appraisal LLC
DATE: March 3, 2026

The Assessor's Office respectfully requests a waiver of competitive bidding for appraisal services specific to the Millstone Nuclear Power Plant, to be conducted for the 2026 state-mandated revaluation.

While the attached quote is over the \$25,000 threshold for bidding, the power plant appraisal services required are very specific and unique in nature. Federal Appraisal LLC has completed similar appraisal work for the Town of Waterford in the past and possesses a very specific level of expertise in the field of power plant valuation. As such, Federal Appraisal LLC is uniquely qualified to conduct the 10/1/2026 appraisal of the Dominion Nuclear Power Station.

The Assessor's Office respectfully requests a fund appropriation in the amount of \$28,000 from Line ~~10404-57639~~ Transfers to Cap & NRE Funds for Phase I of the revaluation services (restricted appraisal) provided by Federal Appraisal, LLC to line **20501-57639 CNR Revaluation**.

10140

Thank you for your consideration to this matter.

Sincerely,

Paige S. Walton
Assessor
Town of Waterford

\$ appropriation -

Bos - 3/17/26, approved

BOF - 4/8/26, approved

Attachment:

Federal Appraisal LLC Quote

FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886



PHONE: 860-442-0553
www.waterfordct.org

3

April 10, 2026

Ms. Susan Driscoll, Moderator
Representative Town Meeting
15 Rope Ferry Road
Waterford, CT 06385

RECEIVED FOR RECORD
WATERFORD, CT
2026 APR 10 P 2:06
ATTEST: *Paul H. [Signature]*
TOWN CLERK

Subject: Agenda Request: Board of Finance Recommendation Appropriation for Phase I Revaluation Services

Dear Moderator Driscoll:

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I respectfully request that this item be placed on the agenda for the next Representative Town Meeting.

Supporting documentation is attached.

Respectfully submitted,

Glenn Patterson

Glenn Patterson, Chairman
Board of Finance

Enclosure: Assessor, Appropriation & Bid Waiver Request – Federal Appraisal LLC

GP/rlh

Cc: Town Clerk

Town of Waterford
Assessor's Office
15 Rope Ferry Road
Waterford, CT 06385



Phone: (860) 444-5820
Fax: (860) 444-5819

TO: Robert Brule, First Selectman
Cc: Kimberly Allen, Finance Director
Shea Davy, Purchasing Agent
FROM: Paige Walton, Assessor
RE: Appropriation & Bid Waiver Request – Federal Appraisal LLC
DATE: March 3, 2026

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The Assessor's Office respectfully requests a fund appropriation in the amount of \$28,000 from Line ~~10404-57639~~ **Transfers to Cap & NRE Funds** for Phase I of the revaluation services (restricted appraisal) provided by Federal Appraisal, LLC to line **20501-57639 CNR Revaluation**.

10140

Thank you for your consideration to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Paige S. Walton", with a long horizontal flourish extending to the right.

Paige S. Walton
Assessor
Town of Waterford

\$ appropriation -

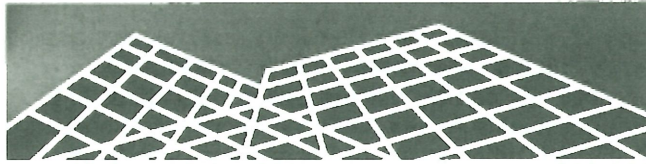
BOS - 3/17/26, approved

BOF - 4/8/26, approved

Attachment:

Federal Appraisal LLC Quote

FEDERAL APPRAISAL LLC



295 Route 22 East, Suite 204 908.634.3590
Whitehouse Station, New Jersey 08889 908.823.0575 fax
www.federalappraisal.com

Turning words and numbers into meaning and value

March 2, 2026

Paige S. Walton, CCMA II, Assessor, Town of Waterford
15 Rope Ferry Road
Waterford, CT 06385
pwalton@waterfordct.org

RE: Proposal/Engagement to Provide Appraisal and Consulting Services regarding
Millstone Nuclear Power Plant
Waterford,

Dear Mr. Paige S. Walton, CCMA II, Assessor, Town of Waterford:

Federal Appraisal LLC ("Federal") is prepared to provide appraisal and consulting services regarding the above referenced property for you (the "Client") and No other intended users. This proposal letter presents Federal's understanding of the assets being appraised, the Client's appraisal needs, and Federal's qualifications, proposed services, and fees. Please indicate your acceptance of this proposal and engagement by counter signing this letter and returning a signed copy to Federal.

A table of contents for this proposal is located in section 13.

Federal Appraisal is uniquely qualified to provide appraisal and consulting services regarding the referenced asset (the "Property" or "Subject") described herein based on the facts that:

- Federal has previously appraised the Millstone Nuclear Power Plant multiple times over multiple years for property tax purposes.
- Federal has appraised and reviewed appraisals on hundreds of power plants, including dozens of nuclear power plants, across the country for property tax assessment purposes; See attached partial list of nuclear power plant appraisals.
- Federal's appraisers are nationally recognized experts in the appraisal of utility properties, specifically power plants. See our award-winning article, "*The Appraisal of Power Plants*". Our other articles can be found on our website, FederalAppraisal.com.
- Federal appraisers have attained the highest levels of education and professional accreditation, including MAI's (Designated Members of the Appraisal Institute), ASA's (Accredited Senior Appraisers with the American Society of Appraisers, in business valuation), and are SCGREAs (State Certified General Real Estate Appraisers)
- Federal Appraisal LLC has been serving for over 20 Years and Mark Pomykacz has been appraising for 40 years, and has completed appraisals on all types of complex assets and issues throughout the United States, for all types of clients and contexts.
- Mark Pomykacz regularly testifies to his complex appraisals, including many utility property appraisals, and has been accepted as an expert witness in multiple states and jurisdictions, including on power generation properties like the Subject, including the state where the Subject is located.
- Mark Pomykacz is designated as an MAI and an appraisal review specialist, AI-GRS, from the Appraisal Institute. Mark Pomykacz is designated as a business appraiser, as an ASA in Business Valuation from

the American Society of Appraisers. Mark Pomykacz is designated as a commercial real estate appraiser in multiple states including the state where the Subject is located.

- Our reports and services fully comply with the Uniform Standards of Professional Appraisal Practice the standards of the Appraisal Institute, the American Society of Appraisers and the International Valuation Standards, GAAP, IRS and other governmental appraisal standards.

1. Purpose, Use and Scope of the Appraisal Review and Consulting Services

The purpose of this Appraisal is to determine the following Standard of Value. The Standard of Value will be The Standard of Value for this Appraisal is market value/fair market value ("Value"). The purpose of this engagement may include additional consulting services ("Consulting Services"), as needed. Federal will provide the Client with an Appraisal Report (the "Report"). Federal understands the Client will use the Report to assist with the Subject's property tax assessment. Federal shall prepare the Report and provide the Consulting Services for this purpose and use.

Federal agrees to provide the Client with the following scope of work, analysis, and reporting, delivered in phase:

1.1. Phase I –Restricted Appraisal Services, for Tax Assessment Purposes

- Provide information request documents and support
- Assist in gathering Subject data and market data from the Client and the property owner
- Gather Subject data and market data from within the public domain
- Conduct site inspection of the Subject, if practical and necessary
- Provide periodic verbal reports on the status of our work and on the findings of preliminary analyses
- Research and analyze the appraisal problem, including researching and analyzing the proper scope of work, appraisal context and definitions, appraisal assumptions and conditions, market data, economic data, Subject physical, legal, and financial details, and highest and best use analysis
- Develop an estimate of the value of the Subject, including consideration of the appropriate leading approaches to value and other requisite and appropriate appraisal considerations and analyses
- When necessary for the Appraisal purpose and use, Federal will also complete various allocations of value between taxable and tax-exempt property and between real and personal property and intangibles
- Deliver a Restricted Appraisal Reporting Services which may be limited to oral reporting or summary written documentation that will include summary schedules supporting the conclusions contained in the Report and as described herein, that are sufficient for the Client's purpose and use in Phase I, for case management and planning, and negotiations.

1.2. Phase II –Narrative Appraisal Report, for Litigation

- Provide information request documents and support
- Assist in gathering Subject data and market data from the Client and the property owner
- Gather Subject data and market data from within the public domain
- Conduct site inspection of the Subject, if practical and necessary
- Provide periodic verbal reports on the status of our work and on the findings of preliminary analyses
- Research and analyze the appraisal problem, including researching and analyzing the proper scope of work, appraisal context and definitions, appraisal assumptions and conditions, market data, economic data, Subject physical, legal, and financial details, and highest and best use analysis
- Develop an estimate of the value of the Subject, including consideration of all appropriate approaches to value and other requisite and appropriate appraisal considerations and analyses
- When necessary for the Appraisal purpose and use, Federal will also complete various allocations of value between taxable and tax-exempt property and between real and personal property and intangibles
- Deliver a full narrative Appraisal Report which will include schedules supporting the conclusions contained in the Report and as described herein, that are sufficient for the Client's purpose and use, for litigation.

1.3. Phase III – Consulting Services

- Additional appraisal, appraisal review, consultation, meetings, negotiations, depositions, or testimony services not addressed in Phases I to the extent mutually agreed upon by the Client and Federal prior to commencing work

The Client may terminate the engagement before the commencement of or during any phase.

The Appraisal and Consulting Services will comply with the Uniform Standards of Professional Appraisal Practice ("USPAP"), and with the standards of the Appraisal Institute, and the American Society of Appraisers. Where necessary the Appraisal and Consulting Services will comply with the Uniform Appraisal Standards for Federal Land Acquisition ("Yellowbook"), GAAP, IRS and other governmental standards. The Appraisal services will comply with the statutes and administrative rules of the state of where the assets are located. Mark Pomykacz will personally conduct and certify the Appraisal as a Member of the Appraisal Institute ("MAI"), an Accredited Senior Appraiser ("ASA") in Business Valuation with the American Society of Appraisers, a General Review Specialist with the Appraisal Institute ("AI-GRS"), and a State Certified General Real Estate Appraiser, when appropriate or required by law.

1.4. Hypothetical Conditions

We shall employ the following hypothetical conditions or extraordinary assumptions in the Appraisal:

No hypothetical conditions or extraordinary assumptions were made in this Appraisal.

2. Dates of Value

Federal understands that the Appraisal and Consulting Services shall have an effective (appraisal) date October 1, 2026.

3. The Subject

The Subject improvements are summarized as follows:

Millstone is located at a former quarry site in Waterford, Connecticut. The site covers about 500 acres. The Millstone complex was built by a consortium of utilities. Millstone 1 was initially shut down in November 1995, before being permanently closed in July 1998. Units 2 and 3 continue to operate.

The units are operated by Dominion Generation. Dominion Resources, Inc., owns 100 percent of units 1 and 2 and is majority owner of unit 3. Besides Dominion (93.5 percent owner), the owners of unit 3 include Massachusetts Municipal Wholesale Electric Company (4.8 percent), and the Central Vermont Public Service Corporation (1.7 percent).

Note that while Unit 1 is now permanently closed, the remaining physical and legal assets may have value or may represent a liability. As part of this appraisal, Federal will fully analyze and report on the value, if any, of the remaining assets at Unit 1.

In recent years, a dry cask storage facility has been developed on the site for the intermediate term storage of nuclear waste. Federal shall include these assets in its appraisal.

There has been recent news that data center potentially being developed on site. If valuation services are needed for this additional asset, it would fall under Phase III for consulting.

These details will be confirmed and accounted for by Federal during the course of completing the Appraisal.

3.1. Site Inspection

Federal intends to inspect the Subject as part of this Appraisal, if practical and necessary.

4. Valuation Definitions and Assumptions

Federal will work with the Client to ensure that the various appraisal and valuation definitions and assumptions employed in the Appraisal Report are appropriate for the Client's purpose and use. For example, Federal will work with the Client to ensure the Appraisal assumes proper definitions of value for the Client's purposes. Examples of general definitions are shown in the following sections.

4.1. Market Value Concepts

Below are definitions taken from The Dictionary of Real Estate Appraisal, sixth edition, published by the Appraisal Institute. This value is often but not always equivalent to taxing jurisdiction's definition of the taxable value.

Market Value:

1. The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.
2. Definition from USPAP¹. A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.
3. Federal Register². The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
 - a. Buyer and seller are typically motivated;
 - b. Both parties are well informed or well advised, and acting in what they consider their best interests;
 - c. A reasonable time is allowed for exposure in the open market;
 - d. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

There are various concepts that often interrelated to the type of value appraised, and that depend on the context of appraisal. The concepts include highest and best use and fee simple and leased fee estates.

Highest and Best Use:

1. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.³

5. Methodology

Federal will complete the Appraisal and Consulting Services through consideration of the three traditional approaches to value: Cost Approach, Sales Comparison Approach, and Income Approach. Federal will consider the appraisal methodologies with legal counsel to ensure that the Appraisal is consistent with local law and regulations, and any court precedents on the matter.

5.1. Sales Comparison Approach

Federal will attempt to estimate the market value of the Subject utilizing the Sales Comparison Approach. It involves the comparison of sales (or offerings) of properties similar to the Subject. If the comparable sales are not exactly like the subject, adjustments are made to the sale price of the comparable sales (or offerings). When adequate data on sales allows the completion of the adjustment process, the Sales Comparison Approach is a reliable method to determine value.

5.2. Income Approach

The Income Approach will also be considered in the Appraisal. The underlying principle in this approach is that buyers invest in properties like the Subject for the satisfaction of receiving the anticipated future income. Federal will

¹ (USPAP, 2018 ed.)

² (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994).

