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June 30, 2026

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

For Transmittal to:

Honorable Alice Lee, Chair
and Members of the Maui County Council
200 South High Street
Wailuku, Hawaii 96793



Mayor Date
JUN 30 2026

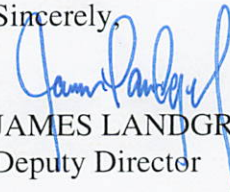
Dear Chair Lee and Council Members:

SUBJECT: AUTHORIZING THE ACQUISITION OF WATER SYSTEM ASSETS FROM LAUNIUPOKO WATER CO., INC. AND OLOWALU WATER COMPANY, INC., FOR UP TO \$6,000,000, EXCLUSIVE OF CLOSING COSTS AND EXPENSES, UNDER SUBSECTION 3.44.015(C), MAUI COUNTY CODE

I am transmitting the proposed resolution entitled, "AUTHORIZING THE ACQUISITION OF WATER SYSTEM ASSETS FROM LAUNIUPOKO WATER CO., INC. AND OLOWALU WATER COMPANY, INC., FOR UP TO \$6,000,000, EXCLUSIVE OF CLOSING COSTS AND EXPENSES, UNDER SUBSECTION 3.44.015(C), MAUI COUNTY CODE" and appraisals for the subject acquisition.

Thank you for your attention to this matter. Should you have any questions, please feel free to contact me at James.Landgraf@co.maui.hi.us.

Sincerely,


JAMES LANDGRAF
Deputy Director

Attachments

"By Water All Things Find Life"

NewGen Strategies & Solutions

www.newgenstrategies.net

REPORT

APPRAISAL OF LAUNIUPOKO WATER COMPANY

JUNE 24, 2026



Prepared for:
County of Maui
200 S. High St.
Kalana O Maui Bldg,
Wailuku, HI 96793

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49 Music Square West
Suite 505
Nashville, TN 37203
Phone: (615) 645-4846

June 24, 2026

Mr. James Landgraf
Deputy Director – Department of Water Supply
County of Maui
200 South High Street, 5th Floor
Wailuku, HI 96793

Re: Appraisal of Launiupoko Water Co. Inc.

Mr. Landgraf,

NewGen Strategies and Solutions, LLC is pleased to provide the County of Maui with an appraisal report to estimate the Investment Value of the potable water system owned by Launiupoko Water Co. Inc. as of April 2, 2026.

We appreciate the opportunity to assist the County of Maui in this engagement. If you have any questions concerning this report, please contact me at zwright@newgenstrategies.net.

Sincerely,

NewGen Strategies and Solutions, LLC

DocuSigned by:

A handwritten signature in blue ink, appearing to be "Zak Wright", enclosed in a blue rectangular box.

1870379CE9854F5...

Zak Wright, ASA, CDP, CRRA
Partner

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Section 1

PREMISE OF THE APPRAISAL

The County of Maui (County or Client) retained NewGen Strategies and Solutions, LLC (NewGen) to perform an independent appraisal to determine the Investment Value (IV) to the County of Maui of the potable water system owned by Launiupoko Water Co. Inc. (LWC), referred to as the System or Subject Property.

In undertaking the study and analyses required to provide an opinion with respect to the IV of the System, NewGen relied on generally accepted valuation methods and procedures. This appraisal report was prepared in conformance with the 2024 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

Date of Valuation

The IV of the Subject Property was estimated as of April 2, 2026.

Date of Appraisal Report

The date of this appraisal report is June 24, 2026.

Purpose and Intended Use of Appraisal

The purpose of the appraisal is to determine the IV to the County of Maui of the System in accordance with the applicable laws, statutes, and USPAP. The appraisal is intended to be used by the County of Maui in their decision making related to the acquisition of the System.

Definition of Investment Value

The definition of IV used in this appraisal report is as follows:

A Standard of Value considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives.¹

Property Interests Appraised

This appraisal evaluates the properties with no restrictions, indebtedness, or other encumbrances. A description of the System can be found in Section 3 of this report.

¹ Shannon P. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 6th ed. (New York: McGraw-Hill, 2022), 30

Section 1

Highest and Best Use

Highest and best use is defined as “the most reasonably probable and legal use of a property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”² In our opinion, the highest and best use of the System is its current use, to provide potable water service.

Scope of Services

At the request of the Client, NewGen performed an independent appraisal to determine the IV of the System as of April 2, 2026. In undertaking the studies and analyses required to provide an opinion with respect to the IV of the System, NewGen relied on generally accepted valuation methods and procedures in accordance with USPAP. In performing the appraisal, NewGen considered all three generally accepted approaches to valuation (i.e., cost, income, and sales comparison) and their degree of applicability in estimating the value of the System. The results of NewGen’s analyses and indicators of value developed are described in Section 4 of this appraisal report.

As part of the services provided, NewGen performed an on-site field review of the System on April 2, 2026, in connection with the appraisal.

Research Undertaken

NewGen’s opinions, set forth herein, are based on information provided by the Client and the current owner of the System, the engineering analysis of the System prepared by Carollo (provided in Exhibit 2), other information generally available to NewGen, and studies and analyses undertaken by NewGen, all of which are basic to and in support of NewGen’s opinions regarding the IV of the System. The studies and analyses undertaken in preparation of the opinions contained herein have been performed in accordance with USPAP as promulgated by the Appraisal Standards Board of the Appraisal Foundation. These studies and analyses included a site visit to the System and investigations and review of certain documents relating to the System.

NewGen Strategies and Solutions, LLC

NewGen is a management and economic consulting firm specializing in serving the utility industry and market. We provide financial, valuation, strategy, expert witness, stakeholder, and sustainability consulting services to water, wastewater, solid waste, and energy clients across the country. Our expertise includes litigation support in state and federal regulatory proceedings, valuation of utility property, business and financial planning, and strategic planning for electric, water, wastewater, solid waste, and natural gas utilities.

NewGen has provided appraisal reports for a wide range of sizes and types of utility property. Based on this experience, the NewGen team is well qualified to appraise utility property and prepare appraisal reports. Specifically, the appraisers and other personnel working on this assignment have the knowledge and experience to complete the assignment competently.

² American Society of Appraisers, *Valuing Machinery and Equipment*, page 570.

Section 2

ASSUMPTIONS, CONSIDERATIONS, AND LIMITING CONDITIONS

In the preparation of this report, NewGen has made certain assumptions and used certain considerations with respect to conditions which may exist or events which may occur in the future. While we believe these considerations and assumptions to be reasonable based upon conditions known to us as of the date of this report, they are dependent upon future events and actual conditions may differ from those assumed.

While we believe the use of such information and assumptions to be reasonable for the purposes of this report, we offer no other assurances with respect thereto, and some assumptions may vary significantly due to unanticipated events and circumstances. To the extent actual future conditions differ from those assumed herein or from the assumptions provided by others, the actual results may vary from those estimated.

The conclusions and opinions found in this report are made expressly subject to the following conditions and stipulations:

- Extraordinary Assumptions³
 - NewGen estimated the value of the System irrespective of the source of capital used to construct the System (e.g., assumes no special treatment for contributed capital), as directed by the Client.
 - The County can and will maintain or extend the useful life of the existing System through rehabilitation and good maintenance practices. NewGen assumes that with the right operating regime, maintenance plan, rehabilitation investments, and retirement and replacement of assets that have exceeded their useful service lives as identified in the income approach, the existing System can continue in service without significant service interruption or costly emergency repair.
 - The IV conclusion developed in this appraisal is largely dependent upon the System's existing rates and the attainability of projected future rate increases. To achieve revenues needed to maintain and operate the System, NewGen assumes annual rate increases of 2.1 percent annually throughout the study period. To the extent that the projected rate increases cannot be implemented or sustained, the Investment Value may differ materially from the value concluded herein.
- The purchaser and operator of the System is assumed to be the County.
- NewGen relied on data in Carollo's engineering analysis, titled "RUL and RCN Analysis," dated May 2026, to develop indicators of value under the cost approach and to estimate future routine replacement capital expenditures under the income approach. Carollo's engineering analysis is shown in Exhibit 2.
- Assumed useful lives for assets are based on the Carollo engineering analysis.

³ Extraordinary assumptions, in the context of this analysis, are statements that are believed to be true but, if found to be false, could alter the opinions or conclusions of value. (USPAP Definitions)

Section 2

- Assumed dates in-service for assets on the System are based on the estimates provided in Carollo's engineering analysis. For assets with varying in-service dates, NewGen relied on the average in-service data provided by Carollo.
- No soil analyses or geological studies were ordered or made in conjunction with this report, nor were any investigations of oil, gas, coal, or other subsurface mineral and use rights or conditions.
- No responsibility is assumed by NewGen for matters that are legal in nature, nor does NewGen render any opinion as to the title, land, and/or land rights, which are assumed to be good and marketable. No opinion is intended to be expressed for matters that would require specialized investigation or knowledge beyond that normally used by an appraiser engaged in valuing the type of System described in this report.
- NewGen made no determination as to the validity, enforceability, or interpretation of any law, contract, rule, or regulation applicable to the System or its operation. However, for the purposes of this report, NewGen assumed that all such laws, contracts, rules, and regulations will be fully enforceable in accordance with their terms as NewGen understands them and that the operators of the System will operate the System in accordance with all applicable laws, contracts, rules, and regulations. NewGen assumed that the System conforms to all applicable zoning and use regulations and restrictions.
- We assume there are no hidden conditions that would make the System more or less valuable.
- All existing liens and encumbrances have been disregarded and the value of the System was appraised as though free and clear and under responsible ownership.
- Mr. Zak Wright, ASA, CDP, CRRP, Partner at NewGen, and Mr. Nick Coomer, CDP, Manager at NewGen, performed a limited field review of the System on April 2, 2026. Mr. Wright and Mr. Coomer were accompanied by representatives from Carollo, the engineering firm retained by the Client for this assignment, and representatives for the Client and the current owner of the System. Based on observations of the visible equipment and discussions with Carollo representatives, many (but not all) of the System's assets appear to generally be in average condition for a plant of comparable type and age.
- NewGen assumes the System has been, and will continue to be, operated in a reasonable and prudent manner consistent with industry practice.
- Substances contained in building structures such as asbestos, chemicals, toxins, wastes, or other potentially hazardous materials could, if present, adversely affect the value of the System. Unless otherwise stated in this report, the appraiser did not consider the existence of hazardous substances, which may or may not be present in the System, in the development of the conclusion regarding IV. The stated value estimates are predicated on the assumption that there is no material at the System that would cause such a loss in value and, as such, are likely to represent the highest reasonable value of the System.
- Third parties have provided certain data and assumptions, including, but not limited to, historical costs, active connection counts, historical water production volumes, plant balances, line-item list of the System's assets, linear feet of pipe by diameter and type, average service lives, and replacement cost values for the line-item list of the System's assets. NewGen reserves the right to adjust the results in this report as may be required by changes to these third-party assumptions.
- NewGen assumed a reasonable long-term inflation rate for the Subject Property to be 2.1 percent per year, based on the long-range (2028-2032) consensus forecast of the Chained Gross Domestic

Assumptions, Considerations, and Limiting Conditions

Product, as published in the March 10, 2026, issue of the *Blue Chip Economic Indicators* (March 2026 Edition). While recent inflation has been more elevated, there is insufficient evidence that this will ultimately impact long-term inflation expectations.

- For the purpose of developing an opinion of the value of the System under the ownership and operation of the County, NewGen assumed no Federal or State of Hawaii income taxes. As a political subdivision of the State of Hawaii, the County is generally not subject to Federal or State income tax.
- Under the income approach, the discount rate used to calculate the net present value of the projected cash flow stream is equal to the weighted average cost of capital for the County of 7 percent. The discount rate was selected to represent the approximate cost of debt for the County, based on a review of the County's existing debt, plus a 200-basis points adder reflecting additional risk particular to owning and operating this System and the anticipated costs of a regular renewals and replacement program.
- NewGen assumed that the 2026 connection count for the System, provided by Carollo's engineering analysis, is an accurate representation of the total number of active connections across the System as of the date of this report. The System has 402 total water system active meters. Based on a review of the 3-year historical connection count on the System and discussions with the Client, NewGen assumed a minimal growth rate of 1 percent annually on the System.
- NewGen relied on reported industry benchmarks⁴ to establish a reasonable approximation of future annual operations and maintenance expenses that a potential purchaser would be likely to incur.
- NewGen relied on the regulatory fees reported in the LWC Profit and Loss statement for January 2022 through December 2025 to establish a reasonable approximation of regulatory related fees that the County would be likely to incur.
- NewGen estimated the volume of water sold by the System based on the System's 2025 water production volumes, provided by the Client, reduced by an assumed water loss factor of 18 percent to account for non-revenue water (e.g., line losses and unbilled or water used for system testing). The resulting billed volume was used to project water sales revenue over the study period.
- Water sales revenue was estimated by applying the County of Maui Department of Water Supply potable water rates to the estimated billed volume. In addition to the water sales revenue, the monthly service charge revenue was calculated by applying the applicable monthly service charge by meter size.
- NewGen estimated plant additions based on distinct approaches for mass and discrete property. Discrete property (e.g., Tanks, Pumps, Filter Stations, etc.) is assumed to be retired and replaced in a single period according to the estimated useful service life of the asset. The plant additions for discrete property are based on the estimated replacement cost included in Carollo's engineering analysis escalated at the long-term inflation rate. Mass property (e.g., Distribution Pipe, Well Shafts, Service Connections, etc.) plant additions are estimated based on the R2 Iowa Survivor Curve and the useful lives discussed above. NewGen applied the R2 Iowa Survivor Curve to develop a mortality dispersion and retirement frequency analysis for the System's plant accounts. The R2 Survivor Curve is commonly used in the mortality studies of utility property.

⁴ 2025 American Water Works Association Utility Benchmarking, Appendix B: FY24 Performance Summary by Type, pages 192.

Section 2

- The maximum amount of assumed accumulated depreciation under the cost approach analysis was 90 percent, leaving 10 percent of the estimated replacement cost value for the older plant that has survived beyond the assumed useful life.
- NewGen assumes, based on information provided by the Client, that the System does not include any real property and that all facilities are located within easement areas within the public right of way.⁵ Additionally, the System does not pay any property tax. NewGen reserves the right to adjust the results in this report as may be required by changes to these third-party assumptions.
- For the Discounted Cash Flow (DCF) analysis in the income approach, a depreciation rate of 2.0 percent was utilized for the water production plant and 1.5 percent for the distribution system. These assumptions are based on NewGen's experience with similar systems. NewGen assumes the normalized depreciation rates are reasonable representations of the average rate for the existing plant that has not fully depreciated and the replacement plant projected to be placed in-service in future periods.
- Operating expenses were escalated at the long-term inflation rate of 2.1 percent per year.
- For the purposes of performing the DCF analysis under the income approach, NewGen employed a 10-year study period (2026 to 2035).
- For the purposes of performing the valuation, NewGen assumed that the County would be able to operate the System in accordance with contractual terms and conditions of any existing contracts, and that any agreements, rights, and easements would be assigned to the County.
- Individuals affiliated with NewGen and contributing to this report are Mr. Zak Wright, ASA, CDP, CRRA, Partner; and Mr. Nick Coomer, CDP, CRRA, Manager. Guidance on replacement costs, deficiencies, engineering analyses, and descriptions of the System were provided by Ms. Felicia James, P.E. of Carollo.

⁵ An easement in a public right-of-way is a designated legal right granting utility companies access to private or public property to install, maintain, and repair essential infrastructure

Section 3

PLANT DESCRIPTION AND CONDITION ASSESSMENT

The following descriptions of the Subject Property were developed in coordination with information provided by Carollo in their engineering analysis and discussions with the Client.

Location and Site Characteristics

The Subject Property is owned by LWC, which was granted a Certificate of Public Convenience and Necessity from the Hawaii Public Utilities Commission in October of 2003, granting it the exclusive right to provide water service within its certificated service area.

The Subject Property is located near Lahaina, Hawaii, and on the island of Maui.

Rate Regulation

The System is subject to rate regulation by the Hawaii Public Utilities Commission under the ownership of the existing owner. However, under the ownership of the County, NewGen assumes the System is not subject to the existing rate regulation by the Hawaii Public Utilities Commission under the present ownership structure.

Number of Customers

The System has 402 total water system active connections according to information provided by Carollo.

Description of the System⁶

Launiupoko System

The System consists of three wells, tanks, booster pumps, approximately 14.45 miles of water main, and appurtenances, located in Launiupoko, as shown in Exhibit 2.

Asset List

Carollo provided an asset list as presented in the engineering analysis, shown in Exhibit 2. The asset list reflects any adjustments or additional information as a result of Carollo's research, discussion with the operators, and the site visit that was performed on April 2, 2026.

Condition of the System

NewGen performed a limited field review of the System for appraisal purposes to identify and observe the condition of the readily accessible portions of the System, which were limited to visual and external

⁶ West Maui Water. (n.d.). Launiupoko water company information. <https://westmauiwater.com/lwc>

Section 3

observations only. Based upon our observations and discussions with Carollo, many of the System's assets appear to generally be in average condition for a plant of comparable type and age.

Discussion of Engineer's Analysis

Carollo's engineering analysis identified the remaining useful lives of the System's assets. NewGen assumes that the projected capital expenditures, as detailed in the Assumptions section of this appraisal report, will be made so that the System will remain in acceptable condition for continued operation in regulatory compliance.

Section 4

INVESTMENT VALUE ANALYSES

Introduction

There are three generally accepted valuation approaches that can be used to estimate the IV of the System: the cost approach, the income approach, and the sales comparison approach. Based on studies and analyses of the System, NewGen believes that all applicable approaches to valuation should be considered. The premise of value selected for this appraisal is IV in continued use.

