City of Superior, Wisconsin

Municipalization Preliminary Feasibility Study

PREPARED FOR:
SUPERIOR WATER, LIGHT & POWER (SWL&P)

JUNE 24, 2026

CONCENTRIC ENERGY ADVISORS

CEADVISORS.COM

Disclaimer

This preliminary feasibility study is based on both publicly available information and non-public information provided to Concentric Energy Advisors, Inc. ("Concentric") by Superior Water, Light & Power (SWL&P). Concentric has not independently verified the accuracy of this information and does not express an opinion regarding its validity. Furthermore, this feasibility study is not an audit and was not conducted for the purpose of providing a legal opinion or to provide investment advice.

This preliminary feasibility study was developed on behalf of SWL&P. Neither Concentric's engagement by SWL&P nor Concentric's compensation are in any way contingent upon the value estimates contained in the analysis. The analysis is intended to be read and used as a whole document and not in isolated sections.

All statements, assumptions, opinions, positions, and conclusions set forth in this feasibility study are solely attributed to Concentric and not to any other party. Concentric is solely responsible for the content of this analysis. Nothing in this analysis shall be interpreted as information, admissions, statements, assumptions, opinions, positions, or conclusions made or provided by or on behalf of SWL&P.

There are no third-party beneficiaries with respect to the preliminary feasibility study, and Concentric does not accept liability to any third party regarding the content of the analysis or any actions taken or decisions made based on the information set forth herein. This preliminary feasibility study was paid for by SWL&P shareholders.

Contents

Acronyms

A&G	Administrative and General
AMI	Advanced Metering Infrastructure
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortization
EV	Enterprise Value
FCC	Federal Communications Commission
IOU	Investor-owned Utility
MWU	Municipal Water Utility
NBV	Net Book Value
NPV	Net Present Value
O&M	Operations and Maintenance
PSCW	Public Service Commission of Wisconsin
RCN	Reproduction Cost New
RCNLD	Reproduction Cost New Less Depreciation
SCADA	Supervisory Control and Data Acquisition
SWL&P	Superior Water, Light, and Power
WACC	Weighted Average Cost of Capital

Defined Terms

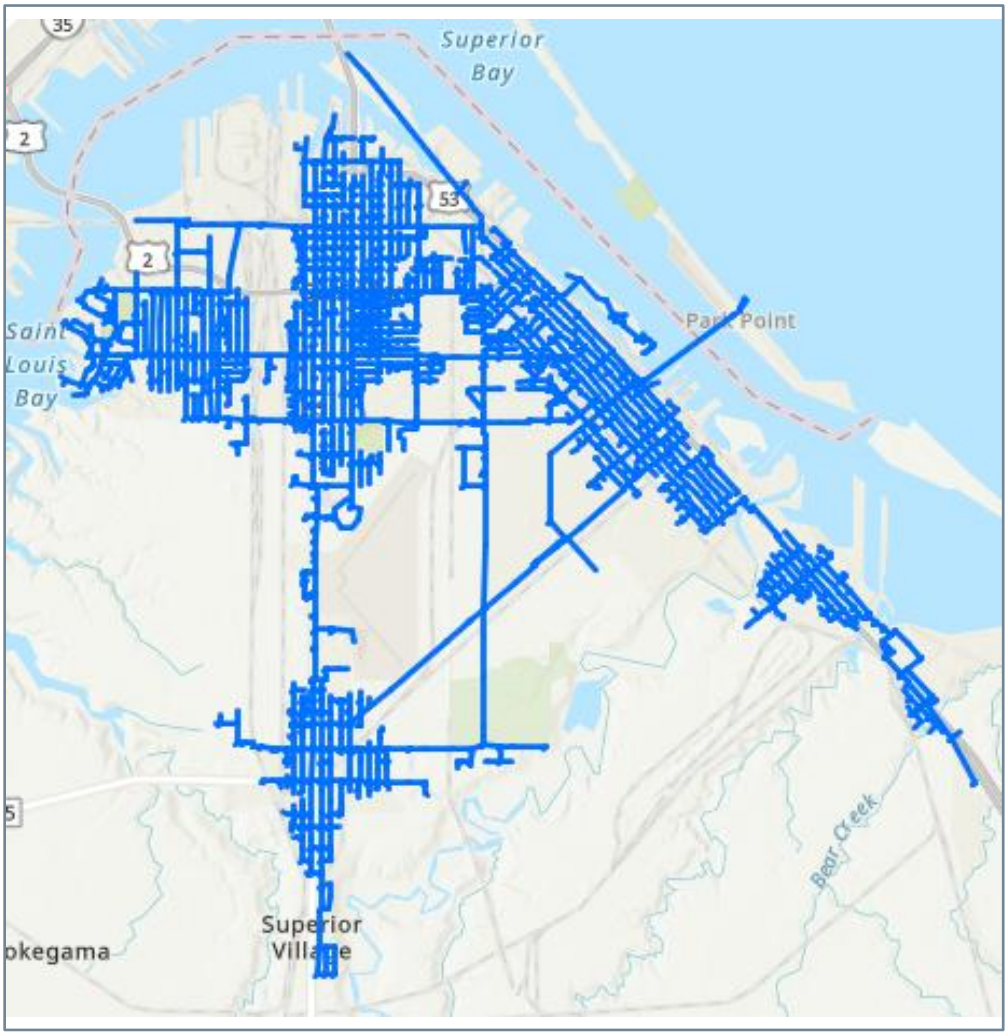
City	City of Superior, Wisconsin
Commission	Public Service Commission of Wisconsin
Company	SWL&P
Concentric	Concentric Energy Advisors, Inc.
Study	Preliminary Independent Feasibility Study