³ The Dictionary of Real Estate Appraisal, 5th ed. Chicago, Appraisal Institute.

attempt to replicate the analysis buyers and sellers would make on the expected income and any inherent risk. Specifically, Federal shall consider a discounted future cash flow ("DCF") method of the income approach. The DCF approach estimates the value of the Facility by considering the prospective operational results and the financial positions of the Subject, over multiple years.

Federal will also attempt to evaluate the Facility using direct capitalization techniques. In this technique, income for a single year is converted directly into an indication of value. This technique is useful because it is mathematically the simplest income approach to complete; however, if it proves to be unsound as an independent appraisal technique, Federal may attempt to utilize it as cross-checking technique and "range of value" indicator.

5.2.1. Electricity Price and Fuel Price Forecaster

Federal will utilize any appropriate forecast of electricity and fuel prices ("forecast") supplied by an independent forecaster engaged and paid for by the Client. Federal assumes that the Client will engage a qualified forecasting firm and that the forecast will be sound. Federal will work with the forecasting firm to ensure that the forecast can be coordinated with and utilized in Federal's appraisal. Federal expects that the Client will ensure that the forecasting firm will work with Federal to similarly ensure that the forecast can be utilized in Federal's appraisal. To the extent professionally capable, Federal will conduct an independent review of the forecast. The Federal review of the forecast will include a review of the qualifications of the writers of the forecast report, the certification and general assumptions and limiting conditions of the report, and the purpose, use, and scope of the report. To the extent professionally capable, Federal will review the various analysis assumptions and methodologies. Even if the Client engages a forecaster, Federal may still complete its own forecast of electricity and fuel prices.

If the Client does not wish to engage an electricity price forecaster, Federal will complete its own forecast of electricity prices in order to complete the Appraisal using data from SNL and S&P Global Market Intelligence, which is a subscription data service providing market data in the energy and utility industries.

5.2.2. Major Agreements

Federal will consider the impact of major agreements or contracts (such as leases, power purchase agreements, wholesale power contracts, fuel supply agreements, major supply or offtake agreements) that are relevant as of the valuation date and as permissible under the applicable law and market terms, if required by applicable law. Federal will work with the Client and their counsel to ensure proper appraisal and legal assumptions concerning major contracts for our Appraisals.

5.2.3. Cost Approach

The Cost Approach is based upon the premise that an informed purchaser would pay no more for an asset than the cost of constructing a substitute asset with the same utility as the subject asset. Also, cost approach techniques may be utilized to determine the value of parts of the Subject, such as personal property, intangibles, and exempt property. Among the three traditional approaches, the cost approach has the distinct advantage of usually including in its value indication only those assets explicitly included in its analysis. Further, given the cost approach's ability to isolate specific assets that roll up to comprise overall value, the cost approach is commonly employed, in conjunction with sales and/or income approaches, to complete residual and allocation techniques. The income and/or the sales approaches are used to determine the overall value, and the cost approach is used to determine the value of component assets to be excluded. The difference between the reconciled income or the sales approaches and the cost approach yields the value of the residual asset.

5.3. Residual and Allocation Valuation Techniques

When the appraisal assignment calls for it, various techniques such as allocations, residuals, or summations may be made to, or with, the various elements or components of the concluded values from the three traditional approaches in order to determine overall asset values or parts of an overall value. When necessary, Federal will consult with legal, accounting and engineering experts in order to determine proper residual and allocation execution.

6. Legal, Accounting, and Engineering Services

Federal is not a legal, accounting, or an engineering services provider. Federal will either work with attorneys, accountants, or engineers contracted or employed by the Client, or will contract for such services and bill the Client for the expense. These services may or may not be needed. The Client recognizes that such assistance to Federal may be necessary in order to complete the appraisal process.

7. Client Furnished Data and Access

In order to complete our analyses in a timely manner, the Client must provide certain information. This information should include but not be limited to the data included with Information Request, which is attached to this proposal.

We understand certain information may not be available and we will work with the Client to obtain this information, or to develop alternative appraisal methodologies. Throughout the project we reserve the right to request additional data that we may deem as appropriate to complete our appraisals.

Our appraisal information request list is attached hereto in Information Request, Section 16, page 23.

8. Qualifications

Federal Appraisal, LLC is an appraisal and advisory company that provides appraisals, valuation-consulting, and litigation support services to clients worldwide. Our valuation practice includes 8 professionals comprised of designated appraisers who have developed expertise in the appraisal of complex property types and complex appraisal issues.

Federal provides valuation advisory services to support all major industries including general commercial and investment real estate, public utilities (electric power generation, transmission, and distribution), water and sewer, petroleum refining, storage, and pipelines, natural gas pipelines and storage, biofuels facilities (ethanol and biodiesel plants), telecommunications assets, railroads, mining, high technology facilities, and aerospace assets. Our services are utilized by big and small businesses, accountants and attorneys, governments, lenders, manufacturers, healthcare providers, and other industries.

8.1. Mr. Mark Pomykacz, MAI, ASA, AI-GRS, SCGRE

This project will be managed under the direct supervision of Mr. Mark Pomykacz.

Mark Pomykacz has over 40 years of experience in real estate and business appraisal services and has developed nationally recognized expertise with complex and non-traditional asset types and issues. Mr. Pomykacz is the founder and Managing Member of Federal Appraisal, LLC. His full resume is appended hereto. References are available upon request.

9. Deliverables and Appraisal Delivery Date

Federal will work with the Client to establish a delivery schedule suitable for their needs. Generally, we expect that it will take 4 to 6 weeks to complete and deliver the Phase I Appraisal Report. Expedited services are available upon request. The Report deliverables include electronic copies of the Reports. Federal agrees to provide hard copies of the deliverables to the Client, at the Client's expense.

Any delivery dates are contingent upon the Client authorizing Federal to begin work, and upon the Client and the property/asset owner providing any needed information and access in a timely manner. The Client understands and accepts that other factors that are not under the control of Federal may delay the delivery of Federal's status in completing oral and written deliverables and reports.

Paige S. Walton, CCMA II, Assessor, Town of Waterford
RE: Proposal/Engagement to Provide Appraisal and Consulting Services regarding
Millstone Nuclear Power Plant

10. Professional Fees and Expenses

The professional fees are based on the estimated time required to complete the service and on the level of expertise required. The fees and expenses are described as follows.

Professional Fee Schedule

Phase I: Restricted Appraisal Services Restricted Appraisal Services, as discussed in Sections 1 through 9 concerning Phase I services of this proposal. This fee excludes reimbursable expenses.	\$28,000 plus expenses
Phase II: Full Appraisal Services One Full Narrative Appraisal Report, as discussed in Sections 1 through 9 concerning Phase I services of this proposal. This fee excludes reimbursable expenses.	\$17,000 plus expenses
Phase III: Additional Consulting, Meetings, Negotiations, Preparation, Testimony, and/or Deposition Additional consultation on matters not addressed in Phases I as agreed on by the parties, including but not limited to appraisal review, consulting services, meetings, negotiations, preparation for deposition and trial, or providing testimony at deposition and trial, etc. This fee excludes reimbursable expenses.	Billed hourly, at rates below, plus expenses

Hourly Rates Schedule for Phase III

Testimony and Depositions An hourly rate based on the number of hours testifying or being deposed, plus reimbursable expenses.	Partner / Director	\$ 550.00
Other Appraisal or Consulting Services An hourly rate based on the number of hours providing other valuation consulting services, such as appraisal review services, litigation support, forensic consulting, meetings, research and analysis, trial preparation, plus reimbursable expenses.	Partner / Director	\$ 425.00
	Manager	\$ 350.00
	Consultant	\$ 225.00
	Administrative Support	\$ 90.00

All quoted hourly and daily professional fee rates apply to the 2026 calendar year. These rates are subject to an annual escalation rate of 5.0 percent beginning January 1, 2027.

This fee proposal is valid for 90 days from the date of this document. However, please note that any delays in authorizing us to start work may result in delays to the scheduled delivery date of our appraisal work.

10.1. Setup Cost Payment

Federal requires an initial setup cost payment of 50% for Phase I, payable upon Client's authorization for Federal to commence work on that phase.

10.2. Billing Frequency

Federal will submit monthly invoices for professional fees and reimbursable expenses incurred to date.

10.3. Expenses

The Fees proposed do not include reimbursable expenses, which the Client agrees to pay. Reimbursable expenses shall include, but shall not be limited to; all travel, research data, express mail, data collection charges, and report

and document processing expenses incurred by Federal. Reimbursable expenses shall also include a fee for data subscription services providing market data, including electricity, capacity and fuel price forecasts, demographics, market surveys and comparable sales data and documentation. Reimbursable expenses shall also include all governmental charges and costs to Federal arising due to this contract, including costs to Federal for business and appraisal licenses, permits, fees and registrations, applications, tax clearances, and certifications of authority, and foreign registered agents and certificates of insurance.

Travel expenses shall include any expenses associated with travel to/from the Subject or meetings related to the project. Federal will obtain the approval of the Client prior to planning reimbursable travel. The Client recognizes and accepts that the scope of the Appraisal may change based on the Client's decision to authorize or not authorize reimbursable travel and other reimbursable expenses. Federal will notify the Client immediately should the Appraisal necessitate travel, without which could result in a substantial change to the scope and Fee of the Appraisals.

10.4. Cancellations and Terminations

The Client may terminate the engagement at any time, and the Client will pay for Federal's time and expenses to date.

Federal will charge a \$450 fee per day, plus any out-of-pocket expenses, for any cancelled appearances. Appearances shall include hearings, testimony, or depositions, whether in person, by telephone or by internet video, or any meetings or other appearances that require travel out of state, that are scheduled in advance and intended to last more than 3 hours per day, or any meetings or other appearances that require travel out of state.

10.5. Banking Fees and Transaction Charges

The Client hereby acknowledges and agrees that it shall be solely responsible for all banking fees, transaction costs, and related charges incurred in connection with the use of a credit card or other electronic payment method. In the event the Client elects to remit payment by credit card, a processing fee equal to four percent (4%) of the total invoiced amount shall be added to the invoice. In the event the Client elects to remit payment through the QuickBooks payment link, a flat transaction fee of twenty five dollars (\$25.00) shall be applied to such payment.

11. Reference to General Terms and Conditions

This proposal and engagement is subject to the attached general terms and conditions. See Section 14, page 11.

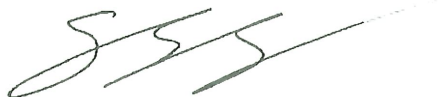
Paige S. Walton, CCMA II, Assessor, Town of Waterford
RE: Proposal/Engagement to Provide Appraisal and Consulting Services regarding
Millstone Nuclear Power Plant

12. Engagement Acceptance and Signatures

Please indicate your acceptance of this proposal and engagement by signing this letter below and returning a signed copy to Federal.

It has been my pleasure to provide this proposal to you, and I hope to have the pleasure of working with you soon. In the meantime, please feel free to contact me with any appraisal questions or concerns.

Very Truly Yours



Mark Pomykacz, MAI, ASA, AI-GRS
Managing Partner
March 2, 2026

Accepted and agreed to by:

Signature: _____

Name: _____

Title: _____

Company: _____

Date: _____

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14. General Terms and Conditions

This Contract and the services proposed are subject to the following general assumptions, disclaimers, and limiting conditions.

In this section, the term Proposed Services can mean proposed services, study, appraisal, research, analysis, consulting, any report or work product, services or deliverable about the proposed services, study, appraisal, research, consulting, services, or analysis. Further, the term "Federal" means Federal Appraisal LLC and its employees(s), consultant(s), appraiser(s), and service provider(s).

1. **Fees, Expenses, Travel and Testimony.** The fees listed in the proposal, engagement letter, or contract to which these terms are appended or referred to, including the exhibits, include Federal's best estimates of fees, travel, and other expenses as Federal currently foresees them. The current engagement plan includes allowances for the elements and conditions that Federal expects to encounter during the assignment. In the event that Federal encounters situations that require a revision or modification in the fees, Federal will discuss with the Client the causes and likely effects of the required modification, both in terms of deliverables, delivery schedule, and fees. The Client will approve the modifications or will terminate the engagement and pay Federal a fee based on the time and expenses incurred through the termination date. The fees listed in the proposal, engagement letter, and contract do not include fees for appearance in court, hearings, or preparation time for such appearances, unless such fees are explicitly listed in the proposal, engagement letter, or contract.
2. **Payment of Invoices.** Invoices for which payment is not received within sixty (60) days of the invoice date shall accrue a late charge of the lesser of (i) 1% per month or (ii) the highest rate allowable by law, in each case compounded monthly, beginning from the invoice date. Without limiting its rights or remedies, Federal shall have the right to halt or terminate entirely its Proposed Services until payment is received on past due invoices.
3. **Term.** Unless terminated sooner in accordance with its terms, this engagement shall terminate on the completion of Federal's Proposed Services. The Client or Federal may cancel this Agreement at any time, with or without cause, upon written notice to the other party. If at any point during the engagement the decision is made to discontinue Federal Proposed Services, Federal fees will be based upon the time and expenses incurred through that date. In that event, Federal invoices will be due and payable immediately. Regardless of the date of termination, Federal shall be entitled to their fees to the date of termination based on the fee determination criteria.
4. **Survival.** The provisions of the Proposal and this General Contract Assumptions and Limiting Conditions shall survive the expiration or termination of this engagement.
5. **Time Limitation on Actions.** Unless the time frame is shorter under applicable law, any legal action or claim relating to Federal's services shall be filed in court (or in the applicable arbitration tribunal, if the parties to the dispute have executed an arbitration agreement) within one (1) year from the date of delivery to Client of the appraisal report to which the claims or causes of action relate or, in the case of acts or conduct after delivery of the report, two (2) years from the date of the alleged acts or conduct. The time frame stated in this section shall not be extended by any delay in the discovery or accrual of the underlying claims, causes of action, or damages. The time frame stated in this section shall apply to all non-criminal claims or causes of action of any type.
6. **Force Majeure.** Federal shall not be liable for any delays in the delivery of Proposed Services resulting from circumstances or causes beyond its reasonable control, including, without limitation, the actions or inaction of others which Federal is dependent on to complete the Proposed Services, the action of others which causes Federal delays, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order, or requirement of any governmental agency or authority.
7. **Entire Agreement.** These General Contract Assumptions and Limiting Conditions, along with the proposal, engagement letter, or contract to which these terms are appended, possibly including the exhibits and other appendix, constitutes the entire agreement between Federal and Client with respect to the subject matter hereof and supersedes all other oral and written representations, understandings, or agreements relating to the subject matter hereof.
8. **Assignment.** Except as provided below, neither party may assign, transfer, or delegate any of the rights or obligations hereunder without the prior written consent of the other party. Federal may assign or subcontract portions of its rights and obligations hereunder to any affiliate of Federal, without the consent of Client, for the purpose of completing the Proposed Services.
9. **Governing Law and Severability.** These terms, and the proposal, engagement letter, or contract to which these terms are appended, including the exhibits, shall be governed by and construed in accordance with, the laws of the State of New Jersey (without giving effect to the choice of law principles thereof). The venue for any legal proceedings by the Client against Federal shall be the Superior Court of New Jersey of Hunterdon County. Client also waives the right to a trial by jury in any legal proceeding against Federal. If any provision of these terms is found by a court of competent jurisdiction to be unenforceable, such provision shall not affect the other provisions, but such unenforceable provision shall be deemed

modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.