Cost Approach

The cost approach is based on the premise that an informed buyer would pay no more than the cost of producing a substitute property with the same function or utility as the property being valued. Two indicators of value that are commonly considered under the cost approach when valuing regulated public utility property are the original cost less accumulated depreciation (OCLD) value and the reproduction cost new less accumulated depreciation (RCNLD) value.

OCLD is defined as the original cost of the property when it was first put into service as a public utility, less accumulated depreciation. The OCLD value is generally equivalent to the net book value of the property. NewGen did not complete an OCLD analysis for the purposes of this study as there is significant economic obsolescence present, which is discussed in greater detail later in the report. Economic obsolescence is typically not applicable in an OCLD analysis as the original cost of the assets is meant to approximate historical actual costs of the assets in the System. However, due to the economic obsolescence in this study, the indication of value suggested by OCLD does not yield meaningful results.

RCNLD is defined as the cost of reproducing a new replica of the property at current prices with the same or closely related materials, less accumulated depreciation. In contrast, replacement cost is defined as the current cost of a similar new property having the nearest equivalent utility as the property being appraised. Since there have not been recent major changes in the way water systems are constructed, there is typically not a significant difference between replacement cost and reproduction cost, and the terms are often used interchangeably for appraisal purposes. Although this method indicates the cost of building a comparable facility at present prices, it generally does not consider the inherent risk of construction and ownership, such as design defects, economic delays, cost overruns, and natural disasters.

The cost approach indicators of value are adjusted for depreciation, which is the estimated loss in value of an asset, compared with a new asset. There are three basic types or causes of depreciation:

- **Physical deterioration** – The loss in value or usefulness resulting from the wear and tear of an asset in operation and exposure to various elements.
- **Functional obsolescence** – The loss in value or usefulness caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property developed through new technology.

Section 4

■ **Economic obsolescence** – The loss in value caused by factors external to the property.⁷

The estimated RCNLD value of the System developed in this appraisal reflects an adjustment for physical deterioration and economic obsolescence. NewGen is not aware of any functional obsolescence in the System that would impact value. Accordingly, no adjustments for functional obsolescence were made to the RCNLD indicator of value under the cost approach.

The System is subject to economic obsolescence based on utility rate regulation, which in this case is established by the County, which restricts the earnings of the utility. For the purpose of estimating IV, NewGen conducted an analysis to quantify the economic obsolescence present in the System. First, NewGen estimated net operating income for the System in Year 1, or 2026. NewGen also assumed that the current base rates for service will increase by approximately 2.1 percent annually during the course of the study period. Next, NewGen estimated the economic return on the System's assets that the County would expect. This was calculated by applying the discount rate, discussed in the Assumptions section of this appraisal report, to the personal and real property present in the System. The difference between the net operating income and indicated required economic return on the System's assets approximates the income shortfall on an annual basis. NewGen then capitalized the indicated annual income shortfall into perpetuity using a capitalization rate of the discount rate plus long-term growth. Adding long-term growth in the capitalization rate reflects the fact that the income shortfall is expected to decrease over time as additional rate adjustments occur and additional capital is invested in the System over the normal course of business. Finally, the capitalized income shortfall was divided by the total System assets subject to economic obsolescence to arrive at the economic obsolescence factor to apply to the System's assets under the cost approach. The economic obsolescence factor is approximately -60 percent for the System, as shown in Exhibit 1, Table 5.

RCNLD

The development of RCNLD is shown in Exhibit 1, Table 1. NewGen again utilized the RCN as developed for personal property by the engineer, Carollo, and then subtracted accumulated depreciation to reflect physical deterioration based on age at the date of valuation. Again, the maximum amount of accumulated depreciation assumed in the analysis was 90 percent, leaving 10 percent of the estimated RCN value for each asset that is in service beyond its assumed useful life. NewGen then subtracted the accumulated depreciation from each item on the asset list to reflect physical deterioration based on age.

NewGen tested for the presence of economic obsolescence, as detailed above, and found that significant economic obsolescence does exist. NewGen deducted the economic obsolescence factor from the RCN in order to arrive at a fully adjusted RCNLD. The value estimated in the income approach (see Table 4-3) is less than the RCNLD value even though the RCNLD value shown in Table 4-1 includes an adjustment for economic obsolescence.

The indicators of value under the cost approach are summarized in Table 4-1.

⁷ American Society of Appraisers, *Valuing Machinery and Equipment*, Second Edition, pages 66–67.

Table 4-1
Cost Approach

Item	Indicator of Value
Original Cost Less Depreciation	N/A
Reproduction Cost New Less Depreciation ¹	\$ 10,502,000

¹ Includes adjustment for economic obsolescence

Note: Table values may not equal exhibit values due to rounding to the nearest \$1,000

Sales Comparison Approach

The guideline transaction method under the sales comparison approach involves the review of recent sales of similar facilities between a willing buyer and a willing seller, who are unrelated, as an indication of the market price for such facilities. The guideline transaction method is primarily applicable to property that is readily substitutable and where a number of similar type properties have recently been sold. Caution must be exercised when using the sales comparison approach as an indicator of value for utility property. Normally, adjustments are made to the guideline sales transactions in order to correlate the sales price to the characteristics of the property being valued. However, there are many factors that can influence sales price, including market area, growth prospects, age, and other considerations that may be reflected in the sales price. Each party’s motivation can affect the negotiation and the terms of the sale. Strategic objectives are the driving motivator for some sales. These objectives are often kept confidential and are not available to an appraiser for evaluation. For this reason, NewGen generally uses the comparable sales method as a test of the reasonableness of values produced by the cost and income approaches.

Exhibit 1, Table 3 shows select sales transactions involving water and sewer utility systems in Texas, Missouri, Pennsylvania, and Illinois that occurred from 2010 through 2023. There is a wide variation in the size, location, customer growth prospects, and type of plant for these sales and no attempt was made to adjust the sales to correlate with the characteristics of the System, as doing so would be impractical. The diversity in the geography and marketplace further reduces the applicability of these transactions to the System. There is not enough publicly available data about the transactions to place any significant weight on the guideline transaction method.

Examining the ratio of sales price to book value (OCLD) provides insight into the valuation of property between regulated utilities in willing buyer/willing seller transactions. The median ratio from the sales transactions (where book value was available) results in a sales price equal to 1.06 times book value. For rate regulated utilities, the book value of plant assets typically is the largest component of a utility’s rate base. However, due to the presence of economic obsolescence on the System, NewGen did not consider the ratio of sales price to book value.

The sales price per customer is another metric that can be evaluated but should be used with caution as it can be misleading. For example, this metric may understate the value of systems that have made significant investments in facilities that will serve a much larger customer base than is currently being served. Nonetheless, the median ratio from the sales transactions (where number of customers was available) results in a sales price equal to \$2,661 per connection.

Table 4-2 shows the metric as applied to the System under the sales comparison approach.

Section 4

Table 4-2
Sales Comparison Approach

Metric	Median	Indicator of Value
Sales Price / Customer	\$ 2,661	\$ 1,070,000

Notes:

- Table values may not equal exhibit values due to rounding to the nearest \$1,000.
- The Sales Comparison Approach was not relied upon as an indicator of value, as discussed further in Section 5 of this report.

Income Approach

The income approach estimates the value of property by capitalizing or determining the present worth of anticipated economic benefits from the property as a going concern. Under this approach, the direct economic benefits derived from continued ownership of the property being valued are expressed in terms of free cash flow, which represents the total cash flow generated by the going concern that is available to the providers of both debt and equity capital.

The calculation of free cash flow is illustrated as follows:

- (1) *Annual Operating Revenues*
- (2) *Less: Annual Operating Expenses*
- (3) *Equals: Pre-tax Net Operating Income*
- (4) *Less: Income Taxes*
- (5) *Equals: Earnings Before Interest, Depreciation & Amortization (EBIDA)*
- (6) *Less: Future Capital Expenditures*
- (7) *Less: Net Changes in Working Capital*
- (8) *Equals: Free Cash Flow*

Under the DCF method, the income indicator of value is equal to the sum of the present value of the projected free cash flows plus the present value of the projected terminal value. NewGen utilized a 10-year study period in order to capture the anticipated retirements and replacements across the System, as discussed in Section 2 of this report. In this analysis, the series of annual free cash flows from 2026 to 2035 were discounted, using a mid-year convention, to the date of value using a 7 percent discount rate. For the terminal (or residual) value, the projected free cash flow in 2036 was capitalized into perpetuity at the discount rate, less a growth rate equal to 2.1 percent (the projected rate of growth in earnings), and then discounted back to 2026.

Effect of Utility Rate Regulation on Value

When estimating the value of regulated utility property, it is important to understand utility rate regulation and how regulated utility rates are generally determined. In the case of investor-owned utilities, rates are typically regulated by the Hawaii Public Utilities Commission which reviews the appropriateness of rates for the utility. However, in the case of County ownership, the System's rates are not regulated by the Hawaii Public Utilities Commission but instead are established legislatively by the County. The rates are ultimately approved by the Mayor and enacted by the County Council through the annual budget ordinance.

Rate base is the value of property on which a utility is allowed to earn its authorized rate of return and is generally equal to the OCLD value of the utility's plant in service, plus miscellaneous items, such as working

capital, materials and supplies, and minus miscellaneous items, such as customer advances and deferred taxes. The utility's authorized rate of return is developed based on a weighted average cost of capital (WACC), or discount rate.

As a result of rate regulation and the way utility rates are developed, the income value of regulated utility property is typically related to the rate base value of the property, as described below.

The income approach estimates the value of property by capitalizing or determining the present worth of anticipated economic benefits from the property as a going concern. Under the direct capitalization of earnings method, the income value of the property is estimated by capitalizing (i.e., dividing) the net income associated with the property for a one-year period by an appropriate capitalization rate. This is shown in Equation (1) below:

$$(1) \quad \text{Value} = \frac{(\text{Revenues} - \text{Expenses})}{\text{Capitalization Rate}}$$

The capitalization rate shown in Equation (1) is equal to the discount rate for the County less assumed growth in earnings. In theory, the income value for the County should approximate its rate base value, since this is the value of the utility's investment on which it is allowed to earn its authorized rate of return. Further, generally speaking, the largest contributor to rate base is OCLD.

Under cost-of-service ratemaking procedures, utility rates are designed to produce revenues that recover the utility's expenses (including depreciation and taxes) plus a return on rate base, as shown in Equation (2) below:

$$(2) \quad \text{Revenues} = \text{Expenses} + (\text{Rate of Return})(\text{Rate Base})$$

Equation (2) can be restated as follows:

$$(3) \quad \text{Rate Base} = \frac{(\text{Revenues} - \text{Expenses})}{\text{Rate of Return}}$$

By comparing Equations (1) and (3), one can see that the capitalized income value for regulated utility property is generally equivalent to its rate base value with an adjustment for expected future growth.

Under the principle of substitution, an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the property being valued. However, an informed buyer would generally also pay no more than the income value of the property. Therefore, in the case of rate regulated utility property, the income value is generally close to the rate base (approximately OCLD) value, assuming that utility rates are based on cost of service. This is because the net income (return) a utility can earn is determined based on the utility's authorized rate of return multiplied by the value of its rate base, which is primarily composed of OCLD.

When a plant is purchased or sold, the cost of the plant and the accumulated provision for depreciation are generally recorded on the books of the acquiring utility at original cost. However, at the direction of the Client, NewGen estimated the value of the System irrespective of the source of capital used to construct the System.

Discounted Cash Flow Analysis

NewGen performed a DCF analysis to estimate the prospective income value for the System. NewGen relied upon the County of Maui water rates for the System, with an assumed annual 2.1 percent increase to these rates over the course of the study period. This is the assumed revenue increase needed to operate and maintain the System. This differs from the approach of developing a revenue requirement based on required return on OCLD as a proxy for rate base, as discussed in the Effect of Utility Rate Regulation on

Section 4

Value above. NewGen utilized the approach of developing pro forma revenues and expenses based on existing and estimated future rates due to the presence of significant economic obsolescence on the System, as discussed in the cost approach section of this appraisal report. The lack of an adjustment to OCLD for economic obsolescence yields results that cannot be relied upon to develop a revenue requirement. Due to this constraint, NewGen was not able to develop a buildup of the revenue requirement under a traditional ratemaking perspective because the results of this approach indicated rates that were not practical to be charged.

The DCF model includes renewals and replacements for plant assets as they near the end of their useful service lives. Refer to Section 2 for description of specific assumptions and see Exhibit 1, Table 1 for a listing of plant assets and their useful service lives. The DCF developed for the System is shown in Exhibit 1, Table 4. These results are discussed further in Section 5 of this report.

Table 4-3
Income Approach

Item	Indicator of Value
Discounted Cash Flow (DCF) Analysis	\$ 8,056,000

Note: Table values may not equal exhibit values due to rounding to the nearest \$1,000

Section 5

CONCLUSIONS

Discussion

Cost Approach

The premise of the cost approach is that an informed buyer would pay no more than the cost of producing a substitute property with the same function or utility as the property being valued. Further, for rate regulated utility property, the OCLD value is important as it is the primary component of traditionally developed rate base. The OCLD was not developed for this appraisal report as it did not yield meaningful results due to the presence of significant economic obsolescence on the System.

Sales Comparison Approach

It is often difficult or impossible to properly adjust utility comparable sales transactions to match the characteristics of utility property being valued. The number of critical factors that influence utility property values are numerous, and the terms of some transactions that impact value are kept confidential, preventing consideration of all relevant factors by appraisers. Nonetheless, the sales comparison approach can be a useful means to confirm conclusions from the other two approaches to estimate value.

NewGen did not rely upon the sales comparison approach due to the overall lack of comparable, complete transaction data. Additionally, the transaction data identified is of limited value based on geographical location. While the information from this approach is presented in this report, it is important to note that no weight was placed on the sales comparison approach as an indicator of value due to the weaknesses identified.

Income Approach

The income approach value developed in this appraisal is reasonably aligned with the result from the cost approach, although the indicator of value under the income approach is lower than the RCNLD indication of value.

Investment Value

After careful consideration of the indicators of value developed under the various approaches, given the relative strengths and weaknesses of each, and based on our studies and analyses and the assumptions used therein, including the information provided by others upon which we have relied, we are of the opinion that the County would be willing to purchase the System for a price reflective of the value of all prospective future cash flows, which is represented by the income approach to value.

The County, evaluating the System on a purely financial basis, should not be willing to pay more than the income value unless external factors specific to the County's situation are influencing the purchase. Therefore, we are of the opinion that the indication of value for the System under the income approach best represents the IV of the System.

Section 5

The results of our analyses to estimate the IV of the System as of April 2, 2026, are summarized in Table 5-1.

Table 5-1
Summary of Value Indicators

Value Indicators	
Cost Approach	
OCLD	N/A
RCNLD ¹	\$10,502,000
Sales Comparison Approach	Not relied upon
Income Approach	
DCF	\$ 8,056,000
Investment Value	\$ 8,056,000

¹ Includes adjustment for economic obsolescence
Note: Table values may not equal exhibit values due to rounding to the nearest \$1,000

Section 6

APPRAISAL CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I made a personal inspection of the property that is the subject of this report on April 2, 2026.
- ASA has a mandatory reaccreditation program for all of its Designated Members. I am in compliance with that Program.
- Felicia James, P.E. (Engineer at Carollo) and Nick Coomer, CDP, CRRA (Manager at NewGen) provided significant personal property appraisal assistance to the person signing this certification.