I. Executive Summary

A. Introduction

Members of the Superior City Council have expressed an interest in purchasing the water utility from Superior Water, Light, and Power ("SWL&P") and its parent company, ALLETE, and commissioned an appraisal and rate impact analysis of its water system to identify the costs of acquiring SWL&P's water system. SWL&P retained Concentric Energy Advisors, Inc. ("Concentric") to develop a preliminary valuation of SWL&P's water assets to estimate the initial cost of municipalization, and forecast rates under City ownership. The figure below shows SWL&P's water asset locations in and around the City of Superior, Wisconsin.

Figure I-1: SWL&P Water Asset Map



The purpose of this analysis is to provide a preliminary estimate of the Company's value in order to affirmatively address other estimates in the public domain. The study herein is in line with fair value principles. The analysis includes both an assessment of municipalization acquisitions costs and a feasibility study to compare a municipal water utility's expected rates to SWL&P's expected rates.

B. Municipalization Initial Acquisition Costs

The acquisition cost analysis includes the following major categories of costs:

1. Value of the Assets – the fair market value of the assets to be acquired from SWL&P.
2. Separation Costs – separation costs to physically separate the municipal system from the utility's system.
3. Going Concern – the incremental intrinsic value that reflects SWL&P's water utility as a business, which is greater than a collection of physical assets.
4. Startup Costs – the cost to purchase new facilities, staff, and finance the new utility.
5. Transaction Costs – the costs to complete the process of transferring ownership of SWL&P to the City of Superior (e.g., debt issuance costs, legal, engineering, and consulting fees).

There are three typical approaches to valuing the assets:

Cost Approach

One cost approach is the Reproduction Cost New Less Depreciation (RCNLD) analysis, which is commonly used in condemnation proceedings to determine the current value of a property by estimating the cost to construct an exact replica at today's prices, then subtracting depreciation due to physical wear, functional obsolescence, and external factors.

Market Approach
(or Sales Comparison Approach)

A market-based, "sales comparison approach" is developed based on "fair market value" principles, designed to estimate what an arms-length third-party buyer would pay for these assets.

Income Approach

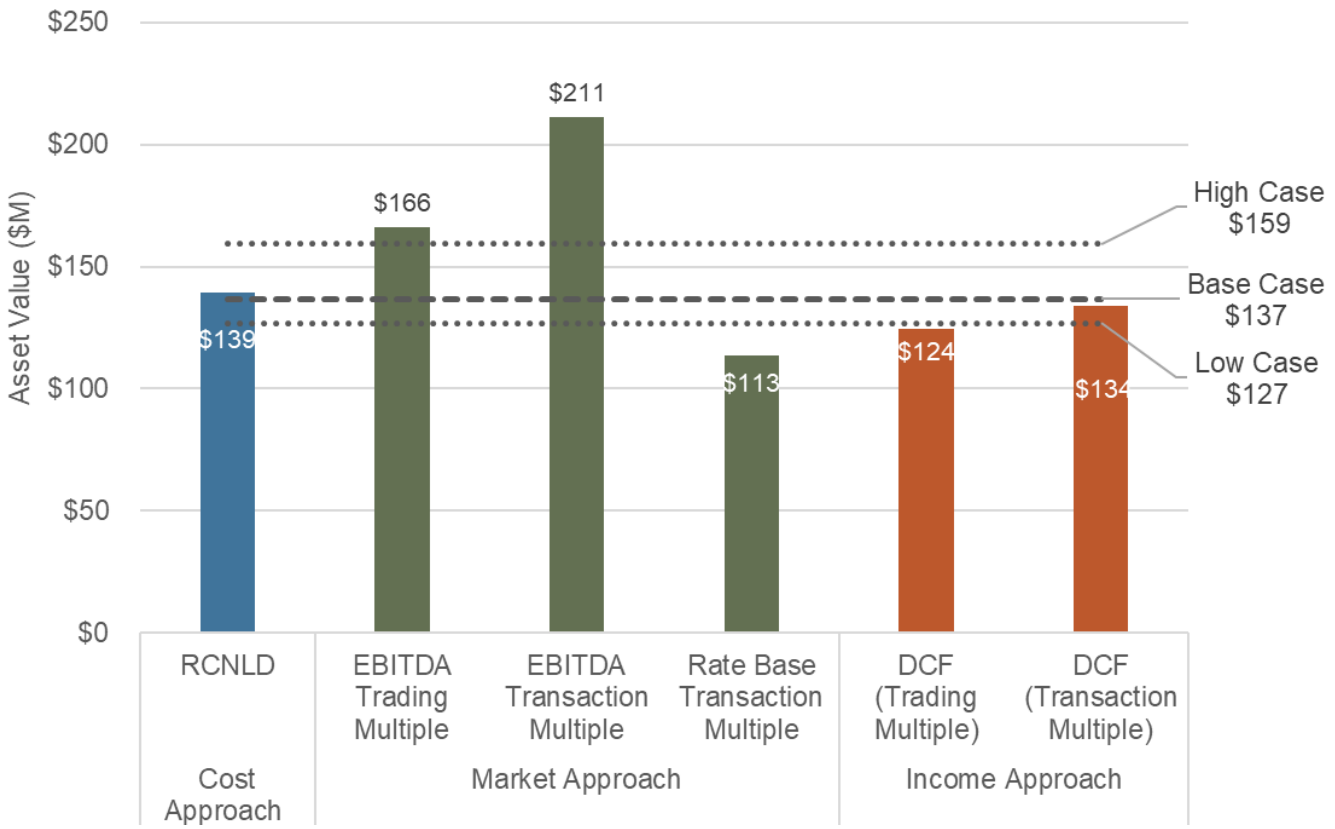
A common income approach is a discounted cash flow (DCF) analysis to determine a valuation for SWL&P's water system based on projecting the Company's future cash flows and discounting them back to the present.