10. **Arbitration.** Any controversy or claim arising out of or relating to the Proposed Services, or the breach thereof, shall be settled by arbitration conducted in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The arbitration shall utilize a single arbitrator, who must be a Member of the Appraisal Institute, MAI. The prevailing party shall be entitled to recover their reasonable arbitration expenses from the losing party. The arbitration shall take place in New Jersey.
11. **Affirmative Action Covenant.** Federal hereby incorporates by reference the mandatory affirmative action language of Subsection 3.4(a), N.J.A.C. 17:27-3.4 and N.J.A.C. 17:27-5.3 as promulgated by the Treasurer of the State of New Jersey pursuant to P.L. 1975, c.127, as amended and supplemented from time to time, and Federal agrees to comply fully with the terms, provisions, and conditions of Subsection 3.4 and of Section 5.3.
12. **Political Contribution Disclosure.** Federal does hereby attest that Federal, and its subsidiaries, assigns or principals controlling in excess of 10% of the company has neither made a contribution, that is reportable pursuant to the Election Law Enforcement Commission pursuant to N.J.S.A. 19:44A-8 or 19:44A-16 in the one (1) year period preceding the award of the contract that would, pursuant to P.L. 2004, c.19, affect its eligibility to perform this contract, nor will it make a reportable contribution during the term of the contract to any political party committee in the municipality/county when the contract is awarded, or to any candidate committee of any person serving in an elective public office of that municipality/county when the contract is awarded.

Information and Data Sources

13. **Confidentiality.** It is understood and agreed that Federal's Proposed Services will be prepared in accordance with the requirements of USPAP of the Appraisal Foundation, and the Proposed Services will comply with the Appraisal Institute's Code of Professional Ethics and Standards of Professional Practice and with The American Society of Appraisers' Principles of Appraisal Practice and Code of Ethics. These standards include confidentiality standards.
14. **Cooperation** Client shall cooperate with Federal in the performance by Federal of its Proposed Services, including, without limitation, providing Federal with reasonable facilities and timely access to data, information and personnel, and agents and representatives of Client. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to Federal for purposes of the performance by Federal of its Proposed Services.
15. **Client Representations.** The Client will furnish or cause to be furnished to Federal such historical and other information as Federal may have requested. The Client recognizes and confirms that (a) Federal will use and rely on such information and on information available from generally recognized public sources (all such information being the "Information") in performing the Proposed Services without Federal having independently verified the same; (b) Federal does not assume responsibility for the accuracy or completeness of the Information; and (c) Federal will not make an appraisal of, conduct an audit of, or otherwise provide any opinion, report, or other form of assurance with respect to such Information. In addition to providing required information, the Client will be responsible for providing historical and prospective financial statements and for providing information about and responding to document requests on a timely basis. Additionally, Federal may request and the Client agrees to supply a representation letter, in form and substance satisfactory to Federal which, among other things, confirming the Client's responsibility for the historical financial statements and for the underlying assumptions used in connection with any pro forma cash flows, the appropriateness of the prospective financial statements that the Client has prepared, and their active decision-making participation in the Service and the use of the Service.
16. The information on the financial, legal and physical condition of the subject property or assets provided by the Client, the subject owner, or others, directly to Federal or to the public through various public disclosure methods is assumed to be reliable.
17. Other materials and information obtained from various professionally appropriate public and private sources are assumed to be reliable.
18. The information contained within the Proposed Services was obtained from sources deemed to be reliable. Reasonable efforts, given the purpose, use, scope of the Proposed Services, the type, and definition of value, will be made to verify such information as reliable; however, no warranty or certification by Federal will be given as to its reliability.
19. If substantive issues are later discovered in data relied upon, then the reported opinions in the Proposed Services may need to be revised accordingly.

Property Specific Assumptions, Disclaimers and Limiting Conditions

Paige S. Walton, CCMA II, Assessor, Town of Waterford

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20. Federal does not provide legal, accounting, audit, engineering, architectural, or environmental sciences services. Federal assumes no responsibility for matters of a legal nature, matters of title, matters of audit, matters of engineering, matters of environmental science, or matters of architecture. All legal, engineering, architectural, environment, accounting and financial information provided to and utilized by Federal is assumed to be reliable.
21. It is assumed that the title to the studied interest is marketable. It is assumed that there are no deed restrictions or other limitation on the title that would make the Subject substantially more or less valuable, other than those that are specifically noted in the Proposed Services. It is assumed that the legal descriptions as obtained from public records or as furnished are reliable. Federal has made no land survey and has completed no title search or report of the Subject. It is assumed that there are no issues concerning subsurface, water, mineral rights, air rights, or transferable development rights that would make the Subject substantially more or less valuable, other than any that are specifically noted in the Proposed Services. It is assumed that there are no judgments, or pending or future litigation concerning the Subject, other than those that are specifically noted in the Proposed Services.
22. Except as noted herein, Federal assumes that there are no hidden or unapparent conditions at the Subject land and/or improvements, which would render the Subject more or less valuable. Federal assumes no responsibility for such conditions, or for engineering, environmental, legal, or architectural counseling which might be required to discover such conditions. We assume that there are no ADA issues sufficient to render the Subject significantly more or less valuable.
23. Typically, competent, responsible management and ownership are assumed.
24. It is assumed that there are no zoning or building code issues, or other federal, state, or local regulation compliance issues concerning the Subject that would significantly increase or decrease the value of the interest being appraised, unless noted in the Proposed Services.
25. Since Federal is not an engineering or an architectural firm, Federal makes no representation as to quality, functionality, condition, limitations or size of the Subject, except that 1) Federal has relied upon what has been reported as the best available data where said data was provided by others to Federal, who Federal believes to be an appropriate source of said data given the specific purpose, intended use and scope of work of the Proposed Services, and the type and definition of value used in this Proposed Services, and 2) if a visual inspection was conducted by Federal, then Federal has relied upon the visual inspection. Given the inherent limitations of Federal's visual inspection, if conducted, important issues at the Subject may not be uncovered. Federal's visual inspection of the Subject is not an engineering, architectural, or environmental inspection, and does not test building operations and does not cover 100 percent of the building(s), machinery, equipment, or site. Federal's visual inspection of the Subject, instead, samples the major components of the Asset.
26. The Proposed Services assumes that unless specifically noted elsewhere in the Proposed Services, the Subject suffers no environmental or hazard issues, and that there are no contamination or health risks existing at or near the Subject.
27. If substantive issues are later discovered in any of the data relied upon, then the reported opinions in the Proposed Services may need to be revised accordingly.
28. The Proposed Services performed under this agreement will be subject to all statements, assumptions, limiting conditions, and other conditions (collectively, "Appraisal Conditions") set forth in the appraisal report. Client agrees that Client will review the Appraisal Conditions upon receipt of the report and that Client's use of the appraisal will constitute acceptance of the Appraisal Conditions. The Appraisal Conditions shall be considered as being incorporated into and forming part of this agreement with respect to the appraisal in which they are contained and to the services relating to that appraisal. The Appraisal Conditions will be similar to these General Contract Assumptions and Limiting Conditions.

Publication, Distribution, Use of Study

29. The opinions proffered in the Proposed Services are as of a specific date, for a specific client and users, for a specific purpose and use, under a specific, limiting scope of work, and made under specific assumptions, disclaimers, limiting conditions, and certifications. Using the opinions proffered herein for any other use or purpose is unwise, inappropriate, and prohibited unless authorized by Federal. The Client agrees that

- a. The Client and other intended users are both explicitly named herein. The Client and the other intended users are the only parties to whom the appraisers and Federal Appraisal LLC have a professional responsibility to. The appraisers and Federal Appraisal LLC offer and assume no professional responsibility to any third parties that the Client and the other intended users may choose to provide copies of our report to.
 - b. Any advice or recommendations, written or oral, provided by Federal in connection with this engagement is exclusively for the Client and any intended users specifically named by Federal, and may not be disclosed to or relied upon by any third party (other than the Client's legal and tax counsel for the client's stated purpose and use) without Federal's prior written consent.
 - c. Client will not refer to Federal by name or their services in any written materials relating to the Asset, including without limitation, any publicly filed documents without their prior written consent for each requested use or reference.
 - d. Neither all nor part of the contents of the Proposed Services, or copy thereof, shall be conveyed to the public through such forms or methods such as, but not limited to, advertising, public relations, news, sales, or any other media without prior written consent of Federal.
 - e. Neither Federal nor any professional organization of which Federal is a member or candidate shall be identified without the prior written consent of Federal.
 - f. The Proposed Services may not be utilized in any present or proposed, public or private syndication or public offering of any of the interests in the Subject unless prior written agreement has been obtained from Federal.
 - g. The Proposed Services are intended to be utilized as a whole and may not be used in parts.
30. Possession of the Proposed Services, or a copy thereof, does not give the holder the right of use or publication.
31. Disclosure of the contents of the Proposed Services by Federal is governed by the laws, by-laws, and regulations of state appraisal regulatory bodies, the Appraisal Institute, and the American Society of Appraisers. Federal is authorized by the Client to disclose all or portions of the Proposed Services and the work files to authorized representatives of the state appraisal regulatory bodies, the Appraisal Institute, or the American Society of Appraisers, if such disclosure is required to enable Federal to comply with their respective laws, by-laws, and regulations now or hereafter in effect, or as may otherwise be required to be disclosed by Court Order or governing laws, rules, and/or regulations.
32. Federal is not required to give testimony about the Proposed Services, or to provide other services to the Client concerning the Subject, without agreement between the parties for compensation to Federal.

Study Analysis Type and Format Conditions

33. The Proposed Services shall be prepared in accordance with the requirements of USPAP of the Appraisal Foundation, the Appraisal Institute, and the American Society of Appraisers. Jurisdictional exceptions may apply. The Proposed Services will comply with and be subject to the Appraisal Institute's Code of Professional Ethics and Standards of Professional Practice and with The American Society of Appraisers' Principles of Appraisal Practice and Code of Ethics.
34. Federal has determined the scope of work for this study based on its discussions with the Client about their reported needs and their reported purpose and intended use of the study. The scope of the study is limited to the work necessary to provide for the Client's purpose and use of the study, and as such, this study is not recommended for any other use.
35. USPAP of the Appraisal Foundation prescribes 2 types of appraisal reports: "Appraisal Reports" and Restricted Appraisal Reports. A Restricted Appraisal Report may be provided when the client is the only intended user, or when additional intended users are identified by name and not by types or categories. Federal intends that the use of all its reports is limited to the client and intended users. When reports are restricted, Federal need not provide as extensive reporting that may be found in Appraisal Reports. The use of Restricted Appraisal Reports is limited to the client and the named intended user(s). Federal warns that Restricted Appraisal Reports may not contain supporting rationale for all opinions and conclusions set forth in the Restricted Appraisal Reports.

Limit of Liability

36. Federal warrants that it will perform Proposed Services in good faith and in a professional manner. Federal disclaims all other warranties, either express or implied, including, without limitation, warranties of merchantability and fitness for a particular purpose.
37. Federal's aggregate share of liability to the Client and any third parties shall not exceed two times the total fees collected for the portion of the Proposed Services giving rise to such liability. Similarly the Client's aggregate share of liability to Federal shall not exceed two times the total fees collected by Federal for the portion of the Proposed Services giving rise to such liability.
38. Any forecasts of income and expenses in the Proposed Services are not predictions of the future and are created for valuation purposes. No representation is made that the model will coincide with actual future events. There will usually be differences between the forecasts and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.
39. It is understood and agreed that each of the parties hereto is independent of the other and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other. Client acknowledges that the full independence and authority of Federal will be maintained throughout this engagement and that no assurances or guarantees of a value estimate or consulting recommendation have been made or are a condition of this engagement.
40. In providing this service, Federal establishes and the Client understands and agrees that Federal assumes no responsibility for or ownership of the risks and rewards of the Client's and user's decisions based on, or results that are consequential to, the use of the Proposed Services.
41. The Client will pay or reimburse Federal and its appraisers and personnel for all claims, liabilities, losses, costs, demands, and reasonable expenses, such as reasonable legal fees and management and administrative costs, incurred by Federal relating to legal or governmental actions, instigated by parties opposing Federal's work and appraisal in this engagement, except to the extent finally judicially determined to have resulted from the bad faith or intentional misconduct of Federal.