Respectfully Submitted,

NewGen Strategies and Solutions, LLC

DocuSigned by:



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Zak Wright, ASA, CDP, CRRA

June 24, 2026



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NewGen
Strategies & Solutions

EXHIBIT 1: APPRAISAL ANALYSES

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Launiupoko Water Company
Cost Approach
Replacement Cost Less Depreciation
Table 1

Line No.	System / Asset Description (a)	Date In Service [1] (b)	Replacement Cost New [2] (c)	Age as of April 2, 2026 [3] (d)	Useful Life [4] (e)	Annual Depreciation (%) (f)	Expired Life (%) [5] (g)	RCN Annual Depreciation (h)	RCN Accumulated Depreciation (i)	Replacement Cost New Less Depreciation (RCNLD) (j)	Economic Obsolescence Adjustment [6] (k)	Adjusted Replacement Cost New Less Depreciation (l)
1	Launiupoko Water Company											
2	<u>Production System</u>											
3	Well shaft: LWC Well 1	1999	\$ 1,132,112	26.8	50	2.0%	54%	\$ 22,642	\$ 606,812	\$ 525,300		
4	Well shaft: LWC Well 2	2002	1,390,600	23.8	50	2.0%	48%	27,812	661,926	728,674		
5	Well shaft: LWC Well 3	2008	1,225,364	17.8	50	2.0%	36%	24,507	436,230	789,134		
6	Well pumps: LWC Well 1, 500 GPM, 125 HP	2019	508,145	6.8	25	4.0%	27%	20,326	138,215	369,929		
7	Well pumps: LWC Well 2, 100 GPM, 40 HP	2020	300,284	5.8	25	4.0%	23%	12,011	69,666	230,618		
8	Well pumps: LWC Well 3, 500 GPM, 150 HP	2020	568,274	5.8	25	4.0%	23%	22,731	131,840	436,435		
9	Storage tank site, 400,000 gallons	2008	2,597,150	17.8	50	2.0%	36%	51,943	924,585	1,672,565		
10	Storage tank site, 50,000 gallons	2008	324,644	17.8	50	2.0%	36%	6,493	115,573	209,071		
11	Liquid Chlorine pump and injection station	2024	334,971	1.8	20	5.0%	9%	16,749	30,147	304,824		
12	Total Production System		\$ 8,381,544					\$ 205,214	\$ 3,114,994	\$ 5,266,550		
13												
14	<u>Distribution System</u>											
15	Piping, 12-inch water main	2011	\$ 8,035,266	14.8	75	1.3%	20%	\$ 107,137	\$ 1,585,626	\$ 6,449,641		
16	Piping, 8-inch water main	2011	12,174,646	14.8	75	1.3%	20%	162,329	2,402,464	9,772,183		
17	Piping, 6-inch water main	2011	754,828	14.8	60	1.7%	25%	12,580	186,191	568,637		
18	PRV station, multi-stage	2008	1,380,375	17.8	20	5.0%	89%	69,019	1,228,534	151,841		
19	Hydrant	2017	1,492,850	8.8	30	3.3%	29%	49,762	437,903	1,054,947		
20	Meter (system) 2 inch	2017	2,586	8.8	15	6.7%	59%	172	1,517	1,069		
21	Meter (system) 5/8 inch	2017	16,594	8.8	15	6.7%	59%	1,106	9,735	6,859		
22	Meter (system) 6 inch	2017	8,728	8.8	15	6.7%	59%	582	5,120	3,607		
23	Service Connections (metered) 1 1/2 inch	2018	8,081	7.8	50	2.0%	16%	162	1,261	6,821		
24	Service Connections (metered) 1 inch	2018	452,552	7.8	50	2.0%	16%	9,051	70,598	381,954		
25	Service Connections (metered) 2 inch	2018	8,297	7.8	50	2.0%	16%	166	1,294	7,002		
26	Service Connections (metered) 3/4 inch	2018	414,624	7.8	50	2.0%	16%	8,292	64,681	349,943		
27	Service Connections (metered) 5/8 inch	2018	2,328,274	7.8	50	2.0%	16%	46,565	363,211	1,965,063		
28	Total Distribution System		\$ 27,077,702					\$ 466,923	\$ 6,358,134	\$ 20,719,567		
29												
30	Total Launiupoko Water Company		\$ 35,459,245					\$ 672,138	\$ 9,473,128	\$ 25,986,117	\$ (15,484,566)	\$ 10,501,550

Footnotes:

- [1] Assuming Month and Day in service are July 1st for each asset
 [2] Replacement cost estimates from Engineering Analysis as provided by Carollo Engineers, Inc.
 [3] Assuming a standard 365 day year (rounded to the nearest whole year)
 [4] Based on useful lives provided in Carollo's Engineering Analysis
 [5] Assets still in service are assumed to have a minimum remaining useful life of 10%
 [6] Economic obsolescence calculation shown in Table 5

Launiupoko Water Company

Sales Comparison Approach

Table 2

Line No.	Transaction Number	Year of Agreement	State	Application Number [1]	Seller	Purchaser	Utility	Date Finalized	Sales Price	Number of Customers	Price / Customer	OCLD (Book Value)	Price / OCLD	Notes
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	1	2010	TX	36695-S & 36696-S	Gray Utility Service, LLC	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water & Sewer	11/2/2011	\$ 2,943,798	1,690	\$ 1,742			
2	2	2014	TX	43006	Texas H2O, Inc.	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water & Sewer	6/18/2015	\$ 2,720,000	1,088	\$ 2,500			
3	3	2014	TX	43048	Bluebonnet Rural Water Corporation	Corix Utilities	Water	8/14/2015	\$ 1,107,675	1,103	\$ 1,004	\$	2,392,753	0.46
4	4	2015	TX	45639	Mitchell County Utility Company	Corix Utilities	Water	2/3/2017	\$ 577,500	879	\$ 657	\$	410,055	1.41
5	5	2015	TX	44024	Union Hill Water Supply Corporation	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water	2/8/2016	\$ 348,000	174	\$ 2,000	\$	737,637	0.47
6	6	2016	MO	WA-2017-0181	Village of Wardsville	Missouri American Water	Water & Sewer	5/1/2017	\$ 1,954,575	407	\$ 4,802			
7	7	2016	TX	45715	Villas of Willowbrook HOA	Monarch Water Utilities	Water & Sewer	4/5/2017	\$ 183,144	21	\$ 8,721	\$	189,964	0.96
8	8	2016	TX	46077	Brushy Creek Municipal Utility District	Aqua Texas, Inc.	Water	4/12/2017	\$ 50,000	207	\$ 242	\$	151,087	0.33
9	9	2017	TX	47888	Deer Creek Ranch Water Co	SJWTX, Inc. dba Canyon Lake Water Service	Water	11/29/2018	\$ 2,700,000	756	\$ 3,571	\$	1,135,450	2.38
10	10	2017	MO		City of Lawson, MO	Missouri American Water	Water & Sewer	8/1/2018	\$ 1,356,000	904	\$ 1,500			
11	11	2017	IL	17-0314	Village of Peotone	Aqua Illinois	Water & Sewer	10/1/2018	\$ 7,790,000	1,489	\$ 5,232			
12	12	2017	IL	17-0339	Village of Fisher	Illinois American Water	Water & Sewer	3/1/2018	\$ 3,100,000	890	\$ 3,483			
13	13	2018	TX	47922	Dal-High Water LLC	Monarch Water Utilities	Water	11/2/2018	\$ 55,200	46	\$ 1,200	\$	44,862	1.23
14	14	2018	TX	48863	Henry Brookshire Jr	TWS Holdings	Water	9/13/2019	\$ 90,000	119	\$ 756	\$	64,155	1.40
15	15	2018	TX	48532	J&S Water Company, LLC	Nerro Supply, LLC	Water & Sewer	7/1/2018	\$ 1,485,000	553	\$ 2,685	\$	483,912	3.07
16	16	2019	TX	49231	Ponder Enterprises, Inc	Lone Star Water Company	Water	5/20/2020	\$ 1,345,000	332	\$ 4,051	\$	1,274,847	1.06
17	17	2019	TX	49714	Paul B Hill	Megan Estes	Water	3/13/2020	\$ 112,500	50	\$ 2,250	\$	120,160	0.94
18	18	2019	TX	50085	Castle Water Inc	Horseshoe Bend Water Company	Water	6/10/2020	\$ 500,000	507	\$ 986	\$	92,920	5.38
19	19	2019	TX	51382	Dogwood Estates Water Company	Lakeshore Utility Company	Water	4/6/2022	\$ 1,012,000	442	\$ 2,290	\$	195,955	5.16
20	20	2019	IL	19-0732	Village of Andalusia	Illinois American Water	Water & Sewer	5/1/2020	\$ 1,500,000	460	\$ 3,261			
21	21	2019	TX	49787	Stephenville Mobile Home Park	HB Shady Oaks TX	Water & Sewer	N/A	\$ 2,000,000	200	\$ 10,000	\$	439,432	4.55
22	22	2019	TX	49442	Legend Bank, Inc	Ray Harlow	Water & Sewer	3/31/2020	\$ 20,000	551	\$ 36	\$	126,884	0.16
23	23	2019	TX	49299	Bosque Utilities Corporation	THRC Utility, LLC	Water & Sewer	2/26/2020	\$ 116,435	170	\$ 685			
24	24	2020	TX	51530	Esperanza Water Service Company, Inc.	El Paso Water Utilities Public Service Board	Water	10/12/2021	\$ 1,700,000	292	\$ 5,822	\$	1,723,410	0.99
25	25	2020	TX	52616	Aus-Tex Parts & Services, LTD	Railyard Utility Company LLC	Water	10/24/2022	\$ 1,789,532	354	\$ 5,055	\$	2,093,923	0.85
26	26	2021	PA		Valley Township	American Water	Water & Sewer	10/28/2021	\$ 21,275,000	4,800	\$ 4,432			[2]
27	27	2022	IL	21-0511	Village of Hardin	American Water	Water & Sewer	4/7/2022	\$ 3,300,000	840	\$ 3,929			[2]
28	28	2022	IL	21-0869	City of Villa Grove	American Water	Water & Sewer	9/15/2022	\$ 11,000,000	2,180	\$ 5,046			[2]
29	29	2022	MO	WA-2021-0376	City of Eureka	American Water	Water & Sewer	8/2/2022	\$ 28,000,000	7,950	\$ 3,522			[2]
30	30	2022	MO	WA-2022-0229	City of Purcell	American Water	Water & Sewer	8/31/2022	\$ 400,000	310	\$ 1,290			[2]
31	31	2023	MO	SA-2023-0071	City of Smithton	American Water	Water & Sewer	1/11/2023	\$ 565,000	448	\$ 1,261			[2]
32	32	2023	MO	SA-2022-0311	City of Stewartsville	American Water	Water & Sewer	1/11/2023	\$ 1,900,000	714	\$ 2,661			[2]
33	33	2023	IL	22-0536	Village of Tolono	American Water	Water & Sewer	5/13/2023	\$ 9,475,000	2,549	\$ 3,717			[2]

Analysis of Price / Customer		All Sales
High	\$	10,000
Low		36
Mean		3,042
Median		2,661
Standard Dev Above Mean		5,331
Standard Dev Below Mean	\$	754
Connection Count [3]		402
Indicated Value based on Median	\$	1,069,748

Footnotes:

[1] Effective September 1, 2014, the Public Utility Commission of Texas (PUCT) began the economic regulation of water and sewer utilities, which was formerly handled by the Texas Commission on Environmental Quality (TCEQ)

[2] Transactions identified by Bluefield Research

[3] Connection count as of 2025.

Launiupoko Water Company
Income Approach
General Assumptions
Table 3

Line No.	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1 Annual Escalators	Blue Chip Economic Indicators, March 2026 Edition, Dated March 10, 2026									
2 General Inflation	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
3										
4 System										
5 2026 Active Connection Count [1]	402									
6 Assumed Annual Customer Growth [2]	1.00%									
7 Forecasted Connection Count	402	406	410	414	418	422	426	430	434	438
8										
9 General Assumptions										
10 Discount Rate	7.00%									
11 Federal Income Tax Rate	0.00%									
12 State Income Tax Rate	0.00%									
13 Effective Income Tax Rate	0.00%									
14										
15 Annual Depreciation Rate [3]										
16 Production Plant - Annual Depreciation (%)	2.0%									
17 Distribution System - Annual Depreciation (%)	1.5%									
18										
19 2025 AWWA Utility Benchmarking (2024 values, Appendix B) Trended to 2026										
20 Total O&M Cost of Water Services (\$/MG)	\$	4,221	\$4,049 benchmark 2024 value escalated to 2026 at long-term inflation rate							
21 Treatment O&M Cost of Water Services (\$/MG)	\$	1,048	\$1,005 benchmark 2024 value escalated to 2026 at long-term inflation rate							
22 Distribution O&M Cost of Water Service (\$/100 miles of pipe)	\$	892,798	\$856,449 benchmark 2024 value escalated to 2026 at long-term inflation rate							
23										
24 Flow [4]										
25 Water Production	275,861,550	Gallons								
26										
27 Feet in a Mile	5,280	Feet								
28 Distribution System	Feet of Pipe	Miles of Pipe								
29 Piping, 12-inch water main	22,000	4.17								
30 Piping, 8-inch water main	50,000	9.47								
31 Piping, 6-inch water main	3,100	0.59								
32 Service Laterals	1,206	0.23	Service Laterals assumed 3 linear feet per connection							
33		14.45								
34										
35 Water System Costs										
36 Water O&M Cost	\$	1,164,368								
37 Treatment O&M	\$	289,007								
38 Distribution System Cost	\$	129,026								
39										
40 Regulatory Fees [5]	\$	89,615								
41										
42 Annual Revenue Increase [6]	2.10%									
43										
44 Footnotes:										
45 [1] 2026 Active Connection Count										
46 [2] Growth rate of 1% assumed on the system based on discussions with the County of Maui										
47 [3] Depreciation Rates developed based NewGen's experience with studies of similar systems										
48 [4] 2025 Water Production										
49 [5] Launiupoko Water Company, Inc. Profit and Loss Statement for 2025										
50 [6] Assumed revenue increase needed to maintain and operate the system										

Launiupoko Water Company
Income Approach
Discounted Cash Flow Analysis
Table 4

Line No.		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Notes
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Rate Revenue	\$ 2,352,911	\$ 2,404,326	\$ 2,456,864	\$ 2,510,547	\$ 2,565,402	\$ 2,621,454	\$ 2,678,728	\$ 2,737,252	\$ 2,797,053	\$ 2,858,158	[1]
2	Total Revenue	\$ 2,352,911	\$ 2,404,326	\$ 2,456,864	\$ 2,510,547	\$ 2,565,402	\$ 2,621,454	\$ 2,678,728	\$ 2,737,252	\$ 2,797,053	\$ 2,858,158	
3	O&M Expenses											[1]
4	Water O&M Cost	\$ 1,164,368	\$ 1,200,708	\$ 1,238,183	\$ 1,276,826	\$ 1,316,676	\$ 1,357,769	\$ 1,400,145	\$ 1,443,844	\$ 1,488,906	\$ 1,535,375	
5	Treatment O&M	289,007	298,027	307,329	316,920	326,811	337,011	347,529	358,376	369,561	381,095	
6	Distribution System Cost	129,026	131,736	134,502	137,327	140,211	143,155	146,161	149,231	152,364	155,564	
7	Taxes Other Than Income and Regulatory Fees	89,615	91,497	93,418	95,380	97,383	99,428	101,516	103,648	105,824	108,046	
8	Depreciation (Book)	270,962	272,500	273,861	275,288	277,091	278,675	280,301	282,312	284,390	286,118	
9	Total Operating Expenses	\$ 1,942,978	\$ 1,994,467	\$ 2,047,292	\$ 2,101,741	\$ 2,158,171	\$ 2,216,039	\$ 2,275,653	\$ 2,337,410	\$ 2,401,046	\$ 2,466,198	
10	Operating Income	\$ 409,933	\$ 409,859	\$ 409,572	\$ 408,807	\$ 407,231	\$ 405,415	\$ 403,075	\$ 399,842	\$ 396,007	\$ 391,960	
11	Less: Income Taxes	-	-	-	-	-	-	-	-	-	-	[2]
12	Net Income	\$ 409,933	\$ 409,859	\$ 409,572	\$ 408,807	\$ 407,231	\$ 405,415	\$ 403,075	\$ 399,842	\$ 396,007	\$ 391,960	
13	Add Back: Book Depreciation	270,962	272,500	273,861	275,288	277,091	278,675	280,301	282,312	284,390	286,118	
14	Earnings Before Interest, Depreciation & Amort.	\$ 680,894	\$ 682,359	\$ 683,433	\$ 684,095	\$ 684,322	\$ 684,091	\$ 683,377	\$ 682,155	\$ 680,397	\$ 678,078	
15	Less: Capital Expenditures	\$ (177,301)	\$ (154,130)	\$ (160,690)	\$ (208,120)	\$ (180,012)	\$ (183,301)	\$ (232,249)	\$ (228,895)	\$ (194,461)	\$ (244,214)	[3]
16	Less: Changes in Working Capital	-	(12,488)	(12,866)	(13,255)	(13,657)	(14,071)	(14,497)	(14,937)	(15,389)	(15,856)	[4]
17	Free Cash Flow	\$ 503,594	\$ 515,740	\$ 509,877	\$ 462,719	\$ 490,653	\$ 486,719	\$ 436,631	\$ 438,323	\$ 470,547	\$ 418,008	
18	Discounted Cash Flow	\$ 486,843	\$ 465,967	\$ 430,532	\$ 365,152	\$ 361,866	\$ 335,481	\$ 281,268	\$ 263,886	\$ 264,753	\$ 219,805	
19	Capitalized Cash Flow Analysis											
20	Discount Rate	7.00%	[5]									
21	Long Term Earnings Growth Rate	2.10%	[6]									
22	Capitalization Rate	4.90%	[7]									
23	Net Present Value of 2026-2035 Free Cash Flow	\$ 3,475,553	[8]									
24	Terminal Value	8,709,916	[9]									
25	Net Present Value of Terminal Value	\$ 4,580,028	[10]									
26	Income Value	\$ 8,055,580	[11]									

Footnotes:

- [1] See Table 3
- [2] County of Maui does not pay income taxes
- [3] Capital expenditures are based on the Capital expenditure analysis retirement rate calculated from the survivor curve times RCN escalated at inflation and the Capital expenditure analysis retirement rate calculated from the useful life rate times RCN
- [4] Based on 90 day buffer for cash expenses
- [5] See Table 3
- [6] Blue Chip Economic Indicators, March 2026 Edition, Dated March 10, 2026
- [7] Discount Rate minus Earnings Growth Rate
- [8] Free Cash Flows discounted at the Discount Rate
- [9] Estimated Free Cash flow in 2036 divided by Capitalization Rate
- [10] Terminal Value discounted at the Discount Rate from 2035 to 2026
- [11] Sum of the NPV of 2026-2035 Free Cash Flows Plus the NPV of the Terminal Value

Launiupoko Water Company
Income Approach
Economic Obsolescence
Table 5

Line No.	(a)	Value (b)	Required Rate of Return (c)	Required Economic Income (d)
1	Tangible Personal Property [1]			
2	Reproduction Cost New - Total Plant Facilities	\$ 35,459,245		
3	Less: Physical Depreciation	(9,473,128)		
4	Total Tangible Personal Property	\$ 25,986,117	7.00%	\$ 1,819,028
5	Real Property	\$ -	7.00%	\$ -
6	Intangible Personal Property	\$ -	7.00%	\$ -
7	Total Assets Acquired	\$ 25,986,117		
8	Total Required Return on Assets Acquired			\$ 1,819,028
9	Projected Annual Operating Income [2]			\$ 409,933
10	Less: Required Economic Return on Assets Acquired			\$ (1,819,028)
11	Equals: (Income Shortfall)			\$ (1,409,096)
12	Divided by: Direct Capitalization Rate [3]			9.10%
13	(Capitalized Income Shortfall)			\$ (15,484,566)
14	Operating Assets Subject to Economic Obsolescence			
15	Tangible Personal Property			\$ 25,986,117
16	Real Property			-
17	Intangible Personal Property			-
18	Total Assets Subject to Economic Obsolescence			\$ 25,986,117
19	Economic Obsolescence Factor			-60%

Footnotes:

[1] Table 1, Replacement Cost Less Depreciation

[2] Table 4, Discounted Cash Flow Analysis

[3] Direct capitalization rate equal to the Discount Rate plus long term economic growth rate. Since earnings are expected to increase at a long-term growth rate of 2.10%, the economic shortfall indicated by the capitalized excess earnings analysis is expected to decrease at a long-term growth rate of 2.10%.