Valuations are as of end of year 2030 with an assumption that the municipal water utility (MWU) would begin operation January 1, 2031. As shown in the figure below, the three asset valuation approaches result in a range of values between $113 million and $211 million with an average of $148 million and median of $137 million, as of end of year 2030. The analysis assumes the following:

- Base Case: $137 million based on the median of range.
- High Case (i.e., high-cost case): $159 million based on the third quartile of the range.
- Low Case (i.e., low-cost case): $127 million based on the first quartile of the range.

Figure I-2: Preliminary Estimate of Asset Value

(2030 end of year dollars)



The total initial acquisition costs are estimated at $186.4 million (at the end of 2030), and include:

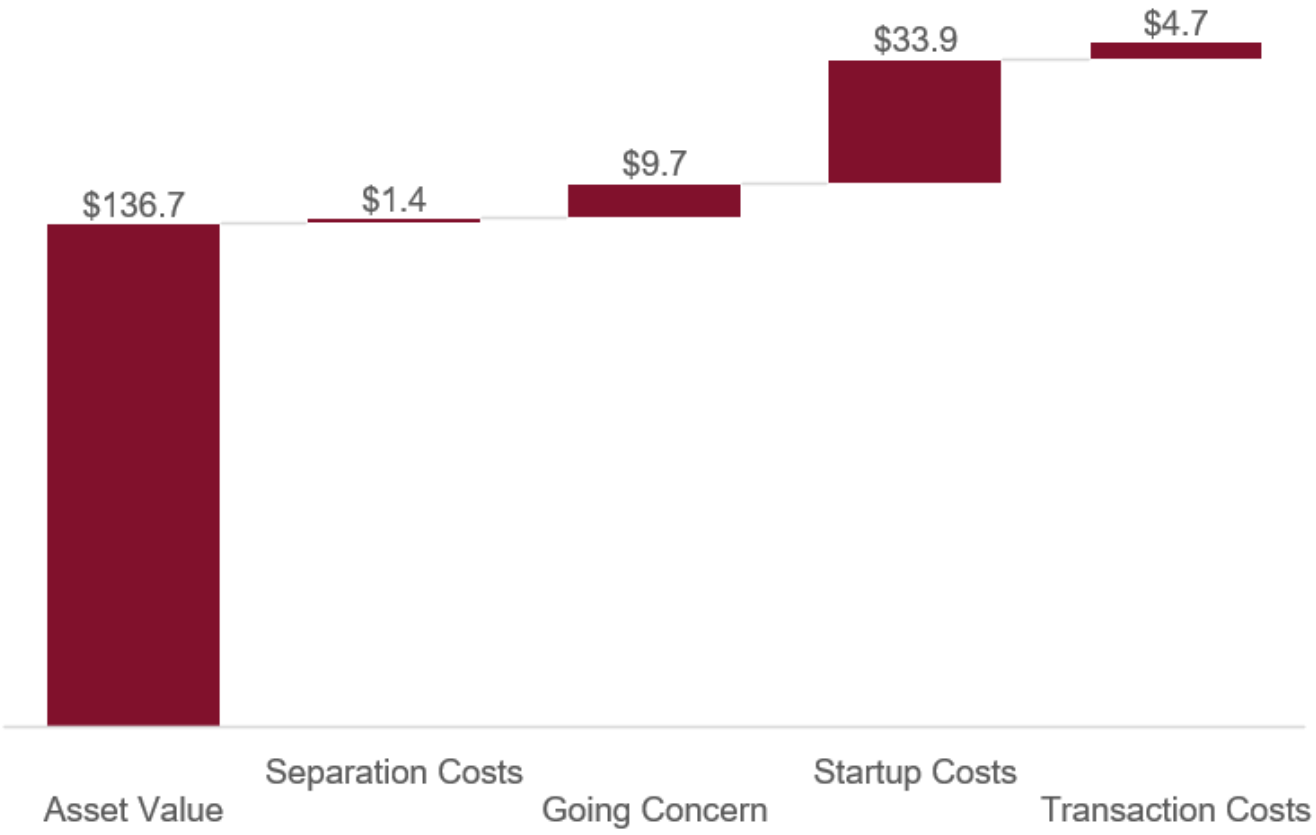
- Asset Value: The asset value is the median value for SWL&P's water assets, based on the median of several valuation methods, and is estimated at $136.7 million at end of year 2030.
- Separation Costs: Costs estimated at $1.4 million incurred to physically separate the municipal system from SWL&P's water system. Separation costs are estimated to cover an advanced metering infrastructure (AMI) radio infrastructure and other equipment, a SCADA system, development of a water leak detection program, and acquisition of water equipment for water meter test bench and other exercises. Note that these costs do not include annual ongoing costs, which are incorporated into the annual rates analysis.[1]