Statements of Qualifications and Personal Histories

42. Any statements of qualifications, resumes, and personal and/or company histories are presented in summary for marketing purposes and to assist the client and intended users of the Proposed Services with understanding the professional competency and experience of Federal. These statements of qualifications, resumes, and personal and/or company histories are (1) not a complete listing of our professional experiences and qualifications and (2) not a full disclosure of our professional, corporate, and personal interactions and relationships

Ownership of Federal Properties

43. **Federal Technology and Copyrights.** Federal has created, acquired or otherwise has rights in, and may, in connection with the performance of the Proposed Services, employ, provide, modify, create, acquire or otherwise obtain rights in, various concepts, ideas, methods, methodologies, procedures, processes, know-how, and techniques; (including and without limitation: models, templates, the generalized features of the structure, sequence and organization of software, user interfaces and screen designs, general purpose consulting and software tools, utilities and routines, logic, coherence, and methods of operation of systems) (collectively, the "Federal Technology and Copyrights").
44. **Ownership and Use of Deliverables.** Except as provided below, upon full and final payment to Federal, the tangible items specified as deliverables or work product in the proposal, engagement letter or contract to which these terms are attached (the "Deliverables") will become the property of Client. To the extent that any Federal Technology and Copyrights are contained in any of the Deliverables, Federal hereby grants Client, upon full and final payment to Federal, a royalty-free, fully paid-up, worldwide, non-exclusive license to use such Federal Technology and Copyrights in connection with the Deliverables, and only for the Deliverables, and only for the Client's intended purpose and use as enumerated in the attached proposal, engagement letter or contract
45. **Ownership of Federal Properties.** To the extent that Federal utilizes any of its property (including, without limitation, the Federal Technology and Copyrights, or any hardware or software of Federal in connection with the performance of the Proposed Services, such property shall remain the property of Federal and, except for the license expressly granted in

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Paragraph (b) above. Client shall acquire no right or interest in such property. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that (a) Federal will own all rights, title, and interest, including, without limitation, all rights under all copyright, patent, and other intellectual property laws, in and to the Federal Technology and Copyrights and (b) Federal may employ, modify, disclose, and otherwise exploit the Federal Technology and Copyrights (including, without limitation, providing services or creating programming or materials for other clients). Federal does not agree to any terms that may be construed as precluding or limiting in any way its right to (a) provide consulting or other services of any kind or nature whatsoever to any person or entity as Federal in its sole discretion deems appropriate or (b) develop for itself, or for others, materials that are competitive with those produced as a result of the Proposed Services, irrespective of their similarity to the Deliverables.

Ordinary Assumptions, Extraordinary Assumptions and Hypothetical Conditions

- 46 Extraordinary Assumptions and Hypothetical Conditions, as defined by USPAP, will be disclosed at various points in the Study, if applicable in the Study. We will make various minor and significant, ordinary assumptions, extraordinary assumptions and hypothetical conditions in the Study. We will deem these assumptions and conditions as appropriate and will make these assumptions and conditions for benefit of the analysis process. It is our intention to disclose extraordinary assumptions and hypothetical conditions and to disclose at least most of the significant ordinary assumptions. Their use might affect assignment results. If any assumption or condition should be determined to be inappropriate, then our assignment results may require revision.

State Board Clauses

- 47 Appraisers in Michigan are required to be licensed and are regulated by the Michigan Department of Consumer and Industry Services, P.O. Box 30018, Lansing, Michigan 48909. Michigan requires this statement appear in all appraisals, even those in other states.

Internal Revenue Service Clauses

- 48 When this Appraisal is written for the Client's use in connection with filings to the Internal Revenue Service concerning noncash charitable deductions, then the following condition applies to this appraisal.

The appraisers certifying this appraisal understand that their appraisal will be used in connection with a return or claim for refund. The appraisers also understand that, if there is a substantial or gross valuation misstatement of the value of the property claimed on the return or claim for refund that is based on their appraisal, they may be subject to penalty under section 6695A of the Internal Revenue Code, as well as other applicable penalties. They affirm that they have not been at any time in the three-year period ending on the date of the appraisal barred from presenting evidence or testimony before the Department of Treasury or the Internal Revenue Service pursuant to 31 U.S.C. 330(c).

Federal Appraisal LLC EIN: 82-1591070

These general appraisal assumptions and limiting conditions were last updated June 27, 2025.

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15. Resumes

The included resumes are presented in summary for marketing purposes and to assist the intender(s) of the report with understanding the professional competency and experience of the appraisers. These resumes are (1) not a complete listing of our professional experiences and qualifications and (2) not a full disclosure of our professional, corporate, and personal interactions.

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Qualifications of Mark Pomykacz, MAI, ASA, AI-GRS

295 US Highway 22 E., Suite 204
Whitehouse Station, New Jersey 08889

Direct: 908.534.3590

www.federalappraisal.com
mark@federalappraisal.com

Professional Background

Managing Partner
Federal Appraisal, LLC, New Jersey
Since 2001

General Appraisal and Advisory Qualifications

Mr. Pomykacz specializes in complex, non-traditional appraisal services, nationally and internationally for accountants, attorneys, the capital markets, corporations, and governments concerning development, acquisitions and dispositions, financing, investor reporting, litigation, tax and audit issues, and asset management. Mr. Pomykacz has over 39 years of experience in business and real estate appraisal and advisory services. He has worked on numerous asset and property types including closely held businesses and public companies, infrastructure, power plants, refineries, public and private utilities, corporate and investment real estate, vacant land, and special purpose properties. Mark has participated in arbitrations, judicial, and condemnation proceedings. Mark has written special purpose and consulting reports, appraisals, market and feasibility studies. His work is used by many Fortune 1,000 companies, Wall Street firms, banks, accounting and law firms, and various government agencies.

Power & Infrastructure Analysis and Valuation Qualifications

Over the last 20 years, Mr. Pomykacz has developed an expertise in the appraisal of electricity generation assets, refineries, utilities, and other infrastructure assets. His power appraisals include nuclear, fossil fuel-fired, hydro, wind, geo-thermal, solar, bio-mass, bio-gas, and other types of power generation facilities in locations around the U.S. and the world. His other infrastructure appraisals include power and fuel transmission and distribution assets, telecommunications assets, water and sewer assets, railroads, racetracks, petroleum refineries, bio-diesel refineries, ethanol refineries. His infrastructure appraisal and advisory services have been used by governments, corporations and lenders and investors for development, acquisition, and disposition planning, financing, tax and investor reporting, and litigation and accounting. Mr. Pomykacz has appraised and advised on more than 500 infrastructure assets. He regularly testifies to his power and infrastructure appraisals.

Senior Manager / Chief Appraiser - Eastern Sector

Deloitte & Touche LLP, New York, NY

Led multi discipline professional consulting group, managing national portfolios of investment-grade properties, and real estate secured assets. Provided real estate and business valuation consulting services including banking support, mergers & acquisitions due diligence, capital markets services, valuation services for tax and audit issues, litigation support, appraisals, and other consulting services. Clients included many Fortune 1,000 companies, REITs, Wall Street firms, banks and law firms. Also provided real estate asset and investment management consulting and property tax appeals and management.

Vice President, Consultant and Appraiser

Jerome Haims Realty, Inc., New York, NY

Consulted and appraised on various property types including: office buildings, shopping malls, industrial, factory, warehouse, loft, and manufacturing buildings, rental, cooperative and condominium apartment buildings, mixed use buildings, special purpose properties, vacant land for subdivision and for major urban redevelopment, partial interests, easements, right-of-way and air rights. Wrote appraisal reports, market and feasibility studies, and reviewed appraisals written by others. Participated in arbitration, judicial, and condemnation proceedings and provided various consultation services including mortgage underwriting, litigation support, rent-buy and pricing decisions, construction feasibility, and asset management.

Senior Real Estate Manager and Chief Appraiser

NYC Economic Development Corp. &

NYC Department of Real Property, New York, NY

Consulted and appraised on various property types for various city redevelopment projects, condemnation, public trusts, and tax incentive programs. Wrote appraisals, conducted market and feasibility studies, managed appraisal contractors, and reviewed appraisals. Provided asset management to projects with an aggregate value in excess of \$2 billion.

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Professional Affiliations & Activities

MAI, a designated member of the Appraisal Institute

AI-GRS, a designated general review specialist of the Appraisal Institute

Leader in the Appraisal Institute Community:

Member of the Board of Directors, National, 2002, 2004 – 2006
President, Metropolitan New York Chapter, 2005
Chair, Regional Committee, Region VI, 2006
Officer, Metropolitan New York Chapter, 2001 – 2005
Regional Director, Region VI, 2002, 2004 – 2006
Member of Board of Directors, Metropolitan New York Chapter, 1998 - 2006
International Relations Committee Member, National, 1997 - 2005
Strategic Planning Committee, National, 2005 - 2006
Education Chair, Metropolitan New York Chapter, 1999

ASA, Accredited Senior Appraiser, Business Valuation, American Society of Appraisers

State-Certified General Real Estate Appraiser (SCGREA) Licenses:

<u>State</u>	<u>License number</u>	<u>License Expiration Date</u>
Wisconsin	2641-10	12/14/2027
New York	46000000871	12/23/2027
Maine	CG3503	12/31/2026
New Jersey	42RG00144500	12/31/2025
Arizona	CGA-1034162	1/31/2026
Tennessee	6164	2/22/2026
Montana	REA-RAG-LIC- 18257	3/31/2026
Connecticut	RCG 00010448	4/30/2026
Vermont	080 0134240	5/31/2026
California	AG043987	6/17/2026
Missouri	2022002459	6/30/2026
Indiana	CG42200022	6/30/2026
Massachusetts	103483	7/5/2026
Georgia	358368	7/31/2026
USPAP	7 Hour Update	4/25/2026
Rhode Island	CCA.0020110	10/22/2026
Florida	RZ3225	11/30/2026
New Hampshire	NHCG-1064	3/31/2027
Pennsylvania	GA001700R	6/30/2027
Michigan	1205069583	7/31/2027
Oregon	C001597	7/31/2027
Maryland	10807	8/8/2027
Virginia	4001018173	9/30/2027
Illinois	553 001871	9/30/2027
Texas	TX 1380478 G	9/30/2027

Education Background

Bachelor of Arts

Political Science
Rutgers University, New Brunswick, New Jersey

Appraisal Institute and American Society of Appraisers

Completed all courses and examinations required to obtain and maintain the MAI, ASA and AI-GRS designations.

Royal Institution of Chartered Surveyors

Completed all courses and examinations, or equivalents, required to obtain the MRICS designation. Mr. Pomykacz was granted the MRICS designation. Due to a lack of need, Mr. Pomykacz no longer remains a dues paying member of RICS.

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Institute for Professionals in Taxation

Completed all courses and examinations required to obtain the CMI designation. Mr. Pomykacz was granted the CMI designation. Due to a lack of need, Mr. Pomykacz no longer remains a dues paying member of IPT.

Instructorships & Speaking Engagements

University/Institutional Lectures/Presentations

Mr. Pomykacz taught "Income Capitalization Theory and Techniques" (AKA Course #310), and "Uniform Standards of Professional Appraisal Practice (AKA USPAP), Part A". These courses are required for designation from the Appraisal Institute and for state licensing and certification, and were offered at the following institutions.

Adjunct Assistant Professor, New York University
Instructor, Baruch College, CUNY, The Newman Real Estate Institute
Qualified Appraisal Institute Instructor, Appraisal Institute

Mr. Pomykacz also has lectured at Appraisal Institute seminars.

Business Lectures/Presentations

Mr. Pomykacz regularly speaks at various accounting, assessor, and other professional seminars and conferences. Several presentations follow.