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NewGen
Strategies & Solutions

EXHIBIT 2: CAROLLO ENGINEERING ANALYSIS

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Sort Order	Asset Class	Estimated Useful Life (years)	Install date(s)	Age (or Average Age) as of 2026	Remaining Useful Life (years)	Quantity	RCN unit	RCN total	Reference/Source
1	Service Connections		2008 - 2023	8					
2	Service Connections (metered) 1 1/2 inch	50	varies	8	43	1	\$ 8,081	\$ 8,081	LWC METER SIZES 12.31.2025.pdf
3	Service Connections (metered) 1 inch	50	varies	8	43	56	\$ 8,081	\$ 452,552	LWC METER SIZES 12.31.2025.pdf
4	Service Connections (metered) 2 inch	50	varies	8	43	1	\$ 8,297	\$ 8,297	LWC METER SIZES 12.31.2025.pdf
5	Service Connections (metered) 3/4 inch	50	varies	8	43	52	\$ 7,974	\$ 414,624	LWC METER SIZES 12.31.2025.pdf
6	Service Connections (metered) 5/8 inch	50	varies	8	43	292	\$ 7,974	\$ 2,328,274	LWC METER SIZES 12.31.2025.pdf
7	Meters (system)		2006 - 2024	8					
8	Meter (system) 2 inch	15	varies	8	7	1	\$ 2,586	\$ 2,586	LWC SYSTEM METERS BY SIZE 12.31.2025.pdf
9	Meter (system) 5/8 inch	15	varies	8	7	7	\$ 2,371	\$ 16,594	LWC SYSTEM METERS BY SIZE 12.31.2025.pdf
10	Meter (system) 6 inch	15	varies	8	7	3	\$ 2,909	\$ 8,728	LWC SYSTEM METERS BY SIZE 12.31.2025.pdf
11	Well shaft: LWC Well 1	50	1999	27	23	692	\$ 1,636	\$ 1,132,112	20260402_114203.jpg
12	Well shaft: LWC Well 2	50	2002	24	26	850	\$ 1,636	\$ 1,390,600	20260402_120811.jpg
13	Well shaft: LWC Well 3	50	2008	18	32	749	\$ 1,636	\$ 1,225,364	PXL_20260402_204248957.jpg
14	Well pumps: LWC Well 1, 500 GPM, 125 HP	25	2019	7	18	1	\$ 508,145	\$ 508,145	20260402_114203.jpg
15	Well pumps: LWC Well 2, 100 GPM, 40 HP	25	2020	6	19	1	\$ 300,284	\$ 300,284	20260402_120811.jpg
16	Well pumps: LWC Well 3, 500 GPM, 150 HP	25	2020	6	19	1	\$ 568,274	\$ 568,274	20260402_104129.jpg
17	Storage tank site, 400,000 gallons	50	2008	18	32	1	\$ 2,597,150	\$ 2,597,150	20260402_114203.jpg
18	Storage tank site, 50,000 gallons	50	2008	18	32	1	\$ 324,644	\$ 324,644	20260402_120815.jpg
19	Liquid Chlorine pump and injection station	20	2024	2	18	3	\$ 111,657	\$ 334,971	per 2025 asset list
20	Distribution Piping:		2008 - 2021	15					
21	Piping, 12-inch water main	75	varies	15	60	22,000	\$ 365	\$ 8,035,266	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
22	Piping, 8-inch water main	75	varies	15	60	50,000	\$ 243	\$ 12,174,646	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
23	Piping, 6-inch water main	60	varies	15	45	3,100	\$ 243	\$ 754,828	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
24	PRV station, multi-stage	20	2008	18	2	9	\$ 153,375	\$ 1,380,375	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
25	Hydrants and Standpipes	30	2008 - 2023	9	21	146	\$ 10,225	\$ 1,492,850	LWC LIC OWC hydrant count 20260502.docx

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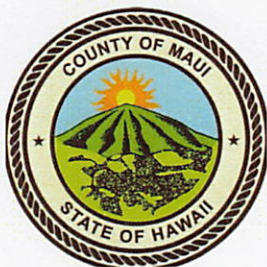
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REPORT

APPRAISAL OF OLOWALU WATER COMPANY

JUNE 24, 2026



Prepared for:
County of Maui
200 S. High St.
Kalana O Maui Bldg,
Wailuku, HI 96793

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49 Music Square West
Suite 505
Nashville, TN 37203
Phone: (615) 645-4846

June 24, 2026

Mr. James Landgraf
Deputy Director – Department of Water Supply
County of Maui
200 South High Street, 5th Floor
Wailuku, HI 96793

Re: Appraisal of Olowalu Water Co. Inc.

Mr. Landgraf,

NewGen Strategies and Solutions, LLC is pleased to provide the County of Maui with an appraisal report to estimate the Investment Value of the non-potable water system and potable water system owned by Olowalu Water Co. Inc. as of April 2, 2026.

We appreciate the opportunity to assist the County of Maui in this engagement. If you have any questions concerning this report, please contact me at zwright@newgenstrategies.net.

Sincerely,

NewGen Strategies and Solutions, LLC

DocuSigned by:

A handwritten signature in blue ink, appearing to read "Zak Wright", enclosed within a blue circular digital stamp.

1870379CE9854F5...

Zak Wright, ASA, CDP, CRRA
Partner

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Section 1

PREMISE OF THE APPRAISAL

The County of Maui (County or Client) retained NewGen Strategies and Solutions, LLC (NewGen) to perform an independent appraisal to determine the Investment Value (IV) to the County of Maui of the non-potable water system (Non-Potable System or Non-Potable Subject Property) and potable water system (Potable System or Potable Subject Property) owned by Olowalu Water Co. Inc. (OWC).

In undertaking the study and analyses required to provide an opinion with respect to the IV of the Potable System and Non-Potable System, NewGen relied on generally accepted valuation methods and procedures. This appraisal report was prepared in conformance with the 2024 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation.

Date of Valuation

The IV of the Potable Subject Property and Non-Potable Subject Property was estimated as of April 2, 2026.

Date of Appraisal Report

The date of this appraisal report is June 24, 2026.

Purpose and Intended Use of Appraisal

The purpose of the appraisal is to determine the IV to the County of Maui of the Potable System and Non-Potable System in accordance with the applicable laws, statutes, and USPAP. The appraisal is intended to be used by the County of Maui in their decision making related to the acquisition of the Potable System and Non-Potable System.

Definition of Investment Value

The definition of IV used in this appraisal report is as follows:

A Standard of Value considered to represent the value of an asset or business to a particular owner or prospective owner for individual investment or operational objectives.¹

Property Interests Appraised

This appraisal evaluates the properties with no restrictions, indebtedness, or other encumbrances. A description of the Potable System and Non-Potable System can be found in Section 3 of this report.

¹ Shannon P. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, 6th ed. (New York: McGraw-Hill, 2022), 30

Section 1

Highest and Best Use

Highest and best use is defined as “the most reasonably probable and legal use of a property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”² In our opinion, the highest and best use of the Potable System is its current use, to provide potable water service and the highest and best use of the Non-Potable System is its current use, to provide non-potable water service.

Scope of Services

At the request of the Client, NewGen performed an independent appraisal to determine the IV of both the Potable System and Non-Potable System as of April 2, 2026. In undertaking the studies and analyses required to provide an opinion with respect to the IV of the Potable System and Non-Potable System, NewGen relied on generally accepted valuation methods and procedures in accordance with USPAP. In performing the appraisal, NewGen considered all three generally accepted approaches to valuation (i.e., cost, income, and sales comparison) and their degree of applicability in estimating the value of the Potable System and Non-Potable System. The results of NewGen’s analyses and indicators of value developed are described in Section 4 of this appraisal report.

As part of the services provided, NewGen performed an on-site field review of the Potable System and Non-Potable System on April 2, 2026, in connection with the appraisal.

Research Undertaken

NewGen’s opinions, set forth herein, are based on information provided by the Client and the current owner of the Potable System and Non-Potable System, the engineering analysis of the Potable System and Non-Potable System prepared by Carollo (provided in Exhibit 3), other information generally available to NewGen, and studies and analyses undertaken by NewGen, all of which are basic to and in support of NewGen’s opinions regarding the IV of the Potable System and Non-Potable System. The studies and analyses undertaken in preparation of the opinions contained herein have been performed in accordance with USPAP as promulgated by the Appraisal Standards Board of the Appraisal Foundation. These studies and analyses included a site visit to the Potable System and Non-Potable System and investigations and review of certain documents relating to the Potable System and Non-Potable System.

NewGen Strategies and Solutions, LLC

NewGen is a management and economic consulting firm specializing in serving the utility industry and market. We provide financial, valuation, strategy, expert witness, stakeholder, and sustainability consulting services to water, wastewater, solid waste, and energy clients across the country. Our expertise includes litigation support in state and federal regulatory proceedings, valuation of utility property, business and financial planning, and strategic planning for electric, water, wastewater, solid waste, and natural gas utilities.

NewGen has provided appraisal reports for a wide range of sizes and types of utility property. Based on this experience, the NewGen team is well qualified to appraise utility property and prepare appraisal reports. Specifically, the appraisers and other personnel working on this assignment have the knowledge and experience to complete the assignment competently.

² American Society of Appraisers, *Valuing Machinery and Equipment*, page 570.

Section 2

ASSUMPTIONS, CONSIDERATIONS, AND LIMITING CONDITIONS

In the preparation of this report, NewGen has made certain assumptions and used certain considerations with respect to conditions which may exist or events which may occur in the future. While we believe these considerations and assumptions to be reasonable based upon conditions known to us as of the date of this report, they are dependent upon future events and actual conditions may differ from those assumed.

While we believe the use of such information and assumptions to be reasonable for the purposes of this report, we offer no other assurances with respect thereto, and some assumptions may vary significantly due to unanticipated events and circumstances. To the extent actual future conditions differ from those assumed herein or from the assumptions provided by others, the actual results may vary from those estimated.

The conclusions and opinions found in this report are made expressly subject to the following conditions and stipulations:

- **Extraordinary Assumptions³**
 - NewGen estimated the value of the Potable System and Non-Potable System irrespective of the source of capital used to construct the Potable System and Non-Potable System (e.g., assumes no special treatment for contributed capital), as directed by the Client.
 - The County can and will maintain or extend the useful life of the existing Potable System and Non-Potable System through rehabilitation and good maintenance practices. NewGen assumes that with the right operating regime, maintenance plan, rehabilitation investments, and retirement and replacement of assets that have exceeded their useful service lives as identified in the income approach, the existing Potable System and Non-Potable System can continue in service without significant service interruption or costly emergency repair.
 - The IV conclusion developed in this appraisal is largely dependent upon the Potable System and Non-Potable System's existing rates and the attainability of projected future rate increases. To achieve revenues needed to maintain and operate the Potable System and Non-Potable System, NewGen assumes annual rate increases of 2.1 percent annually through the study period on the Potable System and annual rate increases of 5 percent annually throughout the study period on the Non-Potable System. To the extent that the projected rate increases cannot be implemented or sustained, the Investment Value may differ materially from the value concluded herein.
- The purchaser and operator of the Potable System and Non-Potable System is assumed to be the County.
- NewGen relied on data in Carollo's engineering analysis, titled "RUL and RCN Analysis," dated May 2026, to develop indicators of value under the cost approach and to estimate future routine replacement capital expenditures under the income approach. Carollo's engineering analysis is shown in Exhibit 3.

³ Extraordinary assumptions, in the context of this analysis, are statements that are believed to be true but, if found to be false, could alter the opinions or conclusions of value. (USPAP Definitions)

Section 2

- Assumed useful lives for assets are based on the Carollo engineering analysis.
- Assumed dates in-service for assets on the Potable System and Non-Potable System are based on the estimates provided in Carollo's engineering analysis. For assets with varying in-service dates, NewGen relied on the average in-service data provided by Carollo.
- No soil analyses or geological studies were ordered or made in conjunction with this report, nor were any investigations of oil, gas, coal, or other subsurface mineral and use rights or conditions.
- No responsibility is assumed by NewGen for matters that are legal in nature, nor does NewGen render any opinion as to the title, land, and/or land rights, which are assumed to be good and marketable. No opinion is intended to be expressed for matters that would require specialized investigation or knowledge beyond that normally used by an appraiser engaged in valuing the type of Potable System and Non-Potable System described in this report.
- NewGen made no determination as to the validity, enforceability, or interpretation of any law, contract, rule, or regulation applicable to the Potable System and Non-Potable System or its operation. However, for the purposes of this report, NewGen assumed that all such laws, contracts, rules, and regulations will be fully enforceable in accordance with their terms as NewGen understands them and that the operators of the Potable System and Non-Potable System will operate the Potable System and Non-Potable System in accordance with all applicable laws, contracts, rules, and regulations. NewGen assumed that the Potable System and Non-Potable System conforms to all applicable zoning and use regulations and restrictions.
- We assume there are no hidden conditions that would make the Potable System and Non-Potable System more or less valuable.
- All existing liens and encumbrances have been disregarded and the value of the Potable System and Non-Potable System was appraised as though free and clear and under responsible ownership.
- Mr. Zak Wright, ASA, CDP, CRRA, Partner at NewGen, and Mr. Nick Coomer, CDP, Manager at NewGen, performed a limited field review of the Potable System and Non-Potable System on April 2, 2026. Mr. Wright and Mr. Coomer were accompanied by representatives from Carollo, the engineering firm retained by the Client for this assignment, and representatives for the Client and the current owner of the Potable System and Non-Potable System. Based on observations of the visible equipment and discussions with Carollo representatives, many (but not all) of the Potable System and Non-Potable System's assets appear to generally be in average condition for a plant of comparable type and age; however, some of the Potable System and Non-Potable System's assets have exceeded their normal useful service lives.
- NewGen assumes the Potable System and Non-Potable System have been, and will continue to be, operated in a reasonable and prudent manner consistent with industry practice.
- Substances contained in building structures such as asbestos, chemicals, toxins, wastes, or other potentially hazardous materials could, if present, adversely affect the value of the Potable System and Non-Potable System. Unless otherwise stated in this report, the appraiser did not consider the existence of hazardous substances, which may or may not be present in the Potable System and Non-Potable System, in the development of the conclusion regarding IV. The stated value estimates are predicated on the assumption that there is no material at the Potable System and Non-Potable System that would cause such a loss in value and, as such, are likely to represent the highest reasonable value of the Potable System and Non-Potable System.

Assumptions, Considerations, and Limiting Conditions

- Third parties have provided certain data and assumptions, including, but not limited to, historical costs, active connection counts, historical water production volumes, plant balances, line-item list of the Potable System and Non-Potable System's assets, linear feet of pipe by diameter and type, average service lives, and replacement cost values for the line-item list of the Potable System and Non-Potable System's assets. NewGen reserves the right to adjust the results in this report as may be required by changes to these third-party assumptions.
- NewGen assumed a reasonable long-term inflation rate for the Subject Property to be 2.1 percent per year, based on the long-range (2028-2032) consensus forecast of the Chained Gross Domestic Product, as published in the March 10, 2026, issue of the *Blue Chip Economic Indicators* (March 2026 Edition). While recent inflation has been more elevated, there is insufficient evidence that this will ultimately impact long-term inflation expectations.
- For the purpose of developing an opinion of the value of the Potable System and Non-Potable System under the ownership and operation of the County, NewGen assumed no Federal or State of Hawaii income taxes. As a political subdivision of the State of Hawaii, the County is generally not subject to Federal or State income tax.
- Under the income approach, the discount rate used to calculate the net present value of the projected cash flow stream is equal to the weighted average cost of capital for the County of 7 percent. The discount rate was selected to represent the approximate cost of debt for the County, based on a review of the County's existing debt, plus a 200-basis-points adder reflecting additional risk particular to owning and operating this System and the anticipated costs of a regular renewals and replacement program.
- NewGen assumed that the 2026 connection count for the Potable System and Non-Potable System, provided by Carollo's engineering analysis, is an accurate representation of the total number of active connections across the Potable System and Non-Potable System as of the date of this report. The Potable System has 79 total water system active meters and the Non-Potable System has 72 total water system active meters. Based on a review of the 3-year historical connection count on the Potable System and Non-Potable System and discussions with the Client, NewGen assumed a minimal growth rate of 1 percent annually on the Potable System and Non-Potable System.
- NewGen relied on reported industry benchmarks⁴ to establish a reasonable approximation of future annual operations and maintenance expenses that a potential purchaser would be likely to incur.
- NewGen relied on regulatory fees reported in the OWC Profit and Loss statement for January 2022 through December 2025 to establish a reasonable approximation of regulatory related fees that the County would be likely to incur.
- NewGen estimated the volume of water sold by the Potable System and Non-Potable System based on the 2025 water production volumes, provided by the Client, reduced by an assumed water loss factor of 18 percent to account for non-revenue water (e.g., line losses and unbilled or water used for system testing). The resulting billed volume was used to project water sales revenue over the study period.
- Water sales revenue for the Potable System was estimated by applying the County of Maui Department of Water Supply potable water rates to the estimated billed volume. In addition to the

⁴ 2025 American Water Works Association Utility Benchmarking, Appendix B: FY24 Performance Summary by Type, pages 192.