[1] Note regarding separation costs: Currently, SWL&P deployed an advanced metering infrastructure for its electric, gas, and water meters. SWL&P relies on its sister company, Minnesota Power, for the AMI radio infrastructure. If the City of Superior were to acquire SWL&P's water system, the City would need to acquire an AMI radio infrastructure, including approximately 3-6 pole-top radios, a Federal Communications Communication (FCC) license for a new radio frequency, and develop engineering studies and acquire software for monitoring. Because of the integrated nature of SWL&P's electric, gas, and water meters, which the City would not have (i.e., acquiring only water meters), the City would likely require a stronger radio network. A detailed scenario is not included in the analysis, as it may require detailed engineering analysis to assess the radio infrastructure needs.

- Going Concern: The incremental intrinsic value that reflects SWL&P's water utility as a business, which is greater than a collection of physical assets, estimated at $9.7 million.
- Startup and Transaction Costs: Startup costs include an initial capex cycle, inventory, staff and management, IT systems, and reserve funds, and transaction costs include legal and other fees, detailed engineering and consulting fees, and debt issuance costs. Startup costs are estimated at $33.9 million and transaction costs at $4.7 million.

Figure I-3: Preliminary Estimate of Asset Value

(2030 end of year)



C. Feasibility Study

Concentric developed a 20-year rates comparison between a forecast of SWL&P rates versus a municipal water utility (MWU) rate. The rate comparison assumes that the MWU would begin service on January 1, 2031. Concentric relied largely on SWL&P's forecasts through 2035 and developed a forecast based on historical trends thereafter. Note that the MWU rate is stepped based on the assumption that every four years, the MWU acquires capital for the following four-year period.

$15 Million
10-year net present value ***cost*** to the City of switching to municipal ownership

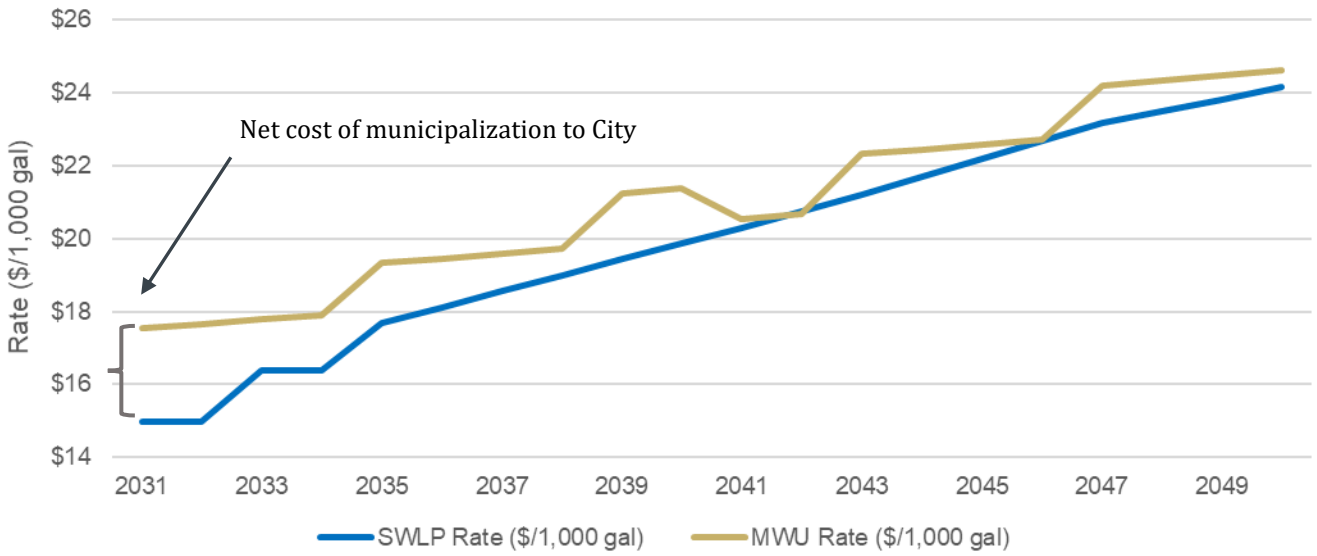
$19 Million
20-year net present value ***cost*** to City of switching to municipal ownership

The preliminary feasibility study provides a rate comparison between the City of Superior remaining on SWL&P's service versus rates under municipalization. Key determinants include:

1. The initial municipalization acquisition costs (i.e., the City's cost of acquiring SWL&P's water assets and other initial costs).
2. The City's annual costs of providing water service, including operating, maintaining, and continuing to invest in utility assets.
3. A forecast of the City's expected cost of providing service based on the initial investment and ongoing operating costs.
4. A forecast of SWL&P's rates to serve as a benchmark for comparing the municipal water utility alternative.