American Bar Association/Institute for Professionals in Taxation
Advanced Property Tax Seminar
Impact of Millennials on Industrial Real Estate & The Go Dark Hypothesis
New Orleans, LA, 2017

NRAAO, Annual Conference
Impact of Millennials on Real Estate
Mystic, CT, 2017

New Jersey State Bar Association Annual Conference
Borgata Decision! Appraisal Implications
Atlantic City, NJ, 2014

PEI Infrastructure Investor: New York
Managing Infrastructure Assets: In a Post-Cheap Deb World
New York, NY, 2009

Power & Electricity World: Latin America Conference
Creating and Measuring Value: A Power Plant Development
Coral Gables Florida, 2009

Corpbanca Seminar Invitation
Fair Value Appraisal for the Real Estate Industry in Chile
Santiago, Chile, 2008

The Pan Pacific Valuation Conference
The Effects of Deregulation/Privatization on the Selection of Valuation Methodology
23rd Pan Pacific Valuation Conference,
San Francisco, 2006

Baruch College (CUNY),
"Exuberant Bubble" or "Fundamentally Sound": Where are Real Estate Prices Going?
New York, September, 2005

The Center for Business Intelligence, now Platts, a division of McGraw-Hill
Valuing Generation Assets – Employing Effective Due Diligence
Power Asset Mergers and Acquisitions Conference 2004

Methodologies for Portfolio Valuation of Power Plant Assets
6th Annual Electric Asset Valuation Conference. 2004

Sophisticated Valuation Techniques – Theory and Practice
5th Annual Electric Asset Valuation Conference. 2003

The International Association of Assessing Officers (IAAO)
Reconciling the Reconciliation, Power Plants and Utilities

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IAAO Public Utility Section, Charleston, 2006

Recognizing & Separating Real Property, Personal Property, and Intangible Values in Common Indications of Value
IAAO Public Utility Section, Milwaukee, 2006

Cell Towers and Telecommunications Property
IAAO Legal Update, San Francisco, 2006

Valuing Complex Properties, Power Plants
IAAO Public Utility Section, Boston, 2004

Preparation and Trial Seminar (Mock Trial)
IAAO, Las Vegas, May, 2007

Preparing for the Big One – The Trial of a \$1 Billion Case; How a Complex Case Illustrates Basic Principles of Valuation and Trial Practice
CAAO 14th Fall Symposium, 2008

The Wichita State University Annual Conference on the Appraisal for Ad Valorem Taxation of Communications, Energy and Transportation Properties

Preparing for the Big One – The Trial of a \$1 Billion Case; How a Complex Case Illustrates Basic Principles of Valuation and Trial Practice
37th Annual Conference, 2007

Rate Basics – Back to the Basics for Experts, Finding a Common Language
40th Annual Conference, 2010

When Obsolescence is Accelerating
46th Annual Conference 2016

Rutgers University, Office of Continuing Education
Brownfields: Emerging Issues, The Economics of Green
Rutgers University, New Brunswick, New Jersey, 2008

The Long Island Society of Certified Public Accountants
Understanding Key Appraisal Concepts: Methodologies and Procedures, and Capitalization Rates
Real Estate Committee, October, 2005

The Society of Professional Assessors

Dark Store v the Force of Market Value, Big Box, Little Box and the Dark Store Hypothesis
Hasbrouck Heights, NJ, April, 2016

Borgata Decision - Separating Real, Personal and Intangible Property
Hasbrouck Heights, NJ, April, 2014

A Case Study in Complex Litigation: Wheelabrator v City of Bridgeport
Haddam, CT, November, 2013

Appraising Complex Properties for Property Taxes: A Power Plant Case Study
Mystic, CT, October, 2005

How low can you go? Cap Rates and Yield Rates Methodologies, Procedures, Market Cycle, and Current Issues
Rutherford, NJ, April, 2006

The Institute for Professionals in Taxation, IPT, Annual Property Tax Symposium
Valuation of Electric Generating Stations Owned by Independent Power Producers
Austin, Texas, November 2, 2010

Connecticut Association of Assessing Officers
Dark Store v the Force of Market Value, Big Box, Little Box and the Dark Store Hypothesis
University of Connecticut, CT, June, 2016

The Appraisal and Assessment of Big Box and Large Owner-Occupied Properties
September, 2011

New Jersey County Tax Board Association
Appraising Solar Power Assets for Property Taxation
September, 2011

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South Jersey Chapter of the Appraisal Institute
Appraising Solar Power Assets
September, 2011

Articles and Publications

"The Appraisal of Power Plants", The Appraisal Journal, Summer 2014

This article won the 2014 Swango Award. The *Appraisal Journal's* Editorial Board presents the Swango Award to the best article published during the previous year on residential, general, or technology-related topics, or for original research of benefit to real estate analysts and valuers.

"The Appraisal of an Appraisal Company", The Appraisal Journal, Issue 4, 2023.

This article won the 2024 Swango Award. The *Appraisal Journal's* Editorial Board presents the Swango Award to the best article published during the previous year on residential, general, or technology-related topics, or for original research of benefit to real estate analysts and valuers.

"Benford's Law in Appraisal", The Appraisal Journal, Winter 2017

"Options in Real Estate Valuation", The Appraisal Journal, Summer 2013

Reviewer for the "Real Estate Valuation in Global Markets", Second Edition, The Appraisal Institute, 2010, ISBN 978-1-935328-12-4

"Defining and Supporting Entrepreneurial Profit and Incentive, and External Obsolescence", The Appraisal Journal, Winter 2010

"Relationships between the Overall Property and Its Parts, and the Three Approaches to Value", The Appraisal Journal, Winter 2009

"The Energy for Change: Building Our Alternative Energy Future".

Property World, Royal Institution of Chartered Surveyors, Winter 2009

"Corridor Valuation, the ATF Method, and Maximally Productive Uses, Recent Observations from the Rail Line"

Right of Way Journal, International Right of Way Association, September 2008

"Correcting Property Taxes on High Value Properties", Unpublished, July 2004

"A Generalized Analysis to Determine Three Unknowns: Value, Real Estate Taxes and Real Estate Tax Recoveries"

Assessment Journal, Summer 2003

"Property Taxes, A Silver Lining", Energy Pulse, July 2003

"Considerations for Valuation and Litigation", Deloitte & Touche Real Estate Newsletter, New York, April 2000

"Reducing Property Taxes in a Rising Market", Real Estate New York, February 1998

Resumes last revised July 8, 2025

16. Information Request

The list below sets out commonly requested documents and information that we will need to perform your appraisal. Additional information may be needed to complete the appraisal. Please forward each piece of information requested as soon as each becomes available. This will allow us to amend the information request, request additional information, terminate other requests, and commence work as soon as possible.

We prefer that you deliver the information in an electronic format.

Confidentiality: All information and documents provided to us will be maintained in confidence according to the Uniform Standards of Professional Appraisal Practice (USPAP), the Appraisal Institute, Federal Appraisal policies and procedures, applicable laws and regulations, and any confidentiality agreement we have with you.

I. General

- A. General description of the property
- B. Contact information for all persons holding needed information including their name, title, company, telephone, facsimile, and e-mail address
- C. Contact information for site inspections for appropriate person(s) to arrange site inspection of the property including name, title, company, telephone, facsimile, and e-mail address

II. Company Information, when applicable.

- A. A brief company history, including the date and place of incorporation
- B. Information regarding company operations, including major lines of business, supply and distribution channels, products, services, geographical locations, strategies, and customer markets served
- C. A summary of any planned or anticipated changes to the current operations, including a copy of any documented strategic plans
- D. Description of current corporate structure, including subsidiaries and affiliates
- E. An organizational chart of the company and its subsidiaries
- F. Copies of prior valuation reports or appraisal work on the business or its component assets
- G. Marketing brochures or materials for the company and its products
- H. The name of the company's legal counsel
- I. The name of the company's independent auditors
- J. Information on any contingent liabilities, contractual obligations, or ongoing and/or pending litigation that existed as of the Valuation Date
- K. Deal volume information, including:
 - 1. Size/type of deals completed
 - 2. Number of deals completed over a five-year period
 - 3. Details on major deals

III. Overall Physical and Intangible Assets

- A. List all facilities the company occupies, whether owned or leased, including their addresses, approximate square foot area, and a summary of lease terms
- B. Describe any property, plant, or equipment the company owns but does not currently use in operations
- C. List all assets under management
- D. Describe all internally developed or purchased intangible assets, including the date received and expiration date
- E. For all purchased intangible assets, please detail:
 - a. The rationale for and nature of the acquisition
 - b. Whether they were acquired in an arm's-length transaction
 - c. List registered and pending trademarks, patents, and copyrights the company owns

IV. Physical Description of Assets

- A. Design and technical specifications of the property
- B. Improvement plans and drawings, including floor plans
- C. Size of property
- D. Initial construction date of the property
- E. Dates of major additions

- F. Commencement date of commercial operations for the property
- G. Color photographs and aerial pictures of the property
- H. Information regarding any construction work in progress and proposed future development or renovation projects (cost information, surveys, drawings, etc.)
- I. Description and/or reports on environmental issues and/or surveys
- J. Land description
 - 1. Site plan drawings and site utility plans for the property
 - 2. Site surveys for the property including any development sites
 - 3. Identification of boundaries (legal descriptions for the property including the development sites)
 - 4. Boundaries of transmission property (interfaces)
 - 5. Special access, i.e. rail road, limited road access
 - 6. Property tax cards and / or tax maps of the property
- K. Information on special issues
- V. Sales and leasing history
 - A. Any brochures, marketing, or offering information that may relate to the property, either for lease or for sale, current or within the last three years
 - B. Copies or abstracts of all agreements to buy/sell any of the parcels
 - C. Description of all acquisitions or dispositions involving the property and its related parcels that occurred in the last five years, including the price offered, on what terms, who made the offer, and the result.
 - D. Current rent roll for the property
- VI. Professional Reports
 - A. Engineering and consulting reports and/or studies
 - B. Environment Reports
 - C. Legal or accounting reports
 - D. Consulting reports
- VII. Contracts and agreements
 - A. Copies or abstracts of all leases and licenses involving the property and related parcels
 - B. Copies of any material contracts between the company and its customers or the company and its suppliers; include summaries of any such contracts lasting more than one year
 - C. Copies of significant franchise or distributorship agreements
 - D. Copies or abstracts of operations and maintenance or supply contracts
 - E. Copies or abstracts of special issues contracts, i.e. water rights, supply, licenses, leases, and permits
- VIII. Financial Records
 - A. Financial statements for five fiscal years prior to the valuation date, including all revenues and operating expenses for the property
 - B. Interim financial statements for the year of the valuation date
 - C. Copies of any prospective financial information, such as budgets, forecasts, business plans, strategic plans, or capital budgets, including the assumptions used for a five-year period, as of the Valuation Date; include a schedule of anticipated interest expense, depreciation, capital expenditures, working capital, and extraordinary cash disbursements or receipts
 - D. A schedule of any anticipated financing needs and capital expense budgets for the next five years, including anticipated terms
 - E. Entity income tax returns for five fiscal years prior to the valuation date
 - F. All budgets, forecasts, and business plans developed by the company's management and/or outside consultants for relevant periods
 - G. Information regarding any unusual, nonrecurring, extraordinary, or special accounting items during the five years preceding the Valuation Date not specifically disclosed in the financial statements
 - H. A schedule of the debt held as of the Valuation Date, including the cost of each component, if it differs from the schedule in the financial statements
 - I. A list of any loans to or from officers, directors, and stockholders as of the Valuation Date
 - J. Information on any non-operating income, assets, or any off-balance sheet liabilities (such as pending litigation, compliance requirements, service liabilities, etc.)
 - K. Details of any significant off-balance sheet financing

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RE: Proposal/Engagement to Provide Appraisal and Consulting Services regarding
Millstone Nuclear Power Plant

- L. Details on any investments held as of the Valuation Date in corporations, partnerships, and/or joint ventures, including the interest held and a description of the investment
- IX. Public media reports or government reports on the property

Paige S. Walton, CCMA II, Assessor, Town of Waterford

RE: Proposal/Engagement to Provide Appraisal and Consulting Services regarding
Millstone Nuclear Power Plant

17. Federal Appraisal LLC – The Appraisal of Power Plants

Paige S. Walton, CCMA II, Assessor, Town of Waterford
RE: Proposal/Engagement to Provide Appraisal and Consulting Services regarding
Millstone Nuclear Power Plant



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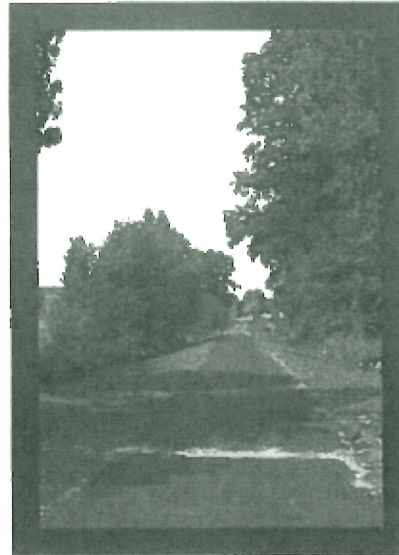
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FEATURES

Power plants, also called electricity generating stations, often present unique and interesting appraisal problems. Power plants can be worth billions of dollars or can have substantial liabilities. Their various technologies differ as much as those of motorcycles, cars, and trucks. Their markets are peculiar, with a mix of market forces and regulated affairs. The uses of the appraisals are also varied, ranging from acquisitions, financing, regulation, litigation, or property tax purposes, to IRS or SEC reporting. In this article, the issues, methodologies, and practice of power plant appraisal are reviewed.

The Appraisal of Power Plants

by Mark Pomykacz, MAI, and Chris Olmsted

Power plants, also called electricity generating stations, often present unique and interesting appraisal problems. Power plants can range in value from being worth billions of dollars to having substantial liabilities. Their various technologies differ as much as those of motorcycles, cars, and trucks. Their markets are peculiar, with a mix of market forces and regulated affairs. The uses of the appraisals are also varied, ranging from acquisitions, financing, regulation, litigation, or property tax purposes, to Internal Revenue Service (IRS) or Securities and Exchange Commission (SEC) reporting. The following discussion will address the issues and methodologies involved in power plant appraisal.

The Nature of Power Plants

Power plants generate electricity, their main product and income source, through a combination of processes depending on the technology. Most technologies convert one form of energy, such as chemical (heat from coal, gas, oil, or uranium to steam) or potential kinetic energy (gas, oil, hydro, wind, geothermal), to mechanical movement (turbines or engines) and then into electron flow (generators). Other technologies also exist, most notably solar. Power plants have other products and services, such as capacity revenue and other ancillary services, and these can be substantial sources of revenue.