Section 2

water sales revenue, the monthly service charge revenue was calculated by applying the applicable monthly service charge by meter size.

- Water sales revenue for the Non-Potable System was estimated by applying the County of Maui Department of Water Supply non-potable water rate of \$1.31 per 1,000 gallons to the estimated billed volume. In addition to the water sales revenue, the monthly service charge revenue was calculated by applying the applicable monthly service charge by meter size.
- NewGen estimated plant additions based on distinct approaches for mass and discrete property. Discrete property (e.g., Tanks, Pumps, Filter Stations, etc.) is assumed to be retired and replaced in a single period according to the estimated useful service life of the asset. The plant additions for discrete property are based on the estimated replacement cost included in Carollo's engineering analysis escalated at the long-term inflation rate. Mass property (e.g., Distribution Pipe, Well Shafts, Service Connections, etc.) plant additions are estimated based on the R2 Iowa Survivor Curve and the useful lives discussed above. NewGen applied the R2 Iowa Survivor Curve to develop a mortality dispersion and retirement frequency analysis for the Potable System and Non-Potable System's plant accounts. The R2 Survivor Curve is commonly used in the mortality studies of utility property.
- The maximum amount of assumed accumulated depreciation under the cost approach analysis was 90 percent, leaving 10 percent of the estimated replacement cost value for the older plant that has survived beyond the assumed useful life.
- NewGen assumes, based on information provided by the Client, that the Potable System and Non-Potable System do not include any real property and that all facilities are located within easement areas within the public right of way.⁵ Additionally, the Potable System and Non-Potable System do not pay any property tax. NewGen reserves the right to adjust the results in this report as may be required by changes to these third-party assumptions.
- For the Discounted Cash Flow (DCF) analysis in the income approach, a depreciation rate of 2.0 percent was utilized for the water production plant and 1.5 percent for the distribution system. These assumptions are based on NewGen's experience with similar systems. NewGen assumes the normalized depreciation rates are reasonable representations of the average rate for the existing plant that has not fully depreciated and the replacement plant projected to be placed in-service in future periods.
- Operating expenses were escalated at the long-term inflation rate of 2.1 percent per year.
- For the purposes of performing the DCF analysis under the income approach, NewGen employed a 10-year study period (2026 to 2035).
- For the purposes of performing the valuation, NewGen assumed that the County would be able to operate the Potable System and Non-Potable System in accordance with contractual terms and conditions of any existing contracts, and that any agreements, rights, and easements would be assigned to the County.
- Individuals affiliated with NewGen and contributing to this report are Mr. Zak Wright, ASA, CDP, CRRA, Partner; and Mr. Nick Coomer, CDP, CRRA, Manager. Guidance on replacement costs, deficiencies, engineering analyses, and descriptions of the Potable System and Non-Potable System were provided by Ms. Felicia James, P.E. of Carollo.

⁵ An easement in a public right-of-way is a designated legal right granting utility companies access to private or public property to install, maintain, and repair essential infrastructure

Section 3

PLANT DESCRIPTION AND CONDITION ASSESSMENT

The following descriptions of the Subject Property were developed in coordination with information provided by Carollo in their engineering analysis and discussions with the Client.

Location and Site Characteristics

The Potable Subject Property is owned by OWC, which was granted a Certificate of Public Convenience and Necessity from the Hawaii Public Utilities Commission in August of 2000, granting it the exclusive right to provide water service within its certificated service area.

The Non-Potable Subject Property is owned by OWC, which was granted a Certificate of Public Convenience and Necessity from the Hawaii Public Utilities Commission in November of 2003, granting it the exclusive right to provide water service within its certificated service area.

The Potable Subject Property and Non-Potable Subject Property are located near Lahaina, Hawaii, and on the island of Maui.

Rate Regulation

The Potable System and Non-Potable System are subject to rate regulation by the Hawaii Public Utilities Commission under the ownership of the existing owner. However, under the ownership of the County, NewGen assumes the Potable System and Non-Potable System are not subject to the existing rate regulation by the Hawaii Public Utilities Commission under the present ownership structure.

Number of Customers

The Potable System has 79 total water system active connections and the Non-Potable System has 72 total water system active connections according to information provided by Carollo.

Description of the System⁶

Olowalu Potable System

The Potable System consists of a well, booster pumps, approximately 2.39 miles of water main, and appurtenances, located in Olowalu, as shown in Exhibit 3.

Olowalu Non-Potable System

The Non-Potable System consists of two shaft wells, a stream diversion, booster pumps, ditches, reservoirs, approximately 3.30 miles of water main, and appurtenances, located in Olowalu, as shown in Exhibit 3.

⁶ West Maui Water. (n.d.). Olowalu water company information. <https://westmauiwater.com/owc>

Section 3

Asset List

Carollo provided an asset list as presented in the engineering analysis, shown in Exhibit 3. The asset list reflects any adjustments or additional information as a result of Carollo's research, discussion with the operators, and the site visit that was performed on April 2, 2026.

Condition of the System

NewGen performed a limited field review of the Potable System and Non-Potable System for appraisal purposes to identify and observe the condition of the readily accessible portions of the Potable System and Non-Potable System, which were limited to visual and external observations only. Based upon our observations and discussions with Carollo, many of the Potable System and Non-Potable System's assets appear to generally be in average condition for a plant of comparable type and age; however, some of the Potable System and Non-Potable System's assets have either exceeded their normal useful service lives, are in disrepair, or both.

Discussion of Engineer's Analysis

Carollo's engineering analysis identified a number of assets that may require replacement due to being past their useful service lives. NewGen assumes that the projected capital expenditures, as detailed in the Assumptions section of this appraisal report, will be made so that the Potable System and Non-Potable System will remain in acceptable condition for continued operation in regulatory compliance.

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INVESTMENT VALUE ANALYSES

Introduction

There are three generally accepted valuation approaches that can be used to estimate the IV of the Potable System and Non-Potable System: the cost approach, the income approach, and the sales comparison approach. Based on studies and analyses of the Potable System and Non-Potable System, NewGen believes that all applicable approaches to valuation should be considered. The premise of value selected for this appraisal is IV in continued use.

Cost Approach

The cost approach is based on the premise that an informed buyer would pay no more than the cost of producing a substitute property with the same function or utility as the property being valued. Two indicators of value that are commonly considered under the cost approach when valuing regulated public utility property are the original cost less accumulated depreciation (OCLD) value and the reproduction cost new less accumulated depreciation (RCNLD) value.

OCLD is defined as the original cost of the property when it was first put into service as a public utility, less accumulated depreciation. The OCLD value is generally equivalent to the net book value of the property. NewGen did not complete an OCLD analysis for the purposes of this study as there is significant economic obsolescence present, which is discussed in greater detail later in the report. Economic obsolescence is typically not applicable in an OCLD analysis as the original cost of the assets is meant to approximate historical actual costs of the assets in the Potable System and Non-Potable System. However, due to the economic obsolescence in this study, the indication of value suggested by OCLD does not yield meaningful results.

RCNLD is defined as the cost of reproducing a new replica of the property at current prices with the same or closely related materials, less accumulated depreciation. In contrast, replacement cost is defined as the current cost of a similar new property having the nearest equivalent utility as the property being appraised. Since there have not been recent major changes in the way water systems are constructed, there is typically not a significant difference between replacement cost and reproduction cost, and the terms are often used interchangeably for appraisal purposes. Although this method indicates the cost of building a comparable facility at present prices, it generally does not consider the inherent risk of construction and ownership, such as design defects, economic delays, cost overruns, and natural disasters.

The cost approach indicators of value are adjusted for depreciation, which is the estimated loss in value of an asset, compared with a new asset. There are three basic types or causes of depreciation:

- **Physical deterioration** – The loss in value or usefulness resulting from the wear and tear of an asset in operation and exposure to various elements.
- **Functional obsolescence** – The loss in value or usefulness caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property developed through new technology.

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■ Economic obsolescence – The loss in value caused by factors external to the property.⁷

The estimated RCNLD value of the Potable System and Non-Potable System developed in this appraisal reflects an adjustment for physical deterioration and economic obsolescence. NewGen is not aware of any functional obsolescence in the Potable System and Non-Potable System that would impact value. Accordingly, no adjustments for functional obsolescence were made to the RCNLD indicator of value under the cost approach.

The Potable System and Non-Potable System are subject to economic obsolescence based on utility rate regulation, which in this case is established by the County, which restricts the earnings of the utility. For the purpose of estimating IV, NewGen conducted an analysis to quantify the economic obsolescence present in the Potable System and Non-Potable System. First, NewGen estimated net operating income for the Potable System and Non-Potable System in Year 1, or 2026. NewGen also assumed that the current base rates for service will increase by approximately 2.1 percent annually on the Potable System and 5 percent annually on the Non-Potable System during the course of the study period. Next, NewGen estimated the economic return on the Potable System and Non-Potable System's assets that the County would expect. This was calculated by applying the discount rate, discussed in the Assumptions section of this appraisal report, to the personal and real property present in the Potable System and Non-Potable System. The difference between the net operating income and indicated required economic return on the Potable System and Non-Potable System's assets approximates the income shortfall on an annual basis. NewGen then capitalized the indicated annual income shortfall into perpetuity using a capitalization rate of the discount rate plus long term growth. Adding long term growth in the capitalization rate reflects the fact that the income shortfall is expected to decrease over time as additional rate adjustments occur and additional capital is invested in the Potable System and Non-Potable System over the normal course of business. Finally, the capitalized income shortfall was divided by the total Potable System and Non-Potable System assets subject to economic obsolescence to arrive at the economic obsolescence factor to apply to the Potable System and Non-Potable System's assets under the cost approach. The economic obsolescence factor is approximately -58 percent for the Potable System and -91 percent for the Non-Potable System, as shown in Exhibit 1, Table 5 and Exhibit 2, Table 5.

RCNLD

The development of RCNLD is shown in Exhibit 1, Table 1 and Exhibit 2, Table 1. NewGen again utilized the RCN as developed for personal property by the engineer, Carollo, and then subtracted accumulated depreciation to reflect physical deterioration based on age at the date of valuation. Again, the maximum amount of accumulated depreciation assumed in the analysis was 90 percent, leaving 10 percent of the estimated RCN value for each asset that is in service beyond its assumed useful life. NewGen then subtracted the accumulated depreciation from each item on the asset list to reflect physical deterioration based on age.

NewGen tested for the presence of economic obsolescence, as detailed above, and found that significant economic obsolescence does exist. NewGen deducted the economic obsolescence factor from the RCN in order to arrive at a fully adjusted RCNLD. The value estimated in the income approach (see Table 4-3) is less than the RCNLD value even though the RCNLD value shown in Table 4-1 includes an adjustment for economic obsolescence.

The indicators of value under the cost approach are summarized in Table 4-1.

⁷ American Society of Appraisers, *Valuing Machinery and Equipment*, Second Edition, pages 66–67.

Table 4-1
Cost Approach

Item	Indicator of Value Potable System	Indicator of Value Non-Potable System
Original Cost Less Depreciation	N/A	N/A
Reproduction Cost New Less Depreciation ¹	\$ 2,298,000	\$ 516,000

¹ Includes adjustment for economic obsolescence

Note: Table values may not equal exhibit values due to rounding to the nearest \$1,000

Sales Comparison Approach

The guideline transaction method under the sales comparison approach involves the review of recent sales of similar facilities between a willing buyer and a willing seller, who are unrelated, as an indication of the market price for such facilities. The guideline transaction method is primarily applicable to property that is readily substitutable and where a number of similar type properties have recently been sold. Caution must be exercised when using the sales comparison approach as an indicator of value for utility property. Normally, adjustments are made to the guideline sales transactions in order to correlate the sales price to the characteristics of the property being valued. However, there are many factors that can influence sales price, including market area, growth prospects, age, and other considerations that may be reflected in the sales price. Each party's motivation can affect the negotiation and the terms of the sale. Strategic objectives are the driving motivator for some sales. These objectives are often kept confidential and are not available to an appraiser for evaluation. For this reason, NewGen generally uses the comparable sales method as a test of the reasonableness of values produced by the cost and income approaches.

Exhibit 1, Table 3 shows select sales transactions involving water and sewer utility systems in Texas, Missouri, Pennsylvania, and Illinois that occurred from 2010 through 2023. There is a wide variation in the size, location, customer growth prospects, and type of plant for these sales and no attempt was made to adjust the sales to correlate with the characteristics of the Potable System and Non-Potable System, as doing so would be impractical. The diversity in the geography and marketplace further reduces the applicability of these transactions to the Potable System and Non-Potable System. There is not enough publicly available data about the transactions to place any significant weight on the guideline transaction method.

Examining the ratio of sales price to book value (OCLD) provides insight into the valuation of property between regulated utilities in willing buyer/willing seller transactions. The median ratio from the sales transactions (where book value was available) results in a sales price equal to 1.06 times book value. For rate regulated utilities, the book value of plant assets typically is the largest component of a utility's rate base. However, due to the presence of economic obsolescence on the Potable System and Non-Potable System, NewGen did not consider the ratio of sales price to book value.

The sales price per customer is another metric that can be evaluated but should be used with caution as it can be misleading. For example, this metric may understate the value of systems that have made significant investments in facilities that will serve a much larger customer base than is currently being served. Nonetheless, the median ratio from the sales transactions (where number of customers was available) results in a sales price equal to \$2,661 per connection.

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Table 4-2 shows the metric as applied to the Potable System and Non-Potable System under the sales comparison approach.

Table 4-2
Sales Comparison Approach

Metric	Median	Indicator of Value Potable System	Indicator of Value Non-Potable System
Sales Price / Customer	\$ 2,661	\$ 210,000	\$ 192,000

Notes:

- Table values may not equal exhibit values due to rounding to the nearest \$1,000.
- The Sales Comparison Approach was not relied upon as an indicator of value, as discussed further in Section 5 of this report.

Income Approach

The income approach estimates the value of property by capitalizing or determining the present worth of anticipated economic benefits from the property as a going concern. Under this approach, the direct economic benefits derived from continued ownership of the property being valued are expressed in terms of free cash flow, which represents the total cash flow generated by the going concern that is available to the providers of both debt and equity capital.

The calculation of free cash flow is illustrated as follows:

- (1) *Annual Operating Revenues*
- (2) *Less: Annual Operating Expenses*
- (3) *Equals: Pre-tax Net Operating Income*
- (4) *Less: Income Taxes*
- (5) *Equals: Earnings Before Interest, Depreciation & Amortization (EBIDA)*
- (6) *Less: Future Capital Expenditures*
- (7) *Less: Net Changes in Working Capital*
- (8) *Equals: Free Cash Flow*

Under the DCF method, the income indicator of value is equal to the sum of the present value of the projected free cash flows plus the present value of the projected terminal value. NewGen utilized a 10-year study period in order to capture the anticipated retirements and replacements across the Potable System and Non-Potable System, as discussed in Section 2 of this report. In this analysis, the series of annual free cash flows from 2026 to 2035 were discounted, using a mid-year convention, to the date of value using a 7 percent discount rate. For the terminal (or residual) value, the projected free cash flow in 2036 was capitalized into perpetuity at the discount rate, less a growth rate equal to 2.1 percent (the projected rate of growth in earnings), and then discounted back to 2026.

Effect of Utility Rate Regulation on Value

When estimating the value of regulated utility property, it is important to understand utility rate regulation and how regulated utility rates are generally determined. In the case of investor-owned utilities, rates are typically regulated by the Hawaii Public Utilities Commission which reviews the appropriateness of rates for the utility. However, in the case of County ownership, the Potable System and Non-Potable System's rates are not regulated by the Hawaii Public Utilities Commission but instead are established legislatively by the County. The rates are ultimately approved by the Mayor and enacted by the County Council through the annual budget ordinance.

Rate base is the value of property on which a utility is allowed to earn its authorized rate of return and is generally equal to the OCLD value of the utility's plant in service, plus miscellaneous items, such as working capital, materials and supplies, and minus miscellaneous items, such as customer advances and deferred taxes. The utility's authorized rate of return is developed based on a weighted average cost of capital (WACC), or discount rate.

As a result of rate regulation and the way utility rates are developed, the income value of regulated utility property is typically related to the rate base value of the property, as described below.

The income approach estimates the value of property by capitalizing or determining the present worth of anticipated economic benefits from the property as a going concern. Under the direct capitalization of earnings method, the income value of the property is estimated by capitalizing (i.e., dividing) the net income associated with the property for a one-year period by an appropriate capitalization rate. This is shown in Equation (1) below:

$$(1) \quad \text{Value} = \frac{(\text{Revenues} - \text{Expenses})}{\text{Capitalization Rate}}$$

The capitalization rate shown in Equation (1) is equal to the discount rate for the County less assumed growth in earnings. In theory, the income value for the County should approximate its rate base value, since this is the value of the utility's investment on which it is allowed to earn its authorized rate of return. Further, generally speaking, the largest contributor to rate base is OCLD.

Under cost-of-service ratemaking procedures, utility rates are designed to produce revenues that recover the utility's expenses (including depreciation and taxes) plus a return on rate base, as shown in Equation (2) below:

$$(2) \quad \text{Revenues} = \text{Expenses} + (\text{Rate of Return})(\text{Rate Base})$$

Equation (2) can be restated as follows:

$$(3) \quad \text{Rate Base} = \frac{(\text{Revenues} - \text{Expenses})}{\text{Rate of Return}}$$

By comparing Equations (1) and (3), one can see that the capitalized income value for regulated utility property is generally equivalent to its rate base value with an adjustment for expected future growth.