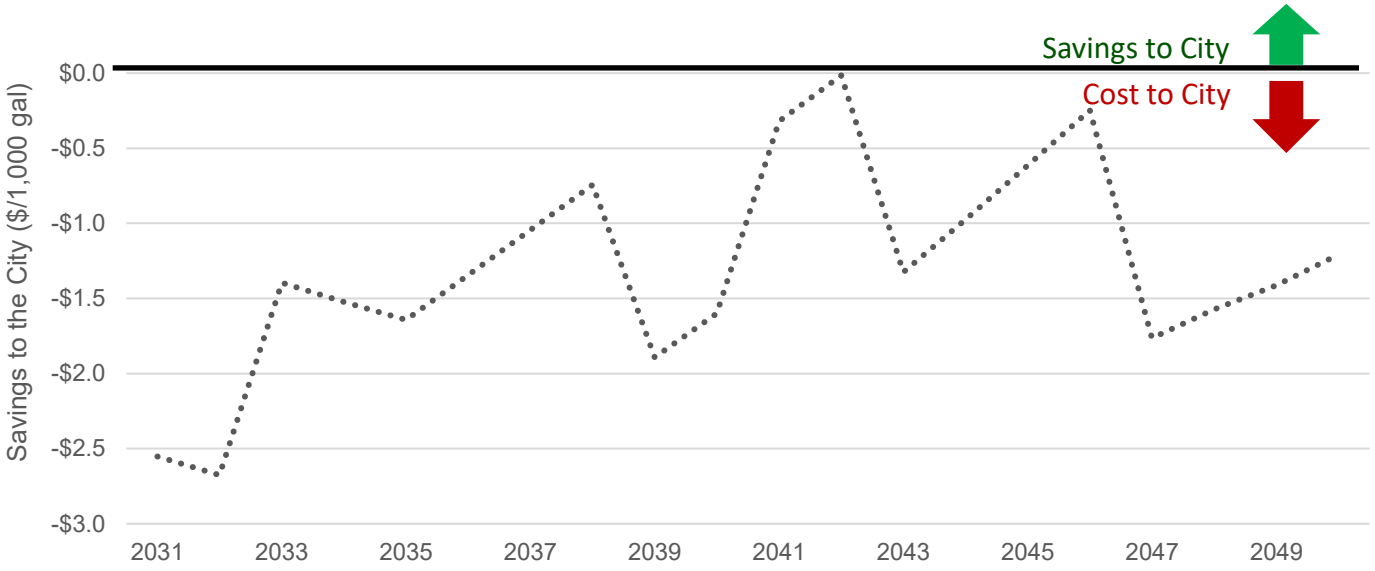
As shown below, over the 20-year forecast period, SWL&P's rates are expected to be lower than the expected rates for an MWU.

Figure I-4: Preliminary Metered Rate Comparisons



As shown below, over the 20-year forecast period, acquisition of SWL&P's water system is expected to be a net cost to the City, versus remaining on SWL&P's service.

Figure I-5: Preliminary Rate Comparisons



II. Introduction and Scope

Concentric Energy Advisors is a consulting firm with a specialization in financial advisory services, focused on the North American energy industry. Concentric has performed this preliminary independent feasibility study ("Study") of the costs and implications of the City of Superior, Wisconsin ("City") acquiring existing utility assets from SWL&P (or the "Company") and assuming responsibility for providing water service to SWL&P's customers in the City.[2]

Our Study presents facts and industry insights for the primary stakeholder constituencies regarding a choice between the establishment of a new municipal water utility by the City or the continuation of service from SWL&P. This includes information that pertains to the rates that may be charged either by SWL&P or the City, as well as the services that are currently provided by SWL&P or may be provided by the City. It is appropriate to jointly consider the rates and services to be provided by SWL&P or the City to provide an apples-to-apples comparison between the two alternatives. Concentric developed the Study using data provided by SWL&P on system data and some forecasts, and relied on publicly available and other industry data to as the basis for developing the Study results.

The Superior City Council expressed an interest in purchasing the water utility from SWL&P, and commissioned an appraisal and rate impact analysis of its water system to identify the costs of acquiring SWL&P's water system. SWL&P retained Concentric to develop a preliminary valuation of SWL&P's water assets to estimate the initial cost of municipalization, and forecast rates under City ownership. Figure II-1 shows SWL&P's water asset locations in and around the City of Superior, Wisconsin.