Measures of Performance

The units of value for power plants are usually kilowatts (kW), megawatts (MW), kW hours (kWh), or MW hours (MWh). A common unit of performance is the *capacity factor*, which is analogous to occupancy/vacancy rates. Capacity factors measure what is actually produced compared to what could theoretically be produced, and are expressed as percentages. Capacity factors are driven by a combination of technological limitations and market demand. Typically, wind, hydro, and solar produce electricity only when there is wind, water, and sun. Nuclear and coal plants run nonstop until refueling or maintenance requires a shutdown. Gas turbines run when the market price for electricity supports the cost of operations. As plants age and become increasingly functionally obsolete, or less economically viable, their capacity factors fall, until economic infeasibility sets in. Table 1 shows the Energy Information Agency's (EIA's) estimates of typical capacity factors and

life spans for a variety of different technologies, as well as a range of capacity factors encountered in the market.¹

Another measure of performance is *heat rate*, which expresses the amount of heat energy needed to generate a unit of electricity. It is an expression of efficiency; the lower the heat rate is the better. The newer gas plants are so much more efficient that they often create obsolescence in older plants. Heat rates do not inform as to the impact of fuel prices. There are dramatic differences in the cost of different types of fuel. Table 2 shows the EIA data on typical heat rates and fuel costs for a variety of different technologies.

Another frequently used economic measure is the *spark spread*, which measures the difference

between the price of the electricity and the price of fuel for a specific plant. It is useful to compare this to the sum of all other expenses at a specific plant at any given moment. As commodities, electricity and fuel prices can change from moment to moment, and frequently do so dramatically. Decisions to operate, or not to operate, must be made from moment to moment. When fuel prices are sufficiently lower than the price of electricity, it is financially feasible to operate the plant. Peaking plants, which generally run only when there is high demand, complete this analysis daily, sometimes hourly. Peaking plants, such as natural gas plants, may produce electricity only when electricity prices are high and fuel prices are low, as compared to base-load plants, such as nuclear, coal, and large hydroelectric plants, which

Table 1 Typical Capacity Factors and Life Span

Technology	Capacity Factor		Life Span (yrs)
	EIA Estimate	Market Experience	
Nuclear	90%	90%–95%	40–60
Coal	85%	50%–85%	55
Natural Gas	87%	3%–65%	35
Larger Hydro	52%	25%–60%	50–100+
Wind	34%	20%–35%	25
Solar	25%	18%–23%	25
Oil	10%–20%	0%–10%	25
Geothermal	92%	85%–95%	10–20

Table 2 Typical Heat Rate and Fuel Costs

Technology	EIA Heat Rate*	EIA Fuel Costs†
Nuclear	10,479	\$0.70
Coal	10,498	\$2.38
Natural Gas	8,039	\$3.42
Hydro	N/A	\$0.00
Wind	N/A	\$0.00
Solar	N/A	\$0.00
Oil	10,991	\$12.48
Geothermal	N/A	\$0.00

*Heat rate represents BTUs per kilowatt hour (BTU per kWh)

†Fuel costs are dollars per million BTUs (\$/MMBTU).

Source: EIA Annual Energy Outlook 2013; data reported for 2011

1. The US Department of Energy's Energy Information Agency (EIA) publishes volumes of reports on energy issues. The EIA reports are useful and are frequently used as benchmarks in the industry, but its data does not provide the accuracy needed for some appraisal work

usually run regardless of the hourly fluctuations in electricity and fuel prices.

Unlike most general real estate, where it is extremely rare for prudent management to withhold renting space for temporary periods due to low market prices, peaking plants and older base-load technologies often prudently withhold production due to low market prices for electricity and/or high fuel costs. In effect, at those times the highest and best use analysis for these plants fails the test for financial feasibility, hopefully only temporarily. However, this may indicate economic or functional obsolescence. Since the decision to operate or not operate is an option, some power plant appraisals require option valuations, such as Monte Carlo simulations.

The various generation technologies have vastly different characteristics. Nuclear and coal are base load (intended to run nonstop for months at a time). They have historically represented the most common source of electricity in the United States, accounting for roughly 59%² of the supply. They are expensive to build, and construction takes many years. Natural gas is the supply technology at the margins, and in recent years has been taking away base-load market share from coal plants. In part this is because of advances in hydro fracturing extraction technology, which currently is lowering natural gas prices and therefore also electricity prices for all technologies. Natural gas plants are also generally less expensive to construct, and can be constructed in relatively short periods of time. Oil-fired power plants are rarely cost competitive at present, because petroleum prices are higher than the other energy sources for electricity generation. Hydro, solar, and wind have no substantial fuel expenses, but are very expensive to construct. There are numerous other less-common and developing technologies. Each technology has its own distinct physical and economic characteristics, and therefore appraisal considerations also must vary by technology.

Currently, there is no effective way to store electricity on a large scale. It must be consumed the moment it is generated. Further, the transmission and distribution grid (the grid) cannot contain any more or less supply than is precisely needed to meet current demand. Therefore, if demand increases or decreases in any given moment, the supply must be increased or decreased instantaneously in response.

If demand increases over time, new grid additions are needed. Power plants must be located where the grid has an ability to receive the electricity, which is not always where the demand is located. This is both difficult and costly, and is why special payments, known as capacity payments, must be made to generators in order to ensure that the grid has the supply it needs the very moment it demands it and exactly where it needs it.

The demand for electricity in all markets changes substantially over time, both seasonally and hourly, with the summer afternoon hours often being the highest demand hours due to the need for air conditioning. In practice, in deregulated markets system operators make decisions for the grid about how much electricity to generate, and decide which plants will generate and which will not. The decisions are based on rules to minimize electricity prices, tempered with reliability and environmental considerations. In practice, system operators make dispatch plans a day in advance with hourly and sometime minute by minute adjustments. Generally, system operators plan well for day-ahead demand and supply. Still, electricity prices remain as variable as many commodity prices, and vary substantially throughout the year. Sometimes, such as during periods of unplanned maintenance at base-load plants or extreme weather, electricity prices can vary dramatically, as shown in the example in Table 3.

In the power generation industry, “at the margins” means when additional supply is needed to meet the newest or most-recent increment of demand. Under current market conditions, it is most likely a natural gas plant that will be dispatched to supply it. Base-load technologies, such as nuclear, coal, and larger hydro plants, are always dispatched first, because they are usually the least-expensive power. They are the least expensive because their fuel costs are lower and their very high original construction costs have been effectively paid down. Wind, solar, and small hydro plants are intermittent and are usually dispatched whenever they are available, as they are relatively inexpensive after construction subsidies are considered, and green initiatives prioritize these sources of energy. If this base-load and intermittent supply does not meet the demand in the market at any given moment,

² EIA Monthly Energy Review July 2014; data reported for year 2013.

Table 3 Variability in 2012 Electricity Prices, PJM, Northern Illinois Hub

Statistic	(\$/MWh)
Average yearly price	\$28.57
Average summer price (June, July, August)	\$32.34
Average hourly price (9 am to 5 pm)	\$32.51
Average hourly price (2 pm to 7 pm)	\$35.29
Lowest yearly price	\$0.00
Highest yearly price	\$224.71
Range with one standard deviation below/above yearly average	\$16.97/\$40.17

Note: PJM is the system operator for the grid in a region of Illinois

then other technologies such as gas and oil will be dispatched to fill the gap.

Each technology has its own economic life cycle. Power plants are more like automobiles than general commercial real estate in that they have finite physical and economic lives. Each type of power plant has unique construction costs and timing. Generally, nuclear, coal, and larger hydro plants take up to four to six years to build; gas and oil plants, as well as wind, take about eighteen months to complete and solar photovoltaic plants take around six months. Further, each type has its own operating costs. Consequently, it is difficult but not impossible to compare one technology to another. Such comparisons are needed for feasibility and planning, and government regulation, and are sometimes used in alternative-technology cost approaches and levelized cost of energy (LCOE) analyses.³

Power plants are complex combinations of real property, personal property (machinery and equipment), and often business intangibles⁴ (like fuel supply contracts or power purchase agreements). The degree that a power plant consists of real or personal property or business intangibles depends on the definitions in the law that has jurisdiction over the appraisal context. For example, turbines may be considered to be real property in one state for ad valorem taxation, and personal property in another. They may also be classified as shorter- or longer-lived items for depreciation under state and federal law. Environmental safety improvements may be tax exempt in one state and fully taxable

in another. Despite these complexities, the main revenues—electricity and capacity revenues—are earned from all the assets as a combination. It is rarely easy to discern what or how much of the income is attributable to real, personal, or business intangible property. Power plants are very rarely rented. The real property at power plants is also very rarely rented separately from the other assets, and when rented separately is usually part of structured financing that limits the lease's probative utility.

Electric Utility Deregulation

The electricity supply industry can be divided into four segments: generation, transmission, distribution, and miscellaneous services. Deregulation impacted the generation segment of the industry. Deregulation developed over a number of years and developed differently in different states. Many states are not yet deregulated. The differences have a critical impact on the appraisal of power plants.

The Federal Energy Regulatory Commission (FERC) was established in 1977 to regulate the electricity industry. Prior to 1977, the electricity industry throughout the country was conducted by state-regulated, vertically integrated monopolies (generation, transmission, and distribution). In 1992, the Energy Policy Act (EPACT), was signed into law. EPACT required open access for transmission in order to establish a wholesale electricity market. Utility monopolies could not refuse to transmit competitor's power over the monopolies' transmission and distribution grid.

3. Levelized cost of energy (LCOE) is the cost of generating electricity for a particular system, including all the costs of initial investment, operations and maintenance, fuel, and capital. The LCOE is the minimum price at which energy must be sold for an energy project to break even; http://www.nrel.gov/analysis/tech_lcoe_documentation.html

4. Intangible assets include "non-physical assets such as franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities and contracts (as distinguished from physical assets) that grant rights and privileges, and have value for the owner." *International Glossary of Business Valuation Terms* available in Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010), 239.

In 1996, FERC issued Orders 888 and 889 to definitively resolve full wholesale power generation competition and open access to transmission and distribution. The intent was for each segment within the historically vertically integrated industry to be priced separately to prevent owners of transmission and power plants from offering preferential treatment to their own plants. As a result, public utility companies in many states have divested themselves of their electricity generating power plants into new "independent," deregulated companies, while retaining the regulated transmission and distribution activities. Also as a result of these acts and orders, the financial structure of the electricity generating industry changed from one of capital investment dependence (i.e., measured by construction cost) to one driven by competition and income (i.e., measured by operating income and expenses).

Impact of Deregulation on Appraisal

Today, only about one-third of the states are deregulated, and the country has two types of power generation markets: regulated and deregulated. Each has its own basis of value.

Regulated Markets. In the regulated monopoly states, the cost approach remains the best indicator of value, and the income capitalization and sale comparison approaches are rarely effective appraisal techniques. Historically, regulators allowed a regulated utility to construct power plant assets so that the utility could meet its obligations to provide electricity to consumers but only provide an adequate return to investors. The cost basis for the recovery (the rate base) was calculated to provide a predetermined return on investment for a plant, regardless of the economic fundamentals affecting the plant. As a result, appraisers rightfully favored cost methodologies because they more accurately reflected the true value of regulated power plants, as the regulating commissions had legally connected the income from the power plants to the cost of building the power plants. Efficiency and profitability were secondary concerns, but investment risk was low. In regulated power markets, income is fixed by regulation to the cost of construction, via a rate of return that is established by the regulating commission. Thus, the income capitalization approach is circular to the cost approach and is not probative to value.

In vertically integrated regulated utilities, power plants were rarely sold separately, and there was little or no market for such assets. In regulated markets, power plants are usually considered special property used solely by vertically integrated, regulated utilities. Thus, the sales comparison approach is also very rarely informative.

Deregulated Markets. Once the power market was deregulated, the legal link between cost and income was broken. Investors were required by the forces of economics, not regulation, to value electric generation power plants like any other income-producing asset—by forecasting the anticipated cash flows available to investors over the useful life of the investment. The value of a plant was no longer based on the cost to construct it but rather based on its profitability. Power plant developers would no longer be guaranteed a low-risk return (income) that matched their cost to build. Under deregulation, returns are not guaranteed and bankruptcy is a real possibility, but potentially higher returns are the new reward.

In deregulated markets, buyers, sellers, and analysts universally emphasize the income capitalization approach, where expected income and rates of return are based on unregulated market conditions. In deregulated markets, costs may be incurred, but the developer has no guarantee of making an adequate return. The cost approach in deregulated markets remains useful when the appraiser properly accounts for all forms of obsolescence, and the approach remains highly probative when appraising special improvements and assets within the combination of assets at a power plant. In a deregulated market, there is an active market for power plants separate from transmission and distribution assets. The sales comparison approach can be used when market data is sufficient, as with the sales comparison approach for any general commercial property. In conclusion, all three approaches to value usually can be applicable to power plants that are located in deregulated markets.

Cost Approach

Cost-Value Relationship and Disconnect

The basic concern surrounding the cost approach for power plants is that often cost does not equal value. When applicable, the cost approach reflects

market thinking by recognizing that market participants sometimes judge the value of a power plant by considering the cost to create the improvements. However, depending on the cycle of the market and the age and legal status of the plant, simple, unadjusted cost is unlikely to equal market value. Unless the appraisal fully reflects all forms of depreciation (physical, functional, and external), then the cost estimate will diverge from market value.

The job of estimating each of the various forms of depreciation at power plants is often problematic and sometimes practically impossible. Unlike general real estate, where the property will continue to function if it is adequately maintained, even well-maintained power plants may suffer critical economic and functional obsolescence. Common types of obsolescence include obsolete engineering designs and inefficiency (from a poor original design or new technologies entering the market); obsolete environmental designs (legal/regulatory); original cost overruns; current operating-cost inefficiencies (excessive operating costs); and physical aging in a limited life span. Table 4 shows EIA data and market data on typical overnight construction costs for a variety of technologies. *Overnight construction costs* are the costs of construction if no interest was paid during construction, as if the project was constructed overnight. In Table 4, the interest expenses were

estimated at a 7% interest rate over the period of construction in order to estimate the all-in costs of construction.