Under the principle of substitution, an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the property being valued. However, an informed buyer would generally also pay no more than the income value of the property. Therefore, in the case of rate regulated utility property, the income value is generally close to the rate base (approximately OCLD) value, assuming that utility rates are based on cost of service. This is because the net income (return) a utility can earn is determined based on the utility's authorized rate of return multiplied by the value of its rate base, which is primarily composed of OCLD.

When a plant is purchased or sold, the cost of the plant and the accumulated provision for depreciation are generally recorded on the books of the acquiring utility at original cost. However, at the direction of the Client, NewGen estimated the value of the Potable System and Non-Potable System irrespective of the source of capital used to construct the Potable System and Non-Potable System.

Discounted Cash Flow Analysis

NewGen performed a DCF analysis to estimate the prospective income value for the Potable System and Non-Potable System. NewGen relied upon the County of Maui water rates for the Potable System and Non-Potable System, with an assumed annual 2.1 percent increase to potable water rates and 5 percent

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increase to non-potable water rates over the course of the study period. This is the assumed revenue increase needed to operate and maintain the Potable System and Non-Potable System. This differs from the approach of developing a revenue requirement based on required return on OCLD as a proxy for rate base, as discussed in the Effect of Utility Rate Regulation on Value above. NewGen utilized the approach of developing pro forma revenues and expenses based on existing and estimated future rates due to the presence of significant economic obsolescence on the Potable System and Non-Potable System, as discussed in the cost approach section of this appraisal report. The lack of an adjustment to OCLD for economic obsolescence yields results that cannot be relied upon to develop a revenue requirement. Due to this constraint, NewGen was not able to develop a buildup of the revenue requirement under a traditional ratemaking perspective because the results of this approach indicated rates that were not practical to be charged.

The DCF model includes renewals and replacements for plant assets as they near the end of their useful service lives. Refer to Section 2 for description of specific assumptions and see Exhibit 1, Table 1 for a listing of plant assets and their useful service lives. The DCF developed for the Potable System and Non-Potable System is shown in Exhibit 1, Table 4. These results are discussed further in Section 5 of this report.

Table 4-3
Income Approach

Item	Indicator of Value Potable System	Indicator of Value Non-Potable System
Discounted Cash Flow (DCF) Analysis	\$ 1,888,000	\$ 90,000

Note: Table values may not equal exhibit values due to rounding to the nearest \$1,000

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CONCLUSIONS

Discussion

Cost Approach

The premise of the cost approach is that an informed buyer would pay no more than the cost of producing a substitute property with the same function or utility as the property being valued. Further, for rate regulated utility property, the OCLD value is important as it is the primary component of traditionally developed rate base. The OCLD was not developed for this appraisal report as it did not yield meaningful results due to the presence of significant economic obsolescence on the Potable System and Non-Potable System.

Sales Comparison Approach

It is often difficult or impossible to properly adjust utility comparable sales transactions to match the characteristics of utility property being valued. The number of critical factors that influence utility property values are numerous, and the terms of some transactions that impact value are kept confidential, preventing consideration of all relevant factors by appraisers. Nonetheless, the sales comparison approach can be a useful means to confirm conclusions from the other two approaches to estimate value.

NewGen did not rely upon the sales comparison approach due to the overall lack of comparable, complete transaction data. Additionally, the transaction data identified is of limited value based on geographical location. While the information from this approach is presented in this report, it is important to note that no weight was placed on the sales comparison approach as an indicator of value due to the weaknesses identified.

Income Approach

The income approach value developed in this appraisal is reasonably aligned with the result from the cost approach, although the indicator of value under the income approach is lower than the RCNLD indication of value.

Investment Value

After careful consideration of the indicators of value developed under the various approaches, given the relative strengths and weaknesses of each, and based on our studies and analyses and the assumptions used therein, including the information provided by others upon which we have relied, we are of the opinion that the County would be willing to purchase the Potable System and Non-Potable System for a price reflective of the value of all prospective future cash flows, which is represented by the income approach to value.

The County, evaluating the Potable System and Non-Potable System on a purely financial basis, should not be willing to pay more than the income value unless external factors specific to the County's situation are influencing the purchase. Therefore, we are of the opinion that the indication of value for the Potable

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System and Non-Potable System under the income approach best represents the IV of the Potable System and Non-Potable System.

The results of our analyses to estimate the IV of the Potable System and Non-Potable System as of April 2, 2026, are summarized in Table 5-1.

Table 5-1
Summary of Value Indicators

	Value Indicators Potable System	Value Indicators Non-Potable System
Cost Approach		
OCLD	N/A	N/A
RCNLD ¹	\$ 2,298,000	\$ 516,000
Sales Comparison Approach	Not relied upon	Not relied upon
Income Approach		
DCF	\$ 1,888,000	\$ 90,000
Investment Value	\$ 1,888,000	\$ 90,000

¹ Includes adjustment for economic obsolescence

Note: Table values may not equal exhibit values due to rounding to the nearest \$1,000

Section 6

APPRAISAL CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services as an appraiser, or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I made a personal inspection of the property that is the subject of this report on April 2, 2026.
- ASA has a mandatory reaccreditation program for all of its Designated Members. I am in compliance with that Program.
- Felicia James, P.E. (Engineer at Carollo) and Nick Coomer, CDP, CRRA (Manager at NewGen) provided significant personal property appraisal assistance to the person signing this certification.

Respectfully Submitted,

NewGen Strategies and Solutions, LLC

DocuSigned by:



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Zak Wright, ASA, CDP, CRRA

June 24, 2026



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NewGen
Strategies & Solutions

EXHIBIT 1: POTABLE WATER SYSTEM APPRAISAL ANALYSES

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Olowalu Water Company - Potable System
Cost Approach
Replacement Cost Less Depreciation
Table 1

Line No.	System / Asset Description	Date In Service [1]	Replacement Cost New [2]	Age as of April 2, 2026 [3]	Useful Life [4]	Annual Depreciation (%) [f]	Expired Life (%) [5]	RCN Annual Depreciation	RCN Accumulated Depreciation	New Less Depreciation (RCNLD)	Economic Obsolescence Adjustment [6]	Replacement Cost New Less Depreciation
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Olowalu Water Company - Potable System											
2	<u>Production System</u>											
3	Storage tank site, 50,000 gallons	2003	\$ 324,644	22.8	50	2.0%	46%	\$ 6,493	\$ 148,038	\$ 176,606		
4	Storage tank site, 500,000 gallons	2003	3,246,438	22.8	50	2.0%	46%	64,929	1,480,376	1,766,062		
5	Well pumps: OWC Well 1, 360,000 GPD max, 90,000 GPD daily average (250 GPM, 25 HP)	2017	142,891	8.8	25	4.0%	35%	5,716	50,298	92,593		
6	Well shaft: OWC Well 1	1999	376,280	26.8	50	2.0%	54%	7,526	201,686	174,594		
7	Total Production System		\$ 4,090,252					\$ 84,663	\$ 1,880,397	\$ 2,209,856		
8												
9	<u>Distribution System</u>											
10	Piping, 12-inch PVC C900	2012	\$ 1,022,670	13.8	75	1.3%	18%	\$ 13,636	\$ 188,171	\$ 834,499		
11	Piping, 6-inch HDPE	2012	949,622	13.8	50	2.0%	28%	18,992	262,096	687,527		
12	Piping, 8-inch PVC C900 or Ductile	2012	1,387,910	13.8	75	1.3%	18%	18,505	255,375	1,132,534		
13	Hydrant	2003	327,200	22.8	30	3.3%	76%	10,907	248,672	78,528		
14	Meter (system) 1 1/2 inch	2012	7,435	13.8	15	6.7%	90%	496	6,691	743		
15	Meter (system) 2 inch	2012	10,344	13.8	15	6.7%	90%	690	9,310	1,034		
16	Meter (system) 3 inch	2012	2,694	13.8	15	6.7%	90%	180	2,424	269		
17	Meter (system) 5/8 inch	2012	7,112	13.8	15	6.7%	90%	474	6,400	711		
18	PRV station, multi-stage	2003	306,750	22.8	20	5.0%	90%	-	276,075	30,675		
19	Service Connections (metered) 1 1/2 inch	2012	8,081	13.8	50	2.0%	28%	162	2,230	5,851		
20	Service Connections (metered) 1 inch	2012	48,488	13.8	50	2.0%	28%	970	13,383	35,105		
21	Service Connections (metered) 2 inch	2012	16,594	13.8	50	2.0%	28%	332	4,580	12,014		
22	Service Connections (metered) 3 inch	2012	8,512	13.8	60	1.7%	23%	142	1,958	6,554		
23	Service Connections (metered) 3/4 inch	2012	47,841	13.8	50	2.0%	28%	957	13,204	34,637		
24	Service Connections (metered) 5/8 inch	2012	502,333	13.8	50	2.0%	28%	10,047	138,644	363,689		
25	Total Distribution System		\$ 4,653,586					\$ 76,488	\$ 1,429,214	\$ 3,224,372		
26												
27	Total Olowalu Water Company - Potable System		\$ 8,743,838					\$ 161,151	\$ 3,309,611	\$ 5,434,227	\$ (3,136,431)	\$ 2,297,796

Footnotes:

- [1] Assuming Month and Day in service are July 1st for each asset
- [2] Replacement cost estimates from Engineering Analysis as provided by Carollo Engineers, Inc.
- [3] Assuming a standard 365 day year (rounded to the nearest whole year)
- [4] Based on useful lives provided in Carollo's Engineering Analysis
- [5] Assets still in service are assumed to have a minimum remaining useful life of 10%
- [6] Economic obsolescence calculation shown in Table 5

Olowalu Water Company - Potable System

Sales Comparison Approach

Table 2

Line No.	Transaction Number	Year of Agreement	State	Application Number [1]	Seller	Purchaser	Utility	Date Finalized	Sales Price	Number of Customers	Price / Customer	OCLD (Book Value)	Price / OCLD	Notes
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	1	2010	TX	36695-S & 36696-S	Gray Utility Service, LLC	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water & Sewer	11/2/2011	\$ 2,943,798	1,690	\$ 1,742			
2	2	2014	TX	43006	Texas H2O, Inc.	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water & Sewer	6/18/2015	\$ 2,720,000	1,088	\$ 2,500			
3	3	2014	TX	43048	Bluebonnet Rural Water Corporation	Corix Utilities	Water	8/14/2015	\$ 1,107,675	1,103	\$ 1,004	\$ 2,392,753	0.46	
4	4	2015	TX	45639	Mitchell County Utility Company	Corix Utilities	Water	2/3/2017	\$ 577,500	879	\$ 657	\$ 410,055	1.41	
5	5	2015	TX	44024	Union Hill Water Supply Corporation	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water	2/8/2016	\$ 348,000	174	\$ 2,000	\$ 737,637	0.47	
6	6	2016	MO	WA-2017-0181	Village of Wardville	Missouri American Water	Water & Sewer	5/1/2017	\$ 1,954,575	407	\$ 4,802			
7	7	2016	TX	45715	Villas of Willowbrook HOA	Monarch Water Utilities	Water & Sewer	4/5/2017	\$ 183,144	21	\$ 8,721	\$ 189,964	0.96	
8	8	2016	TX	46077	Brushy Creek Municipal Utility District	Aqua Texas, Inc.	Water	4/12/2017	\$ 50,000	207	\$ 242	\$ 151,087	0.33	
9	9	2017	TX	47888	Deer Creek Ranch Water Co	SJWTX, Inc. dba Canyon Lake Water Service	Water	11/29/2018	\$ 2,700,000	756	\$ 3,571	\$ 1,135,450	2.38	
10	10	2017	MO		City of Lawson, MO	Missouri American Water	Water & Sewer	8/1/2018	\$ 1,356,000	904	\$ 1,500			
11	11	2017	IL	17-0314	Village of Peotone	Aqua Illinois	Water & Sewer	10/1/2018	\$ 7,790,000	1,489	\$ 5,232			
12	12	2017	IL	17-0339	Village of Fisher	Illinois American Water	Water & Sewer	3/1/2018	\$ 3,100,000	890	\$ 3,483			
13	13	2018	TX	47922	Dal-High Water LLC	Monarch Water Utilities	Water	11/2/2018	\$ 55,200	46	\$ 1,200	\$ 44,862	1.23	
14	14	2018	TX	48863	Henry Brookshire Jr	TWS Holdings	Water	9/13/2019	\$ 90,000	119	\$ 756	\$ 64,155	1.40	
15	15	2018	TX	48532	J&S Water Company, LLC	Nerro Supply, LLC	Water & Sewer	7/1/2018	\$ 1,485,000	553	\$ 2,685	\$ 483,912	3.07	
16	16	2019	TX	49231	Ponder Enterprises, Inc	Lone Star Water Company	Water	5/20/2020	\$ 1,345,000	332	\$ 4,051	\$ 1,274,847	1.06	
17	17	2019	TX	49714	Paul B Hill	Megan Estes	Water	3/13/2020	\$ 112,500	50	\$ 2,250	\$ 120,160	0.94	
18	18	2019	TX	50085	Castle Water Inc	Horseshoe Bend Water Company	Water	6/10/2020	\$ 500,000	507	\$ 986	\$ 92,920	5.38	
19	19	2019	TX	51382	Dogwood Estates Water Company	Lakeshore Utility Company	Water	4/6/2022	\$ 1,012,000	442	\$ 2,290	\$ 195,955	5.16	
20	20	2019	IL	19-0732	Village of Andalusia	Illinois American Water	Water & Sewer	5/1/2020	\$ 1,500,000	460	\$ 3,261			
21	21	2019	TX	49787	Stephenville Mobile Home Park	HB Shady Oaks TX	Water & Sewer	N/A	\$ 2,000,000	200	\$ 10,000	\$ 439,432	4.55	
22	22	2019	TX	49442	Legend Bank, Inc	Ray Harlow	Water & Sewer	3/31/2020	\$ 20,000	551	\$ 36	\$ 126,884	0.16	
23	23	2019	TX	49299	Bosque Utilities Corporation	THRC Utility, LLC	Water & Sewer	2/26/2020	\$ 116,435	170	\$ 685			
24	24	2020	TX	51530	Esperanza Water Service Company, Inc.	El Paso Water Utilities Public Service Board	Water	10/12/2021	\$ 1,700,000	292	\$ 5,822	\$ 1,723,410	0.99	
25	25	2020	TX	52616	Aus-Tex Parts & Services, LTD	Railyard Utility Company LLC	Water	10/24/2022	\$ 1,789,532	354	\$ 5,055	\$ 2,093,923	0.85	
26	26	2021	PA		Valley Township	American Water	Water & Sewer	10/28/2021	\$ 21,275,000	4,800	\$ 4,432			[2]
27	27	2022	IL	21-0511	Village of Hardin	American Water	Water & Sewer	4/7/2022	\$ 3,300,000	840	\$ 3,929			[2]
28	28	2022	IL	21-0869	City of Villa Grove	American Water	Water & Sewer	9/15/2022	\$ 11,000,000	2,180	\$ 5,046			[2]
29	29	2022	MO	WA-2021-0376	City of Eureka	American Water	Water & Sewer	8/2/2022	\$ 28,000,000	7,950	\$ 3,522			[2]
30	30	2022	MO	WA-2022-0229	City of Purcell	American Water	Water & Sewer	8/31/2022	\$ 400,000	310	\$ 1,290			[2]
31	31	2023	MO	SA-2023-0071	City of Smithton	American Water	Water & Sewer	1/11/2023	\$ 565,000	448	\$ 1,261			[2]
32	32	2023	MO	SA-2022-0311	City of Stewartville	American Water	Water & Sewer	1/11/2023	\$ 1,900,000	714	\$ 2,661			[2]
33	33	2023	IL	22-0536	Village of Tolono	American Water	Water & Sewer	5/13/2023	\$ 9,475,000	2,549	\$ 3,717			[2]
34	Analysis of Price / Customer							All Sales						
35	High							\$ 10,000						
36	Low							36						
37	Mean							3,042						
38	Median							2,661						
39	Standard Dev Above Mean							5,331						
40	Standard Dev Below Mean							\$ 754						
41	Connection Count [3]							79						
42	Indicated Value based on Median							\$ 210,224						

Footnotes:

[1] Effective September 1, 2014, the Public Utility Commission of Texas (PUCT) began the economic regulation of water and sewer utilities, which was formerly handled by the Texas Commission on Environmental Quality (TCEQ)

[2] Transactions identified by Bluefield Research

[3] Connection count as of 2026.