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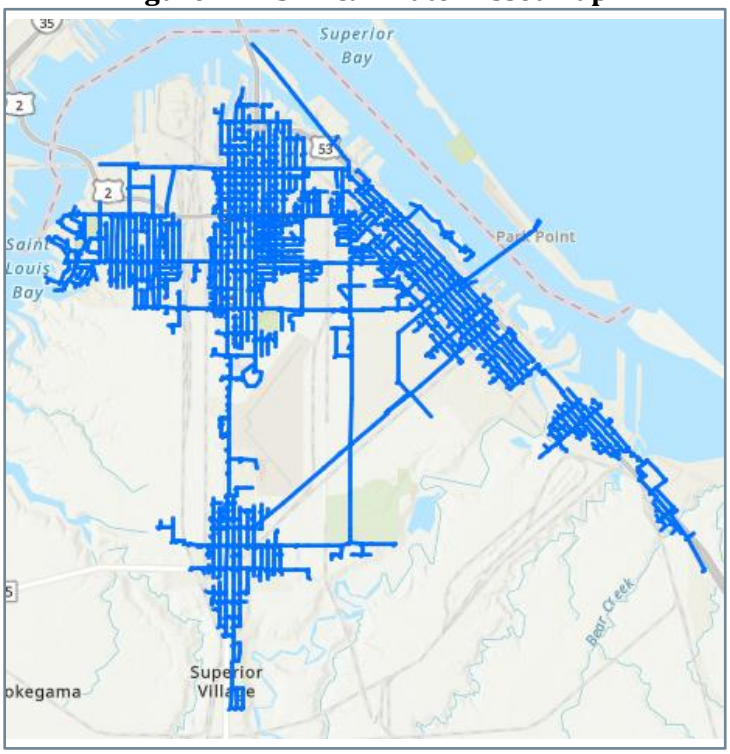


[2] It will be appropriate to update this assessment and any subsequent formal valuation studies as new information becomes available that will have a meaningful impact on the results.

A municipal utility is a city-owned enterprise that can provide a number of essential services to its residents, including water, telecommunications, natural gas, water, or a combination of any of these and others. The impetus for considering water municipalization varies but often centers around issues such as: (1) desire for local control; (2) dissatisfaction with the existing utility supplier attributable to price and/or perceived service issues; and/or (3) perception that water prices will be lower with municipal ownership due to financing advantages or the belief that it will be possible to bypass costs that are incurred by the existing utility to provide service. Just compensation is a primary driver in determining whether municipalization makes economic sense. However, public consideration of the municipal option often proceeds on a more accelerated path than a final determination of just compensation, creating a risk that the City Council and voters will decide to acquire assets based on a price that is well below the final determination.

The purpose of this analysis is to provide a preliminary estimate of the Company's value in order to affirmatively address other estimates in the public domain. The Study herein is in line with fair value principles. The analysis includes both an assessment of municipalization acquisitions costs and a feasibility study to compare a municipal water utility's expected rates to SWL&P's expected rates. The preliminary analysis herein aligns with fair market value principles, and generally with relevant Wisconsin statutes, such as Wisconsin Statutes Chapter 32 (Eminent Domain); section 32.09 (rules governing determination of just compensation, subsection (8)); and sections 196.54(4), 197.03, and 197.05 governing compensation for a utility operating under an indeterminate permit.

Preliminary Feasibility Study

This preliminary feasibility study provides a rate comparison between the City of Superior remaining on SWL&P's service versus rates under municipalization.

The key determinants of the rates that customers can expect to pay under the two alternatives are:

1. The initial municipalization acquisition costs (i.e., the City's cost of acquiring SWL&P's water assets and other initial costs).
2. The City's annual costs of providing water service, including operating, maintaining, and continuing to invest in utility assets.
3. A forecast of the City's expected cost of providing service based on the initial investment and ongoing operating costs.
4. A forecast of SWL&P's rates to serve as a benchmark for comparing the municipal water utility alternative.

III. Superior Projected Costs to Form a Water Utility

The preliminary feasibility study begins with assessing the costs to the City, both initial costs to form a water utility, as well as ongoing costs to operate a utility. This Study assumes just compensation for SWL&P's water assets would be determined through a proceeding before the Public Service Commission of Wisconsin ("Commission" or "PSCW"), pursuant to Wisconsin law.

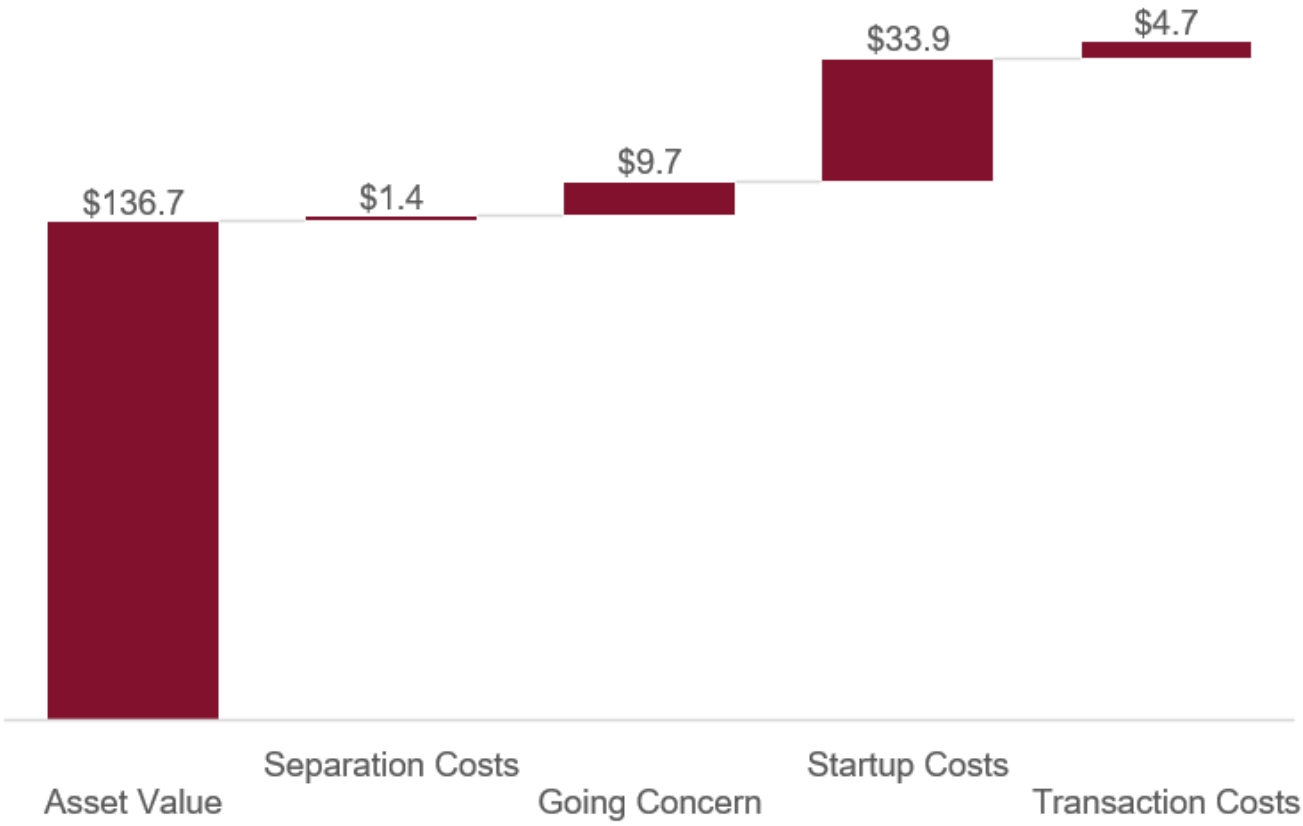
The total initial acquisition costs are estimated at $186.4 million (at the end of 2030), and include:

- Asset Value: The asset value is the median value for SWL&P's water assets, based on the median of several valuation methods, and is estimated at $136.7 million at end of year 2030.
- Separation Costs: Costs estimated at $1.4 million incurred to physically separate the municipal system from SWL&P's water system. Separation costs are estimated to cover an advanced metering infrastructure (AMI) radio infrastructure and other equipment, a SCADA system, development of a water leak detection program, and acquisition of water equipment for water meter test bench and other exercises. Note that these costs do not include annual ongoing costs, which are incorporated into the annual rates analysis.[3]
- Going Concern: The incremental intrinsic value that reflects SWL&P's water utility as a business, which is greater than a collection of physical assets, estimated at $9.7 million.
- Startup and Transaction Costs: Startup costs include an initial capex cycle, inventory, staff and management, IT systems, and reserve funds, and transaction costs include legal and other fees, detailed engineering and consulting fees, and debt issuance costs. Startup costs are estimated at $33.9 million and transaction costs at $4.7 million.

[3] Note regarding separation costs: Currently, SWL&P deployed an advanced metering infrastructure for its electric, gas, and water meters. SWL&P relies on its sister company, Minnesota Power, for the AMI radio infrastructure. If the City of Superior were to acquire SWL&P's water system, the City would need to acquire an AMI radio infrastructure, including approximately 3-6 pole-top radios, an FCC license for a new radio frequency, and develop engineering studies and acquire software for monitoring. Because of the integrated nature of SWL&P's electric, gas, and water meters, which the City would not have (i.e., acquiring only water meters), the City would likely require a stronger radio network. A detailed scenario is not included in the analysis, as it may require detailed engineering analysis to assess the radio infrastructure needs.

Figure III-1: Preliminary Estimate of Asset Value

(2030 end of year)



A. Asset Value

A valuation methodology is necessary to arrive at a fair value or just compensation for the various components of acquisition costs. Although Chapter 197, Wis. Stats., does not prescribe a specific valuation methodology for determining "just compensation" for relevant utility property, there are three typical fair market value approaches to valuing the assets that could be considered:

Cost Approach

One cost approach is the Reproduction Cost New Less Depreciation (RCNLD) analysis, which is commonly used in condemnation proceedings to determine the current value of a property by estimating the cost to construct an exact replica at today's prices, then subtracting depreciation due to physical wear, functional obsolescence, and external factors.

Market Approach
(or Sales Comparison Approach)

A market-based, "sales comparison approach" is developed based on "fair market value" principles, designed to estimate what an arms-length third-party buyer would pay for these assets.

Income Approach

A common income approach is a discounted cash flow (DCF) analysis to determine a valuation for SWL&P's water system based on projecting the Company's future cash flows and discounting them back to the present.