Cost Approach to Measure Parts of the Whole

While sometimes problematic for overall plant valuation, the cost approach is especially useful for appraising the different components of the overall power plant, including real and personal property, tangible and intangible property, taxable and non-taxable property, and the various classes of property at power plants. A power plant is sometimes referred to as a business combination, an overall asset, or a business enterprise.⁵ The market value of the overall asset is referred to as the overall market value of the plant, or the value of a going concern.⁶ The components are sometimes referred to as partial interests or asset classes. When used in conjunction with the sales comparison and income capitalization approaches, the cost approach affords one of the best appraisal techniques to allocate the market value of an overall asset to the various partial interests and asset classes of a plant.

Reproduction vs. Replacement Approaches

Both of the two main cost methods—reproduction cost and replacement cost—are regularly applied to power plants.

Table 4 Typical Construction Costs (\$/kW)

Technology	EIA Overnight Costs*	Market Experience Overnight Costs	Time to Construct (yrs)	All-In Costs†
Nuclear	\$5,530	\$7,000	6.0	\$10,641
Coal	\$2,934	\$2,800	4.5	\$3,833
Natural Gas	\$1,023	\$1,100	1.5	\$1,221
Hydro	\$2,936	\$4,000	5.0	\$5,671
Wind	\$2,213	\$2,500	2.0	\$2,875
Solar	\$4,183	\$2,000	0.5	\$2,071
Oil	N/A	\$800	1.0	\$858
Geothermal	\$4,362	\$4,500	3.0	\$5,548

* EIA Annual Energy Outlook 2013.

† Includes interest during construction; interest expense computed at 7.0%

5. A business enterprise is "a commercial, industrial, service, or investment entity (or a combination thereof) pursuing an economic activity." *Ibid.*, 237.
 6. Going concern value is "the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place." *Ibid.*, 238.

Trended Original Cost Method

Although rarely utilized to value general real estate, the trended original cost (TOC) method, a type of reproduction approach, is frequently used for electric utility assets. Historical cost information, even if decades old, is regularly available on power plants.

In a TOC analysis, the reproduction cost new (RCN) is computed by trending the original (historical) construction costs to the effective date of the appraisal. This methodology is widely recognized by power plant appraisers, regulators, and courts. This is the predominant appraisal technique in regulated states for rate-base analysis. The usefulness of the TOC method is contingent on the accuracy and completeness of the historical cost information and on the trending method used. To successfully use trending, the costs by date of expenditure must be reliable and available for each class of assets for the entire plant, and the costs must also include capital repairs made since original construction.

Various widely accepted cost trend references provide the basis for the trending of power plant construction costs. The indices do not give prices for specific cost items in either the historical period or the current period. Rather they provide the change in cost, the delta, between the different dates. Appraisers apply that delta to the actual original cost at the subject plant to get an RCN as of the appraisal date. The proper indices can be applied to specific cost items, such as bricks, or to whole categories of power plant items, such as turbine generators.

Cost per Capacity Method

The cost per capacity method is a replacement cost approach. Cost per capacity is estimated by multiplying unit cost (usually \$/kW of capacity) by the number of units at the subject plant. The unit cost can be developed from a variety of sources including research publications, government estimates, contractor estimates, manufacturer estimates, owner estimates, or the comparative-unit method.

The cost per capacity method is relatively practical and is used by many market participants because of its simplicity and availability. However, the apparent simplicity of the cost per capacity method can be misleading. It is sometimes difficult to reconcile the vast differences between the various cost sources and the subject plant, and between this

cost approach and the other approaches. Also, this method often is less precise than others.

Alternative Technology Analysis

An alternative technology analysis (ATA) is a replacement cost technique. It is based on the principle that value is based on the functionality that the improvements afford its owner, not the materials and design used to make the improvements. This approach assumes that it is not the details of how the improvements generate the power that create value, but rather that the improvements generate a certain quantity and quality of power that is marketable in a certain way. For example, when appraising a nuclear power plant, an ATA could consider the cost to build a natural gas technology alternative plant with an identical MW rating and capacity factor. The ATA would consider the capital expenditure differences as well as the performance, operating, and fuel expense differences between the nuclear plant and the alternative gas plant.

Today, the popular choice for the alternative technology to use in such an analysis is natural gas, in part because it is the technology at the margins. For appraisers, who understand the importance of using comparable sales or replacement costs that match the functionality and highest and best use of the subject property, the ATA method is understandably valid. Some non-appraisers and courts have difficulty accepting this technique, even though it is commonly employed by market participants.

Depreciation

Physical Deterioration

Estimating physical deterioration is often the main source of concern about the validity of a cost approach on power plants. Typical depreciation techniques can be as simple as a single age-over-life ratio or as complicated as the breakdown of the subject's assets into their various components for individual consideration.

Models based on the economic age-life method are among the most widely used depreciation techniques for power plants. Physical deterioration can be estimated by the straight-line method, and by the age-life method, using mortality dispersion techniques. Often the effective age plus the remaining useful life is equivalent to the service life. Accounting and bookkeeping lives are not appropriate for appraisal purposes. Physical life may be longer than

the average service life, but it may not accurately represent the usefulness of the service of an asset due to economic or legal reasons. The effective age should reflect the conditions of the plant, which often are not the chronological (actual or historical) age. It should also be recognized that the expected remaining service life of a plant might change during its life cycle for reasons other than progressing chronological age (i.e., economic or legal reasons).

Functional Obsolescence

Functional obsolescence is common at power plants and is often easily spotted. The types of functional obsolescence frequently found include deficiencies requiring an addition, deficiencies requiring a modification, deficiencies requiring additional operating costs, and super-adequacies. Often these deficiencies are incurable, in both the short and long term. Given that the reproduction approach is common for plants, but does not intrinsically exclude functional obsolescence, appraisers will expend considerable effort on determining functional obsolescence.

Economic Obsolescence

Changes in market demand, transmission and distribution, federal or state law, the economy, and any operational constraints external to the asset frequently cause economic obsolescence at power plants. Usually their impact on value can be measured by capitalizing the expected losses in earnings over the period that the condition is expected to exist. In the broadest sense, since deregulation was instituted, the capital improvements made before deregulation may no longer have the ability to produce the originally expected return on the investment. This loss in

potential creates a form of economic obsolescence that is known as *stranded costs*.

Common techniques used for estimating functional and economic obsolescence include the capitalization of excess operating costs and the capitalization of income shortfalls. In both, income capitalization techniques are employed to evaluate the loss in value from specific operating or capital costs, or from an inability to earn income. While not adequate to measure the value of the obsolescence, the existence of obsolescence is often easily discovered by comparing overall income and sales values to the replacement cost new less physical depreciation (RCNLD). Any difference can be attributed to either functional or economic obsolescence or both.

Levelized Cost of Energy

An example of functional and economic obsolescence can be seen in Table 5. It is not enough to compare the cost to construct different types of power plants to measure the obsolescence. Fuel, for example, plays a major role in obsolescence. The table reflects the construction costs combined with fuel, operating expenses, and other considerations, such as financing costs, time to construct, capacity factors, and life spans. The table does not reflect the impact of current government incentives. Nor does it reflect external costs (pollution, decommissioning costs, transmission costs) or historically paid incentives and infrastructure (nuclear R&D, railroads, gas pipelines). The table shows that some technologies do not compete effectively. In practice, conditions at each plant vary substantially, making the obsolescence either better or worse.

Table 5 Levelized Cost of Energy (\$/MWh)

Technology	EIA*	Market Experience	Reflecting Incentives	Reflecting External Costs†
Nuclear	\$108.40	\$46.08	\$41.73	\$49.35
Coal	\$123.00	\$47.17	\$47.17	\$49.98
Natural gas	\$65.60	\$52.17	\$52.17	\$52.17
Hydro	\$90.30	\$27.05	\$27.05	\$27.05
Wind	\$86.60	\$57.18	\$46.24	\$46.24
Solar	\$144.30	\$57.43	\$45.61	\$45.61
Oil	N/A	\$556.37	\$556.37	\$564.21
Geothermal	\$89.60	\$59.21	\$47.49	\$47.49

* EIA Annual Energy Outlook 2013

† Reflects decommissioning and external pollution abatement costs.

Land Value

The land at power plants often contributes little to the overall value. An across the fence method,⁷ assuming highest and best use similar to the properties from “across the fence,” is typically employed to measure the value of the underlying land. The value of licenses, permits, and approvals for the power-generation activity, which can be substantial, are generally accounted for in the soft cost of construction.

Real, Personal, and Business Residuals

Depending on the use of the appraisal, there are occasions when the value of some real and personal property, and business intangibles must be removed from the overall plant valuation. For property tax appraisal purposes, the value of any tax exempt property must be removed. For IRS and SEC reporting, the value of existing contracts must be separately reported from the rest. A residual technique is often the best method to isolate the value of the target assets. In general real estate appraisals, a land residual is where the overall real estate value (V_{re}) minus building value (V_b) equals land value (V_l). In power plant appraisals, the residual formula is overall plant value (V_p) minus excludable value (V_{ex}) equals the value of the balance of the plant (V_{bal}), which is the appraisal target value of the subject property (V_t).

In property tax appraisal, excludable property commonly includes fuel inventory, pollution control improvements, contracts for fuel supply, contracts for the sale of electricity, power purchase agreements, workforce in place, specialized documents (including policies and procedures, manuals, computer software, and drawings), and working capital accounts. As discussed earlier, the cost approach is usually the best method to estimate the value of the excludable tangible property. The value of fuel inventory and of the workforce in place is usually estimated via avoided cost methods. Contracts are usually appraised via a comparison of the plant income streams with and without the contracts, in the same way that a leasehold analysis compares fee simple income streams to leased fee income streams.

Sales Comparison Approach

While the use of the sales comparison approach is common in the appraisal of general commercial properties, this approach is rarely useful in power plant appraisals. Research for information on sales of comparable power plants rarely yields appropriate and adequate data for use in a credible sales comparison approach. The market for power plants is national, and sometimes international. It is relatively easy to find evidence of an active sales market. However, relevant critical details about the individual sales are often unattainable. An important qualification of each credible comparable sale is the level of supporting data that is publicly available. Since many details concerning the sales of power plants are confidential, the sales are not adequately verifiable and/or cannot be soundly adjusted. Since power plants are typically business combinations, the sales are for combinations of assets: real, personal, and business assets. Most sales include corporate (business) and personal property assets. Further, these transactions often include assets beyond the tangible power plant, such as investment participation, financing, partial interests, offtake and supply contracts, and other valuable closing contingencies.⁸ Buyers and sellers are under no obligation to publicly report the portion of the price attributable to the parts of the total sale price in a format that is useful to appraisers. For example, many power plant sales include power purchase agreements (PPAs), which usually have significant price-impacting characteristics. However, it is typically unclear from the publicly available data on the transactions what effect the PPAs had on each sale price. While there frequently is available data to identify comparable sales, there is not sufficient public data in many cases to complete a credible appraisal adjustment process.

A variety of adjustments are needed in the sales comparison approach. Market condition adjustments are important as values for power plants change frequently due to macroeconomic conditions, including trends in the general economy, fuel prices, regulations, and green energy. Adjustments for physical characteristics are typically made for plant design, fuel type, unit size, shutdown units, capacity factor, heat rate, plant condition, age, superadequacy,

7. The across the fence method is “a land valuation method often used in the appraisal of corridors. The across the fence method is used to develop a value opinion based on comparison to abutting land.” *Dictionary of Real Estate Appraisal*, 5th ed., 3.

8. An offtake contract is an agreement between a producer of a resource and a buyer of a resource to purchase/sell portions of the producer’s future production; Investopedia, www.investopedia.com/terms/o/offtake-agreement.asp.

functional utility, and remaining license life. However, the required adjustments for these factors often cannot be made reliably because many physical characteristics of the comparable plants are not released as public information.

Location-based revenue differences also should be analyzed, as electricity prices are usually dependent on the location of each plant. Other locational differences may include the proximity and availability of electric transmission lines, transmission congestion and bottlenecks, water supply, rail lines, and docks. Environmental conditions and the distance to switchyards and substations can have a significant impact on the locational value for a plant. Additionally, adjustments related to income tax differences may be necessary, as taxes are an important factor in the going concern value of each plant. For example the tax incentives play a major role in the feasibility of wind and solar.

It must be recognized that if the appraiser succeeds in finding adequate sales data and completes a credible sales comparison analysis, the resultant value will most likely be of the business combination. That going-concern value will need to be allocated to the real and personal property if that is the purpose of the appraisal.

Income Capitalization Approach

Traditionally, income strictly attributable to the real property of general commercial properties, such as offices and apartments, is ubiquitously prescribed by real estate leases or the market potential to be leased. There is no such rental market for power plants. Nonetheless, power plants are income producing assets where the income is generated by the operation of the combination of real and personal property and any business intangibles.

At power plants, there is typically no credible and reliable way to isolate the income solely attributable to the real property, such as a lease. The income used in the income capitalization approach is from operation of the combined assets of the going concern or the business enterprise. Such intermingling conditions also exist at many other types of commercial property, such as hotels, theaters, hospitals, telephone companies, water companies, landfills, race tracks, and factory mills, among other types. The real property is rarely leased separately at these property types, and the income typically analyzed is from their business

operations, just like at power plants. Given this issue, the appraiser must first conclude an overall business value of the going concern for the plant, and then employ various appropriate appraisal procedures to separate out the value of the real and personal property or other target interest at the plant. This is standard practice in the valuation of power plants.

The holding period for power plants is driven by physical considerations as well as legal, regulatory, and contractual conditions, and it is often prescribed by common practice among market participants. Under cost-of-service regulations, the holding period of a plant is the same as its expected useful life. For a deregulated power plant, the holding period is typically estimated based on its finite physical and economic life. In both cases, analysts look to the finite remaining life of the plant to form the basis of the holding period. As such, it is common practice to assume a holding period equal to a plant's estimated remaining economic life. Consequently, some discounted cash flow (DCF) analyses are projected for as long as 55 years.