Olowalu Water Company - Potable System
Income Approach
General Assumptions
Table 3

Line No.	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1 Annual Escalators	Blue Chip Economic Indicators, March 2026 Edition, Dated March 10, 2026									
2 General Inflation	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
3										
4 System										
5 2026 Active Connection Count [1]	79									
6 Assumed Annual Customer Growth [2]	1.0%									
7 Forecasted Connection Count	79	80	81	82	83	84	85	86	87	88
8										
9 General Assumptions										
10 Discount Rate	7.00%									
11 Federal Income Tax Rate	0.00%									
12 State Income Tax Rate	0.00%									
13 Effective Income Tax Rate	0.00%									
14										
15 Annual Depreciation Rate [3]	Original Cost	Expense	Normalized Depreciation							
16 Production Plant	\$ 838,162	\$ 18,238	2.0%							
17 Distribution System	\$ 2,138,936	\$ 34,282	1.5%							
18										
19 2025 AWWA Utility Benchmarking (2024 values, Appendix B) Trended to 2026										
20 Total O&M Cost of Water Services (\$/MG)	\$	4,221	\$4,049 benchmark 2024 value escalated to 2026 at long-term inflation rate							
21 Treatment O&M Cost of Water Services (\$/MG)	\$	1,048	\$1,005 benchmark 2024 value escalated to 2026 at long-term inflation rate							
22 Distribution O&M Cost of Water Service (\$/100 miles of pipe)	\$	892,798	\$856,449 benchmark 2024 value escalated to 2026 at long-term inflation rate							
23										
24 Flow [4]										
25 Water Production	52,766,430	Gallons								
26										
27 Feet in a Mile	5,280	Feet								
28 Distribution System	Feet of Pipe	Miles of Pipe								
29 Piping, 12-inch PVC C900	2,800	0.53								
30 Piping, 6-inch HDPE	3,900	0.74								
31 Piping, 8-inch PVC C900 or Ductile	5,700	1.08								
32 Service Laterals	237	0.04	Service Laterals assumed 3 linear feet per connection							
33		2.39								
34										
35 Water System Costs										
36 Water O&M Cost	\$ 222,719									
37 Treatment O&M Cost	\$ 55,281									
38 Distribution System Cost	\$ 21,368									
39										
40 Regulatory Fees [5]	\$ 5,411									
41										
42 Annual Revenue Increase [6]	2.10%									
43										
44 Footnotes:										
45 [1] 2026 Active Connection Count										
46 [2] Growth rate of 1% assumed on the system based on discussions with the County of Maui										
47 [3] Depreciation Rates developed based NewGen's experience with studies of similar systems										
48 [4] 2025 Water Production										
49 [5] Olowalu Water Company, Inc. Profit and Loss Statement for 2025										
50 [6] Assumed revenue increase needed to maintain and operate the system										

Olowalu Water Company - Potable System
Income Approach
Discounted Cash Flow Analysis
Table 4

Line No.		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Notes
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Rate Revenue	\$ 448,607	\$ 458,529	\$ 468,669	\$ 479,034	\$ 489,627	\$ 500,454	\$ 511,519	\$ 522,829	\$ 534,388	\$ 546,201	[1]
2	Total Revenue	\$ 448,607	\$ 458,529	\$ 468,669	\$ 479,034	\$ 489,627	\$ 500,454	\$ 511,519	\$ 522,829	\$ 534,388	\$ 546,201	
3	O&M Expenses											[1]
4	Water O&M Cost	\$ 222,719	\$ 229,670	\$ 236,838	\$ 244,230	\$ 251,852	\$ 259,712	\$ 267,818	\$ 276,177	\$ 284,796	\$ 293,684	
5	Treatment O&M Cost	55,281	57,006	58,785	60,620	62,512	64,463	66,475	68,550	70,689	72,895	
6	Distribution System Cost	21,368	21,817	22,275	22,743	23,220	23,708	24,206	24,714	25,233	25,763	
7	Taxes Other Than Income	5,411	5,525	5,641	5,759	5,880	6,004	6,130	6,259	6,390	6,524	
8	Depreciation (Book)	48,847	49,223	49,639	50,351	50,748	51,177	51,602	51,990	52,409	52,821	
9	Total Operating Expenses	\$ 353,626	\$ 363,241	\$ 373,178	\$ 383,703	\$ 394,212	\$ 405,064	\$ 416,230	\$ 427,689	\$ 439,517	\$ 451,688	
10	Operating Income	\$ 94,981	\$ 95,288	\$ 95,491	\$ 95,331	\$ 95,415	\$ 95,389	\$ 95,289	\$ 95,140	\$ 94,870	\$ 94,514	
11	Less: Income Taxes	-	-	-	-	-	-	-	-	-	-	[2]
12	Net Income	\$ 94,981	\$ 95,288	\$ 95,491	\$ 95,331	\$ 95,415	\$ 95,389	\$ 95,289	\$ 95,140	\$ 94,870	\$ 94,514	
13	Add Back: Book Depreciation	48,847	49,223	49,639	50,351	50,748	51,177	51,602	51,990	52,409	52,821	
14	Earnings Before Interest, Depreciation & Amort.	\$ 143,828	\$ 144,511	\$ 145,130	\$ 145,682	\$ 146,162	\$ 146,567	\$ 146,891	\$ 147,130	\$ 147,280	\$ 147,335	
15	Less: Capital Expenditures	\$ (37,480)	\$ (42,677)	\$ (70,636)	\$ (39,723)	\$ (44,401)	\$ (42,585)	\$ (39,188)	\$ (43,914)	\$ (41,649)	\$ (37,854)	[3]
16	Less: Changes in Working Capital	-	(2,310)	(2,380)	(2,453)	(2,528)	(2,606)	(2,685)	(2,768)	(2,852)	(2,940)	[4]
17	Free Cash Flow	\$ 106,348	\$ 99,524	\$ 72,114	\$ 103,506	\$ 99,233	\$ 101,376	\$ 105,017	\$ 100,449	\$ 102,778	\$ 106,541	
18	Discounted Cash Flow	\$ 102,810	\$ 89,919	\$ 60,892	\$ 81,681	\$ 73,186	\$ 69,876	\$ 67,649	\$ 60,474	\$ 57,828	\$ 56,024	
19	Capitalized Cash Flow Analysis											
20	Discount Rate	7.00%	[5]									
21	Long Term Earnings Growth Rate	2.10%	[6]									
22	Capitalization Rate	4.90%	[7]									
23	Net Present Value of 2026-2035 Free Cash Flow	\$ 720,340	[8]									
24	Terminal Value	2,219,975	[9]									
25	Net Present Value of Terminal Value	\$ 1,167,353	[10]									
26	Income Value	\$ 1,887,693	[11]									

Footnotes:

- [1] See Table 3
- [2] County of Maui does not pay income taxes
- [3] Capital expenditures are based on the Capital expenditure analysis retirement rate calculated from the survivor curve times RCN escalated at inflation and the Capital expenditure analysis retirement rate calculated from the useful life rate times RCN
- [4] Based on 90 day buffer for cash expenses
- [5] See Table 3
- [6] Blue Chip Economic Indicators, March 2026 Edition, Dated March 10, 2026
- [7] Discount Rate minus Earnings Growth Rate
- [8] Free Cash Flows discounted at the Discount Rate
- [9] Estimated Free Cash flow in 2036 divided by Capitalization Rate
- [10] Terminal Value discounted at the Discount Rate from 2035 to 2026
- [11] Sum of the NPV of 2026-2035 Free Cash Flows Plus the NPV of the Terminal Value



Olowalu Water Company - Potable System
Income Approach
Economic Obsolescence
Table 5

Line No.	(a)	Value (b)	Required Rate of Return (c)	Required Economic Income (d)
1	Tangible Personal Property [1]			
2	Reproduction Cost New - Total Plant Facilities	\$ 8,743,838		
3	Less: Physical Depreciation	(3,309,611)		
4	Total Tangible Personal Property	\$ 5,434,227	7.00%	\$ 380,396
5	Real Property	\$ -	7.00%	\$ -
6	Intangible Personal Property	\$ -	7.00%	\$ -
7	Total Assets Acquired	\$ 5,434,227		
8	Total Required Return on Assets Acquired			\$ 380,396
9	Projected Annual Operating Income [2]			\$ 94,981
10	Less: Required Economic Return on Assets Acquired			\$ (380,396)
11	Equals: (Income Shortfall)			\$ (285,415)
12	Divided by: Direct Capitalization Rate [3]			9.10%
13	(Capitalized Income Shortfall)			\$ (3,136,431)
14	Operating Assets Subject to Economic Obsolescence			
15	Tangible Personal Property			\$ 5,434,227
16	Real Property			-
17	Intangible Personal Property			-
18	Total Assets Subject to Economic Obsolescence			\$ 5,434,227
19	Economic Obsolescence Factor			-58%

Footnotes:

[1] Table 1, Replacement Cost Less Depreciation

[2] Table 4, Discounted Cash Flow Analysis

[3] Direct capitalization rate equal to the Discount Rate plus long term economic growth rate. Since earnings are expected to increase at a long-term growth rate of 2.10%, the economic shortfall indicated by the capitalized excess earnings analysis is expected to decrease at a long-term growth rate of 2.10%.

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NewGen
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**EXHIBIT 2:
NON-POTABLE WATER
SYSTEM APPRAISAL
ANALYSES**

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Olowalu Water Company - Non-Potable System
Cost Approach
Replacement Cost Less Depreciation
Table 1

Line No.	System / Asset Description	Date In Service [1]	Replacement Cost New [2]	Age as of April 2, 2026 [3]	Useful Life [4]	Annual Depreciation (%)	Expired Life (%) [5]	RCN Annual Depreciation	RCN Accumulated Depreciation	New Less Depreciation (RCNLD)	Economic Obsolescence Adjustment [6]	Replacement Cost New Less Depreciation
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Olowalu Water Company - Non-Potable System											
2	Production System											
3	Pump Station, Booster: Makila Midlevel	2025	\$ 253,262	0.8	50	2.0%	2%	\$ 5,065	\$ 4,052	\$ 249,210		
4	Pump Station, Booster: Mauka	2025	250,299	0.8	50	2.0%	2%	5,006	4,005	246,294		
5	Reservoir: Olowalu Lower "Pig" Reservoir	1939	970,353	86.8	100	1.0%	87%	9,704	842,266	128,087		
6	Reservoir: Olowalu Mauka Upper "Snake" Reservoir	1939	970,353	86.8	100	1.0%	87%	9,704	842,266	128,087		
7	Reservoir lining: Olowalu Lower "Pig" Reservoir (relined 2024)	2024	549,411	1.8	50	2.0%	4%	10,988	19,779	529,632		
8	Reservoir lining: Olowalu Mauka Upper "Snake" Reservoir (relined 2023)	2023	231,820	2.8	50	2.0%	6%	4,636	12,982	218,838		
9	Stream Diversion: Olowalu Stream Flow Diversion	2018	51,125	7.8	50	2.0%	16%	1,023	7,976	43,150		
10	Well N-Pump: 720,000 GPD max (500 gpm, 75 HP)	2023	278,400	2.8	20	5.0%	14%	13,920	38,976	239,424		
11	Well N-Shaft	1933	392,640	92.8	100	1.0%	90%	3,926	353,376	39,264		
12	Filter Station (Applegate/Netafim Sandstorm)	2025	25,563	0.8	30	3.3%	3%	852	682	24,881		
13	Filter Station (Makai)	2024	20,450	1.8	30	3.3%	6%	682	1,227	19,223		
14	Filter Station (Mauka/Amiad)	2025	21,376	0.8	30	3.3%	3%	713	570	20,806		
15	Total Production System		\$ 4,015,051					\$ 66,218	\$ 2,128,156	\$ 1,886,895		
16												
17	Distribution System											
18	Piping, 12-inch PVC C900	2012	\$ 1,351,386	13.8	75	1.3%	18%	\$ 18,018	\$ 248,655	\$ 1,102,731		
19	Piping, 2.5-inch PVC sch40 Pipe	2012	83,762	13.8	40	2.5%	35%	2,094	28,898	54,864		
20	Piping, 6-inch HDPE	2012	1,290,512	13.8	50	2.0%	28%	25,810	356,181	934,331		
21	Piping, 8-inch PVC C900 or Ductile	2012	1,826,197	13.8	75	1.3%	18%	24,349	336,020	1,490,177		
22	Meter (system) 1 inch	2014	2,478	11.8	15	6.7%	79%	165	1,950	529		
23	Meter (system) 3 inch	2014	5,388	11.8	15	6.7%	79%	359	4,238	1,149		
24	Meter (system) 3/4 inch	2014	2,371	11.8	15	6.7%	79%	158	1,865	506		
25	Meter (system) 4 inch	2014	5,603	11.8	15	6.7%	79%	374	4,408	1,195		
26	Meter (system) 6 inch	2014	5,819	11.8	15	6.7%	79%	388	4,577	1,241		
27	Service Connections (metered) 1 1/2 inch	2014	161,626	11.8	50	2.0%	24%	3,233	38,144	123,482		
28	Service Connections (metered) 1 inch	2014	315,170	11.8	50	2.0%	24%	6,303	74,380	240,790		
29	Service Connections (metered) 2 inch	2014	24,890	11.8	50	2.0%	24%	498	5,874	19,016		
30	Service Connections (metered) 3 inch	2014	17,025	11.8	60	1.7%	20%	284	3,348	13,676		
31	Service Connections (metered) 3/4 inch	2014	7,974	11.8	50	2.0%	24%	159	1,882	6,092		
32	Service Connections (metered) 4 inch	2014	8,728	11.8	60	1.7%	20%	145	1,716	7,011		
33	Service Connections (metered) 5/8 inch	2014	47,841	11.8	50	2.0%	24%	957	11,291	36,551		
34	Total Distribution System		\$ 5,156,768					\$ 83,295	\$ 1,123,427	\$ 4,033,341		
35												
36	Total Olowalu Water Company - Non-Potable System		\$ 9,171,819					\$ 149,513	\$ 3,251,583	\$ 5,920,236	\$ (5,404,184)	\$ 516,052

Footnotes:

- [1] Assuming Month and Day in service are July 1st for each asset
[2] Replacement cost estimates from Engineering Analysis as provided by Carollo Engineers, Inc.
[3] Assuming a standard 365 day year (rounded to the nearest whole year)
[4] Based on useful lives provided in Carollo's Engineering Analysis
[5] Assets still in service are assumed to have a minimum remaining useful life of 10%
[6] Economic obsolescence calculation shown in Table 5

Olowalu Water Company - Non-Potable System

Sales Comparison Approach

Table 2

Line No.	Transaction Number	Year of Agreement	State	Application Number [1]	Seller	Purchaser	Utility	Date Finalized	Sales Price	Number of Customers	Price / Customer	OCLD (Book Value)	Price / OCLD	Notes
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1	1	2010	TX	36695-S & 36696-S	Gray Utility Service, LLC	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water & Sewer	11/2/2011	\$ 2,943,798	1,690	\$ 1,742			
2	2	2014	TX	43006	Texas H2O, Inc.	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water & Sewer	6/18/2015	\$ 2,720,000	1,088	\$ 2,500			
3	3	2014	TX	43048	Bluebonnet Rural Water Corporation	Corix Utilities	Water	8/14/2015	\$ 1,107,675	1,103	\$ 1,004	\$ 2,392,753	0.46	
4	4	2015	TX	45639	Mitchell County Utility Company	Corix Utilities	Water	2/3/2017	\$ 577,500	879	\$ 657	\$ 410,055	1.41	
5	5	2015	TX	44024	Union Hill Water Supply Corporation	Aqua Utilities, Inc. dba Aqua Texas, Inc.	Water	2/8/2016	\$ 348,000	174	\$ 2,000	\$ 737,637	0.47	
6	6	2016	MO	WA-2017-0181	Village of Wardsville	Missouri American Water	Water & Sewer	5/1/2017	\$ 1,954,575	407	\$ 4,802			
7	7	2016	TX	45715	Villas of Willowbrook HOA	Monarch Water Utilities	Water & Sewer	4/5/2017	\$ 183,144	21	\$ 8,721	\$ 189,964	0.96	
8	8	2016	TX	46077	Brushy Creek Municipal Utility District	Aqua Texas, Inc.	Water	4/12/2017	\$ 50,000	207	\$ 242	\$ 151,087	0.33	
9	9	2017	TX	47888	Deer Creek Ranch Water Co	SJWTX, Inc. dba Canyon Lake Water Service	Water	11/29/2018	\$ 2,700,000	756	\$ 3,571	\$ 1,135,450	2.38	
10	10	2017	MO		City of Lawson, MO	Missouri American Water	Water & Sewer	8/1/2018	\$ 1,356,000	904	\$ 1,500			
11	11	2017	IL	17-0314	Village of Peotone	Aqua Illinois	Water & Sewer	10/1/2018	\$ 7,790,000	1,489	\$ 5,232			
12	12	2017	IL	17-0339	Village of Fisher	Illinois American Water	Water & Sewer	3/1/2018	\$ 3,100,000	890	\$ 3,483			
13	13	2018	TX	47922	Dal-High Water LLC	Monarch Water Utilities	Water	11/2/2018	\$ 55,200	46	\$ 1,200	\$ 44,862	1.23	
14	14	2018	TX	48863	Henry Brookshire Jr	TWS Holdings	Water	9/13/2019	\$ 90,000	119	\$ 756	\$ 64,155	1.40	
15	15	2018	TX	48532	J&S Water Company, LLC	Nerro Supply, LLC	Water & Sewer	7/1/2018	\$ 1,485,000	553	\$ 2,685	\$ 483,912	3.07	
16	16	2019	TX	49231	Ponder Enterprises, Inc	Lone Star Water Company	Water	5/20/2020	\$ 1,345,000	332	\$ 4,051	\$ 1,274,847	1.06	
17	17	2019	TX	49714	Paul B Hill	Megan Estes	Water	3/13/2020	\$ 112,500	50	\$ 2,250	\$ 120,160	0.94	
18	18	2019	TX	50085	Castle Water Inc	Horseshoe Bend Water Company	Water	6/10/2020	\$ 500,000	507	\$ 986	\$ 92,920	5.38	
19	19	2019	TX	51382	Dogwood Estates Water Company	Lakeshore Utility Company	Water	4/6/2022	\$ 1,012,000	442	\$ 2,290	\$ 195,955	5.16	
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27	27	2022	IL	21-0511	Village of Hardin	American Water	Water & Sewer	4/7/2022	\$ 3,300,000	840	\$ 3,929			[2]
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32	32	2023	MO	SA-2022-0311	City of Stewartville	American Water	Water & Sewer	1/11/2023	\$ 1,900,000	714	\$ 2,661			[2]
33	33	2023	IL	22-0536	Village of Tolono	American Water	Water & Sewer	5/13/2023	\$ 9,475,000	2,549	\$ 3,717			[2]
34					Analysis of Price / Customer			All Sales						
35								\$ 10,000						
36								36						
37								3,042						
38								2,661						
39								5,331						
40								\$ 754						
41								72						
42								Indicated Value based on Median	\$ 191,597					

Footnotes:

[1] Effective September 1, 2014, the Public Utility Commission of Texas (PUCT) began the economic regulation of water and sewer utilities, which was formerly handled by the Texas Commission on Environmental Quality (TCEQ)

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[3] Connection count as of 2026.

Olowalu Water Company - Non-Potable System
Income Approach
General Assumptions
Table 3

Line No.		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Annual Escalators	Blue Chip Economic Indicators, March 2026 Edition, Dated March 10, 2026									
2	General Inflation	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
3											
4	System										
5	2026 Active Connection Count [1]	72									
6	Assumed Annual Customer Growth [2]	1.00%									
7	Forecasted Connection Count	72	73	74	75	76	77	78	79	80	81
8											
9	General Assumptions										
10	Discount Rate	7.00%									
11	Federal Income Tax Rate	0.00%									
12	State Income Tax Rate	0.00%									
13	Effective Income Tax Rate	0.00%									
14											
15	Annual Depreciation Rate [3]										
16	Production Plant - Annual Depreciation (%)	2.0%									
17	Distribution System - Annual Depreciation (%)	1.5%									
18											
19	2025 AWWA Utility Benchmarking (2024 values, Appendix B) Trended to 2026										
20	Total O&M Cost of Water Services (\$/MG)	\$	1,764	\$1,692 benchmark 2024 value escalated to 2026 at long-term inflation rate							
21	Distribution O&M Cost of Water Service (\$/100 miles of pipe)	\$	660,241	\$633,361 benchmark 2024 value escalated to 2026 at long-term inflation rate							
22											
23	Flow [4]										
24	Water Production	108,385,715	Gallons								
25											
26	Feet in a Mile	5,280	Feet								
27	Distribution System	Feet of Pipe		Miles of Pipe							
28	Piping, 12-inch PVC C900	3,700		0.70							
29	Piping, 2.5-inch PVC sch40 Pipe	688		0.13							
30	Piping, 6-inch HDPE	5,300		1.00							
31	Piping, 8-inch PVC C900 or Ductile	7,500		1.42							
32	Service Laterals	216		0.04	Service Laterals assumed 3 linear feet per connection						
33	Total Miles		3.30								
34											
35	Annual Non-Potable Water System Costs										
36	Water O&M Cost	\$	191,172								
37	Distribution System Cost	\$	21,763								
38											
39	Regulatory Fees [5]	\$	5,411								
40											
41	Annual Revenue Increase [6]	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
42											
43	Footnotes:										
44	[1] 2026 Active Connection Count										
45	[2] Growth rate of 1% assumed on the system based on discussions with the County of Maui										
46	[3] Depreciation Rates developed based NewGen's experience with studies of similar systems										
47	[4] 2025 Water Production										
48	[5] Olowalu Water Company, Inc. Profit and Loss Statement for 2025										
49	[6] Assumed revenue increase needed to maintain and operate the system										

Olowalu Water Company - Non-Potable System
Income Approach
Discounted Cash Flow Analysis
Table 4

Line No.		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Notes
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	Rate Revenue	\$ 211,313	\$ 224,015	\$ 237,473	\$ 251,729	\$ 266,832	\$ 282,831	\$ 299,779	\$ 317,733	\$ 336,750	\$ 356,894	[1]
2	Total Revenue	\$ 211,313	\$ 224,015	\$ 237,473	\$ 251,729	\$ 266,832	\$ 282,831	\$ 299,779	\$ 317,733	\$ 336,750	\$ 356,894	
3	O&M Expenses											[1]
4	Water O&M	\$ 191,172	\$ 197,138	\$ 203,291	\$ 209,636	\$ 216,178	\$ 222,925	\$ 229,883	\$ 237,058	\$ 244,456	\$ 252,086	
5	Distribution	21,763	22,220	22,687	23,163	23,649	24,146	24,653	25,171	25,699	26,239	
6	Regulatory Fees	5,411	5,525	5,641	5,759	5,880	6,004	6,130	6,259	6,390	6,524	
7	Depreciation (Book)	70,331	70,837	71,392	71,922	72,462	73,316	73,881	74,461	75,099	75,705	
8	Total Operating Expenses	\$ 288,677	\$ 295,720	\$ 303,010	\$ 310,480	\$ 318,170	\$ 326,391	\$ 334,547	\$ 342,948	\$ 351,645	\$ 360,554	
9	Operating Income	\$ (77,364)	\$ (71,705)	\$ (65,537)	\$ (58,750)	\$ (51,338)	\$ (43,560)	\$ (34,767)	\$ (25,215)	\$ (14,895)	\$ (3,660)	
10	Less: Income Taxes	-	-	-	-	-	-	-	-	-	-	[2]
11	Net Income	\$ (77,364)	\$ (71,705)	\$ (65,537)	\$ (58,750)	\$ (51,338)	\$ (43,560)	\$ (34,767)	\$ (25,215)	\$ (14,895)	\$ (3,660)	
12	Add Back: Book Depreciation	70,331	70,837	71,392	71,922	72,462	73,316	73,881	74,461	75,099	75,705	
13	Earnings Before Interest, Depreciation & Amort.	\$ (7,033)	\$ (868)	\$ 5,854	\$ 13,171	\$ 21,124	\$ 29,756	\$ 39,114	\$ 49,246	\$ 60,204	\$ 72,045	
14	Less: Capital Expenditures	\$ (35,612)	\$ (41,941)	\$ (37,986)	\$ (38,875)	\$ (70,005)	\$ (41,410)	\$ (42,956)	\$ (50,785)	\$ (45,732)	\$ (46,689)	[3]
15	Less: Changes in Working Capital	-	(1,634)	(1,684)	(1,735)	(1,788)	(1,842)	(1,898)	(1,955)	(2,015)	(2,076)	[4]
16	Free Cash Flow	\$ (42,645)	\$ (44,443)	\$ (33,816)	\$ (27,438)	\$ (50,669)	\$ (13,496)	\$ (5,740)	\$ (3,494)	\$ 12,457	\$ 23,280	
17	Discounted Cash Flow	\$ (41,226)	\$ (40,154)	\$ (28,553)	\$ (21,653)	\$ (37,369)	\$ (9,302)	\$ (3,697)	\$ (2,104)	\$ 7,009	\$ 12,242	
18	Capitalized Cash Flow Analysis											
19	Discount Rate	7.00%	(5)									
20	Long Term Earnings Growth Rate	2.10%	(6)									
21	Capitalization Rate	4.90%	(7)									
22	Net Present Value of 2026-2035 Free Cash Flow	\$ (164,808)	(8)									
23	Terminal Value	485,084	(9)									
24	Net Present Value of Terminal Value	\$ 255,077	(10)									
25	Income Value	\$ 90,269	(11)									

Footnotes:

- [1] See Table 3
- [2] County of Maui does not pay income taxes
- [3] Capital expenditures are based on the Capital expenditure analysis retirement rate calculated from the survivor curve times RCN escalated at inflation and the Capital expenditure analysis retirement rate calculated from the useful life rate times RCN
- [4] Based on 90 day buffer for cash expenses
- [5] See Table 3
- [6] Blue Chip Economic Indicators, March 2026 Edition, Dated March 10, 2026
- [7] Discount Rate minus Earnings Growth Rate
- [8] Free Cash Flows discounted at the Discount Rate
- [9] Estimated Free Cash flow in 2036 divided by Capitalization Rate
- [10] Terminal Value discounted at the Discount Rate from 2035 to 2026
- [11] Sum of the NPV of 2026-2035 Free Cash Flows Plus the NPV of the Terminal Value



Olowalu Water Company - Non-Potable System
Income Approach
Economic Obsolescence
Table 5

Line No.	(a)	Value (b)	Required Rate of Return (c)	Required Economic Income (d)
1	Tangible Personal Property [1]			
2	Reproduction Cost New - Total Plant Facilities	\$ 9,171,819		
3	Less: Physical Depreciation	(3,251,583)		
4	Total Tangible Personal Property	\$ 5,920,236	7.00%	\$ 414,417
5	Real Property	\$ -	7.00%	\$ -
6	Intangible Personal Property	\$ -	7.00%	\$ -
7	Total Assets Acquired	\$ 5,920,236		
8	Total Required Return on Assets Acquired			\$ 414,417
9	Projected Annual Operating Income [2]			\$ (77,364)
10	Less: Required Economic Return on Assets Acquired			\$ (414,417)
11	Equals: (Income Shortfall)			\$ (491,781)
12	Divided by: Direct Capitalization Rate [3]		9.10%	
13	(Capitalized Income Shortfall)			\$ (5,404,184)
14	Operating Assets Subject to Economic Obsolescence			
15	Tangible Personal Property			\$ 5,920,236
16	Real Property			-
17	Intangible Personal Property			-
18	Total Assets Subject to Economic Obsolescence			\$ 5,920,236
19	Economic Obsolescence Factor			-91%

Footnotes:

[1] Table 1, Replacement Cost Less Depreciation

[2] Table 4, Discounted Cash Flow Analysis

[3] Direct capitalization rate equal to the Discount Rate plus long term economic growth rate. Since earnings are expected to increase at a long-term growth rate of 2.10%, the economic shortfall indicated by the capitalized excess earnings analysis is expected to decrease at a long-term growth rate of 2.10%.

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EXHIBIT 3: CAROLLO ENGINEERING ANALYSIS

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Sort Order	Asset Class	Estimated Useful Life (years)	Install date(s)	Age (or Average Age) as of 2026	Remaining Useful Life (years)	Quantity	RCN unit	RCN total	Reference/Source
100	OWC (Non-Potable System)								
101	Distribution Piping (Non-Potable)		2003 - 2016	14					
102	Piping, 12-inch PVC C900	75	varies	14	61	3700	\$ 365	\$ 1,351,386	OIO Potable Water System.pdf
102	Piping, 2.5-inch PVC sch40 Pipe	40	varies	14	26	688	\$ 122	\$ 83,762	OIO Potable Water System.pdf
102	Piping, 6-inch HDPE	50	varies	14	36	5300	\$ 243	\$ 1,290,512	OIO Potable Water System.pdf
102	Piping, 8-inch PVC C900 or Ductile	75	varies	14	61	7500	\$ 243	\$ 1,826,197	OIO Potable Water System.pdf
104	Filter Station (Applegate/Netafim Sandstorm)	30	2025	14	16	1	\$ 25,563	\$ 25,563	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
104	Filter Station (Makai)	30	2024	14	16	2	\$ 10,225	\$ 20,450	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
104	Filter Station (Mauka/Amiad)	30	2025	14	16	1	\$ 21,376	\$ 21,376	RUL and RCN Analysis 2026-04-17 summary tab rev by seller rev.xlsx
106	Meters, system (Non-Potable)		2003 - 2022	12					
107	Meter (system) 1 inch	15	varies	12	3	1	\$ 2,478	\$ 2,478	OWC SYSTEM METER SIZES 12.31.2025.pdf
107	Meter (system) 3 inch	15	varies	12	3	2	\$ 2,694	\$ 5,388	OWC SYSTEM METER SIZES 12.31.2025.pdf
107	Meter (system) 3/4 inch	15	varies	12	3	1	\$ 2,371	\$ 2,371	OWC SYSTEM METER SIZES 12.31.2025.pdf
107	Meter (system) 4 inch	15	varies	12	3	2	\$ 2,802	\$ 5,603	OWC SYSTEM METER SIZES 12.31.2025.pdf
107	Meter (system) 6 inch	15	varies	12	3	2	\$ 2,909	\$ 5,819	OWC SYSTEM METER SIZES 12.31.2025.pdf
110	Pump Station, Booster: Makila Midlevel	50	2025	1	49	1	\$ 253,262	\$ 253,262	PXL_20260403_001943127.jpg
110	Pump Station, Booster: Mauka	50	2025	1	49	1	\$ 250,299	\$ 250,299	PXL_20260403_012950222.jpg
111	Reservoir: Olowalu Lower "Pig" Reservoir	100	1939	87	13	1	\$ 970,353	\$ 970,353	1939 field map-Pioneer Mill Plantation Map 1939.pdf
111	Reservoir: Olowalu Mauka Upper "Snake" Reservoir	100	1939	87	13	1	\$ 970,353	\$ 970,353	1939 field map-Pioneer Mill Plantation Map 1939.pdf
112	Reservoir lining: Olowalu Lower "Pig" Reservoir (relined 2024)	50	2024	2	48	1	\$ 549,411	\$ 549,411	PXL_20260403_005256544.jpg
112	Reservoir lining: Olowalu Mauka Upper "Snake" Reservoir (relined 2023)	50	2023	3	47	1	\$ 231,820	\$ 231,820	20260402_150419.jpg
113	Service Connections (Non-potable)		2003 - 2016	12					
114	Service Connections (metered) 1 1/2 inch	50	varies	12	38	20	\$ 8,081	\$ 161,626	OWC OIC METER SIZES 12.31.2025.pdf
114	Service Connections (metered) 1 inch	50	varies	12	38	39	\$ 8,081	\$ 315,170	OWC OIC METER SIZES 12.31.2025.pdf
114	Service Connections (metered) 2 inch	50	varies	12	38	3	\$ 8,297	\$ 24,890	OWC OIC METER SIZES 12.31.2025.pdf
114	Service Connections (metered) 3 inch	60	varies	12	48	2	\$ 8,512	\$ 17,025	OWC OIC METER SIZES 12.31.2025.pdf
114	Service Connections (metered) 3/4 inch	50	varies	12	38	1	\$ 7,974	\$ 7,974	OWC OIC METER SIZES 12.31.2025.pdf
114	Service Connections (metered) 4 inch	60	varies	12	48	1	\$ 8,728	\$ 8,728	OWC OIC METER SIZES 12.31.2025.pdf
114	Service Connections (metered) 5/8 inch	50	varies	12	38	6	\$ 7,974	\$ 47,841	OWC OIC METER SIZES 12.31.2025.pdf
117	Stream Diversion: Olowalu Stream Flow Diversion	50	2018	5 to 10	1	\$ 51,125	\$ 51,125		
118	Well N- Pump: 720,000 GPD max (500 gpm, 75 HP)	20	2023	3	17	1	\$ 278,400	\$ 278,400	
118	Well N- Shaft	100	1933	93	7	240	\$ 1,636	\$ 392,640	PXL_20260403_004050681.jpg
200	OWC (Potable System)								
203	Distribution Piping (Potable)		2003 - 2016	14					
203.5	Piping, 12-inch PVC C900	75	varies	14	61	2800	\$ 365	\$ 1,022,670	
203.5	Piping, 6-inch HDPE	50	varies	14	36	3900	\$ 243	\$ 949,622	
203.5	Piping, 8-inch PVC C900 or Ductile	75	varies	14	61	5700	\$ 243	\$ 1,387,910	
205	Hydrants and Standpipes	30	2003	23	7	32	\$ 10,225	\$ 327,200	LWC LIC OWC hydrant count 20260502.docx
208	Meters, system (Potable)		2003 - 2022	14					
208.5	Meter (system) 1 1/2 inch	15	varies	14	1	3	\$ 2,478	\$ 7,435	OWC SYSTEM METER SIZES 12.31.2025.pdf
208.5	Meter (system) 2 inch	15	varies	14	1	4	\$ 2,586	\$ 10,344	OWC SYSTEM METER SIZES 12.31.2025.pdf
208.5	Meter (system) 3 inch	15	varies	14	1	1	\$ 2,694	\$ 2,694	OWC SYSTEM METER SIZES 12.31.2025.pdf
208.5	Meter (system) 5/8 inch	15	varies	14	1	3	\$ 2,371	\$ 7,112	OWC SYSTEM METER SIZES 12.31.2025.pdf
209	PRV station, multi-stage	20	2003	23	0	2	\$ 153,375	\$ 306,750	
215	Service Connections (Potable)		2003 - 2016	14					
215.5	Service Connections (metered) 1 1/2 inch	50	varies	14	36	1	\$ 8,081	\$ 8,081	OWC OIC METER SIZES 12.31.2025.pdf
215.5	Service Connections (metered) 1 inch	50	varies	14	36	6	\$ 8,081	\$ 48,488	OWC OIC METER SIZES 12.31.2025.pdf
215.5	Service Connections (metered) 2 inch	50	varies	14	36	2	\$ 8,297	\$ 16,594	OWC OIC METER SIZES 12.31.2025.pdf
215.5	Service Connections (metered) 3 inch	60	varies	14	46	1	\$ 8,512	\$ 8,512	OWC OIC METER SIZES 12.31.2025.pdf
215.5	Service Connections (metered) 3/4 inch	50	varies	14	36	6	\$ 7,974	\$ 47,841	OWC OIC METER SIZES 12.31.2025.pdf
215.5	Service Connections (metered) 5/8 inch	50	varies	14	36	63	\$ 7,974	\$ 502,333	OWC OIC METER SIZES 12.31.2025.pdf
216	Storage tank site, 50,000 gallons	50	2003	23	27	1	\$ 324,644	\$ 324,644	
216	Storage tank site, 500,000 gallons	50	2003	23	27	1	\$ 3,246,438	\$ 3,246,438	
218	Well pumps: OWC Well 1, 360,000 GPD max, 90,000 GPD daily average (250 GPM, 25 HP)	25	2017	9	16	1	\$ 142,891	\$ 142,891	PXL_20260403_002732842.jpg
218	Well shaft: OWC Well 1	50	1999	27	23	230	\$ 1,636	\$ 376,280	20260402_142747.jpg

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