Reversionary Value

A reversionary value is assumed in most DCF analyses for commercial real estate. This value captures the income generated from the asset after the end of the holding period, and it is typically calculated by using a direct capitalization method and then discounting that value to the valuation date. However, unlike general real estate, power plants have relatively short, finite lives. When the holding period for a power plant is assumed to be equal to its remaining economic life, then there will typically not be a reversionary value for the plant at the end of the holding period.

Assumptions made about disposition of the remaining assets (or liabilities) may be broken down in three categories: decommissioning liability, salvage value, and land value. In some cases, power plants carry a decommissioning fund that will be used to fully decommission the plant, eliminating a large future liability. In other cases, the plant will require expensive demolition and remediation work. These assumptions will determine the appropriate manner to estimate any reversionary value, positive or negative. Often, power plant appraisers conclude that the sum of the three reversionary considerations net to a zero value.

When a direct capitalization method is completed, the capitalization rate must be adjusted upward to reflect the fact that the income and value decline to zero over the holding period, since the reversionary value of a plant with a finite life is zero. It is common practice in power plant valuation to avoid this issue in DCF reversionary capitalization rates by setting the holding period equal to the plant's remaining economic life. In practice, only DCF analyses of larger hydro plants usually contain a reversionary capitalization of the plant's income, because their very long useful lives often approach infinite lives like with general real estate.

Power Purchase Agreements

Plant owners regularly contract in advance to sell their power to bulk consumers via power purchase agreements (PPAs) instead of selling power in the daily mass markets of the independent service operators (ISOs).

PPAs fall into two broad categories: those that have contract prices for the electricity at or near market prices, and those that have contract prices at substantially above or below market prices. Those that have contract prices for the electricity at substantially above or below market prices are often between related parties, or there might be more to the transaction than just the sale of electricity for a price. These PPAs do not meet the criteria of market-indicative transactions and cannot be used to determine market value for parts of the plant such as the real estate or personal property; however, these PPAs can certainly indicate the value of the going concern. This is analogous to appraising an office building's market value based on inter-company leases or sale-leasebacks that are not based on market terms. In such cases, if the purpose of the appraisal is to determine market value assuming fee-simple conditions, the atypical office leases are replaced with normal market-based terms.

Installed/Nameplate Capacity

The installed or nameplate capacity is the plant's claimed capacity designated by the manufacturer or by a capacity rating agency; capacity is usually described in MWs or kW. Nameplate capacity is the amount of energy a power plant can produce instantaneously, not the amount it will generate over

a period of time. Installed capacity and capacity factor assumptions are combined to forecast electricity available to be sold over time. Capacity factors vary from winter to summer and location to location for the same equipment based on construction, altitude, and local ambient temperature and humidity.

Independent Service Operators (ISOs)

In deregulated markets, merchant plants sell their electricity in markets operated and managed by ISOs. Analogous to trading floors, the power producers and buyers consider ISOs their primary public market. ISOs organize the markets, establish trading rules, and document market transactions and prices. The ISOs publish volumes of market data useful to the appraiser, including data on general market supply and demand.⁹

Long-Term Trending

Unlike DCF forecasts for general real estate, which are commonly for 10 years, power plant forecasts are commonly for 25 to 35 years, with some for as long as 55 years. The Consumer Price Indices (CPIs) provide an excellent source for forecasting electricity rates, fuel prices, and the general expense rate of inflation over the very long term.

The CPIs are well documented, and power plant market participants often rely on them. The data reveal a number of important trends. For example, electricity rates largely have not kept pace with general inflation over the decades. One theory is that commodities, like electricity, trend at rates lower than other products and services in the economy, and the CPI is the average of all products and services. Another theory is that deregulation, which began in the late 1990s and was supposed to lower electricity prices, has been effective.

The data also show that in the short term, price trends for any given plant will be driven by local market conditions. Appraisers must examine local plans for plant retirements and new additions as well as transmission constraints, and fuel supply conditions. These local trends can cause local prices to trend in dramatically different fashion than the long-term CPI trends, until a new market equilibrium is achieved.

Alternatives to trending prices using the CPI include using EIA long-term price forecasts,

9. For example, market data on historical electricity prices in the New York ISO can be seen at www.nyiso.com/public/markets_operations/market_data/pricing_data/index.jsp.

forecasts by other public entities, and information from private forecasting companies.

Fixed and Variable Expenses

Operations and maintenance (O&M) expenses are analyzed as is normally done in the appraisal of income-producing properties, with one exception. Considerable special efforts are typically made to forecast fuel expenses, separate and apart from other O&M expenses. Also, parent company administrative expenses may need to be apportioned down to the subject plant when the plant is owned and managed in a portfolio of plants.

Income Taxes

Unlike nearly all appraisals of general real estate, power plant income approaches are usually completed after deducting income taxes. This is useful and often necessary for several reasons. A major contributor to the value of many plants is its effective income tax rate. Power plants often have tax benefits, including accelerated depreciation, investment tax credits, exemptions, or others. Also, while traditional real estate appraisals are completed before income taxes and most of the theory and data in the real estate appraisal community is arranged for before-income tax analysis, business appraisals are traditionally completed on an after-income tax basis. Most of the financial market data available for the power industry is on an after-income tax basis, and nearly all market participants appraise on an after-income tax basis. In theory, both before- and after-income tax appraisals should yield the same indication of value, but only when the tax benefits are fully and properly adjusted for. Another advantage of the after-income tax analysis is that the inputs and adjustments are explicit and thus available for easier review.

When forecasting the tax rate for a power plant, it is necessary to use an effective income tax rate for the market. Plant owners rarely pay the statutory tax rates. This includes both federal and state income

taxes but adjusts for typical exemptions, deferments, and abatements. Capital expenses, depreciation, and interest expenses must be determined in order to compute the effective income taxes. Depreciation expenses should be calculated utilizing the modified accelerated cost recovery system (MACRS). However, simpler methods may be acceptable in some cases. The power generation industry relies heavily on debt financing. If the goal is to estimate market value, appraisers forecast this expense by applying industry or market-specific interest rates as of the valuation date to the portion of the plant's value that is estimated to be financed with debt.

Capitalization and Discount Rates

Theoretically, there are several possible methods for estimating capitalization and discount rates, including market surveys, extraction from market sales, and various mathematical financial formulas. Extraction from power plant sales very rarely yields sound and adequate data. Also, there are no surveys of power plant capitalization and discount rates. Therefore, rates are usually determined using well-known financial formulas.

Power plant appraisers frequently complete a formula-based analysis of discount rates known as the weighted average cost of capital (WACC)¹⁰ in the business appraisal community. In the real estate appraisal community, this formula is recognized as a band of investment formula.¹¹ The major difference is that the band of investment formula is typically used to determine capitalization rates for real estate before income taxes, while the WACC is typically used for discount rates after income taxes. The basic elements of yield (or capitalization) rates are debt and equity yield. When combined, they indicate the overall investment yield. This cost of capital analysis is "weighted" because it incorporates the percentage of the total investment that debt contributes and the percentage that equity contributes, which is a weighted-average concept. Algebraically, the WACC analysis is expressed in the following equation:

10. *Weighted average cost of capital* is "the cost of capital (discount rate) determined by the weighted average, at market values, of the cost of all financing sources in the business enterprise's capital structure." *International Glossary of Business Valuation Terms* available in *Dictionary of Real Estate Appraisal*, 5th ed., 240.

11. *Band of investment* is "a technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment." *Dictionary of Real Estate Appraisal*, 5th ed., 16.

Formulaic Derivation of an After-Income Tax Discount Rate

Weighted Average Cost of Capital

$$Y_o = (M \times Y_m \times (1-t)) + ((1-M) \times Y_e)$$

where:

Y_o = overall yield rate

M = debt to value ratio

Y_m = debt yield rate

Y_e = equity yield rate

t = effective income tax rate

Equity and Debt Yields

There are several well-developed theories and widely used effective methods for estimating the equity cost of capital, including the build-up method and the capital asset pricing model (CAPM).¹² The build-up method is an additive model in which the equity return on an asset is estimated as the sum of a risk-free rate and one or more risk premiums. The risk-free rate is usually long term US government bond yields. The risk premiums adjust for risks associated with systematic and unsystematic risks, size, and industry risk, illiquidity, and managerial effort and others. The CAPM formula takes into account the sensitivities to non-diversifiable risk (also known as systematic risk or market risk), often represented as a beta coefficient.¹³ Like the build-up method, it begins with the expected return of a risk-free asset and then adjusts for the market-wide expected return. There is much literature on both the build-up and CAPM formulas, and thus they will not be covered further here.

Debt rates are estimated the usual way with one exception. The pre-income-tax debt rate is adjusted for the ability to deduct debt interest expenses from income taxes, by multiplying the cost of debt by one minus the effective tax rate.

Working with Other Professions

The power plant appraiser will frequently join with professionals from other disciplines in order to complete a power plant appraisal. Power plant appraisals often benefit from consultation with professional engineers. In fact, some states and courts require it. Further, appraisers regularly use the services of electricity- and fuel-price forecasters. Other professionals may include regulatory experts, economists, mathematicians, attorneys, and accountants who have expertise in some element related to the appraisal problem at hand.

Reconciliation for Overall Value

There are two considerations one must weigh when applying various approaches to value. First, appraisers should use those approaches commonly utilized by market participants.¹⁴ Second, the supply of data within a market, or within a particular timeframe, may preclude the development of indications of value by one or more of the approaches to value commonly employed in other appraisal practice areas.

Generally, the sales comparison approach is not employed to determine the value of power plants due to the lack of reliable public market data. Within regulated markets, the cost approach is most often employed. In deregulated markets, all three approaches are frequently employed. However, in deregulated markets the income capitalization approach is the primary method used by market participants, and it is typically the approach prescribed by appraisal theory as being the most appropriate.

Allocations

In power plant valuations, the income capitalization and sales comparison approaches usually indicate going-concern values rather than purely real estate or personal property values. The appraiser must exercise care to report which type of value is concluded as of each point in the appraisal. If the purpose of the appraisal is to report the value of something other than the overall business value, as indicated by the income capitalization or sales

12. William F. Sharpe, "Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk," *The Journal of Finance* 19, no. 3 (Sept. 1964): 425-442.

13. *Ibid*

14. In USPAP Standards Rule 1-6 states, "In developing a real property appraisal, an appraiser must: (a) reconcile the quality and quantity of data available and analyzed within the approaches used; and (b) reconcile the applicability or suitability of the approaches used to arrive at the value conclusion(s)." Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice*, 2014-2015 ed. (Washington, DC: The Appraisal Foundation, 2014).

comparison approaches, then some further analysis beyond the overall value from such approaches will be necessary. A cost approach analysis may or may not have been completed in a manner to indicate directly the target value to be appraised. If a unit-in-place cost approach was developed, then business intangibles were likely excluded, but real and personal property may still be intermingled, requiring further analysis. If a trended original cost approach was employed, it may have reported the value of real and personal property separately. Typically the further analysis will include the use of various allocation techniques.¹⁵ Extraction techniques are not typically utilized due to the lack of detail usually available in the market data.¹⁶

Unitary Valuation

Sometimes it is more credible and reliable to appraise a single power plant by utilizing a unitary method of valuation.¹⁷ Commonly used in some states for property taxation, unitary valuation is a type of allocation where the first step is to appraise the entire company that owns the subject plant alongside other business activities and assets. After concluding the value for the company, techniques are used to allocate the portion of the business value attributable to the subject plant. Lastly, if needed, the allocated plant value is further allocated to real and personal property and business intangible values.

Conclusion

Appraising power plants is a specialty practice and requires the utilization of infrequently employed appraisal theory and techniques, but in the end, no new practices will be needed for the well-read appraiser.

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15. Allocation is a method of estimating land value in which sales of improved properties are analyzed to establish a typical ratio of land value to total property value and this ratio is applied to the property being appraised or the comparable sale being analyzed. *Dictionary of Real Estate Appraisal*, 5th ed., 7. While written using land and building as examples, the underlying principle can be applied to other parts of an overall asset.

16. Extraction is "a method of estimating land value in which the depreciated cost of the improvements on the improved property is calculated and deducted from the total sale price to arrive at an estimated sale price for the land." *Ibid.*, 73. While written using land and building as examples, the underlying principle can be applied to other parts of an overall asset.

17. In assessment, the unit rule is a method that values the property within a particular jurisdiction based on the fair share of the value of an operating enterprise of which the property is an integral part. The unit value concept values all the property as a going concern without geographical or functional division of the whole and includes tangible and intangible assets. The unit rule concept is typically associated with the valuation of public utilities, telecommunications networks, railroads, and other transportation properties. *Dictionary of Real Estate Appraisal*, 5th ed., 202.

Web Connections

Internet resources suggested by the Y. T. and Louise Lee Lum Library

American Public Power Association, Resources

<http://www.publicpower.org/resources/>

Electric Power Research Institute

<http://www.epri.com>

Federal Energy Regulatory Commission

<http://www.ferc.gov>

General Electric Power and Water

<https://www.gepower.com/>

National Renewable Energy Laboratory

<http://www.nrel.gov/>

Nuclear Energy Institute, Resources and Stats

<http://www.nei.org/Knowledge-Center>

US Department of Energy

—Office of Nuclear Energy

<http://energy.gov/ne/office-nuclear-energy>

—Energy Information Administration

<http://www.eia.gov/>

US Nuclear Regulatory Commission

<http://www.nrc.gov/>