Valuations are as of end of year 2030 with an assumption that the MWU would begin operation January 1, 2031. As shown in the figure below, the three asset valuation approaches result in a range of values between $113 million and $211 million with an average of $148 million and median of $137 million, as of end of year 2030. The analysis assumes the following:

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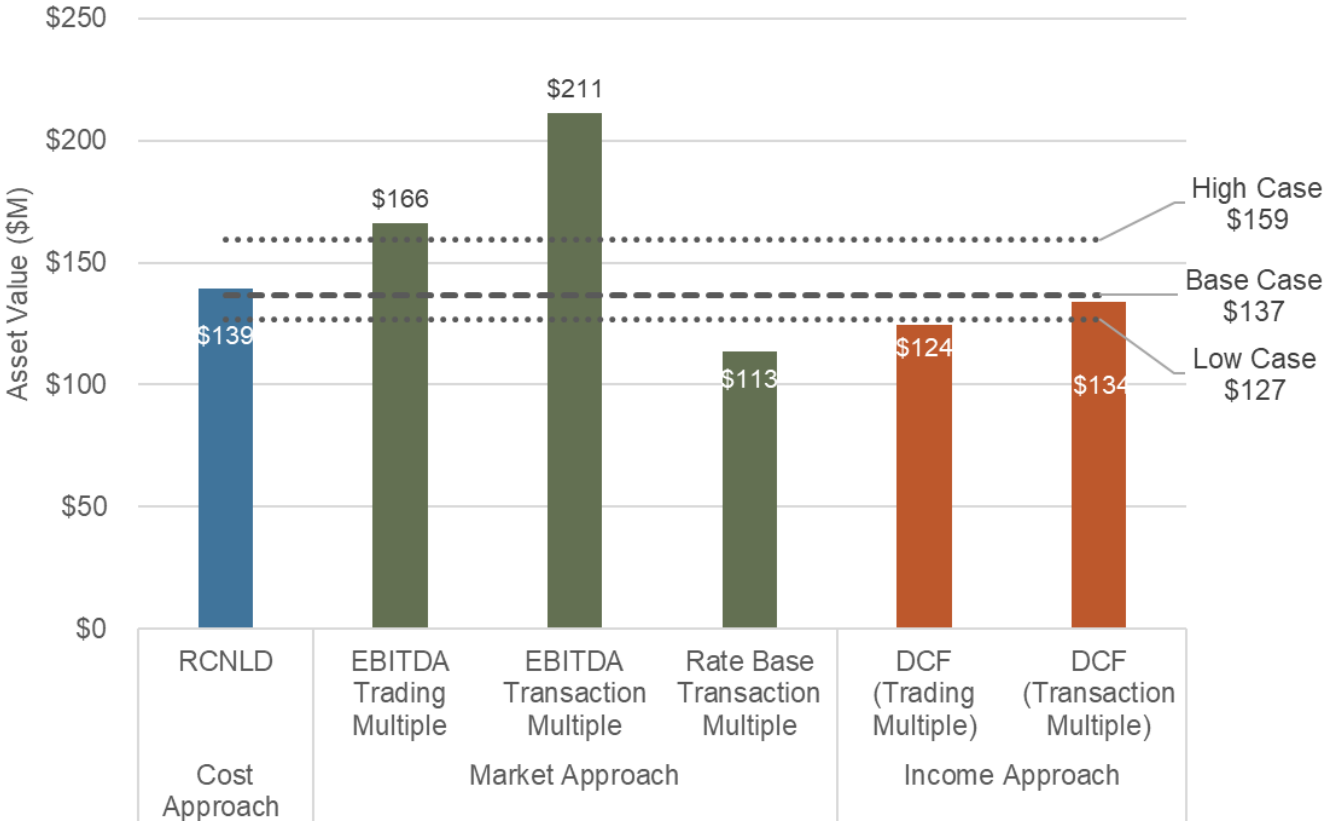
Figure III-2: Preliminary Estimate of Asset Value

(2030 end of year dollars)



1. Cost Approach

There are various Cost Approaches that can be utilized to determine the value of assets that are proposed to be included in the municipalization. The Reproduction Cost New Less Depreciation (RCNLD) approach is referenced in Wis. Stat. § 32.09(8) (rules governing determination of just compensation in the eminent domain context) and has been recognized in Wisconsin courts.[4] Concentric applied the RCNLD approach in developing the asset value below, which is in line with fair market value principles and generally aligns with relevant Wisconsin Statutes, such as sections 196.54(4), 197.03, and 197.05 governing compensation for a utility operating under an indeterminate permit.

[4] Supreme Court of Wisconsin. Case No. 2008AP322. Stepanek v. Wausau Gateway Plant (2011 WI 4), at 30. February 2, 2011.

The RCNLD methodology develops the Reproduction Cost New (RCN) of the assets by calculating the expense to build an exact replica using identical materials and designs, then subtracting physical deterioration, functional obsolescence, and economic obsolescence. The fair market value of the assets is determined by deducting from the RCN the estimated depreciation of the assets to establish the RCNLD. The RCNLD value represents an estimate of the cost to reproduce the existing system today. It is likely, however, that it would not be possible to reconstruct assets in the same configuration or to apply the same development and construction practices.

Concentric developed a preliminary estimate of the value of SWL&P's assets based on the reproduction cost methodology. The asset inventory was based on SWL&P's estimate of the cost of the assets as of end of year 2024. The RCN estimate was developed based on an estimate of the current inventory of assets. The current reproduction cost was estimated for these assets based on SWL&P's cost estimating team.

The analysis included the following water system asset categories:

Source of Supply Plant includes the facilities and infrastructure used to obtain raw water from natural sources such as wells, rivers, lakes, or reservoirs, including intake structures, well fields, and raw water conveyance dedicated to bringing water into the system.

Pumping Plant consists of stations, equipment, and related structures used to mechanically move water through the system at any stage, including raw water pumps, finished water pumps, and booster stations that provide pressure and flow.

Water Treatment Plant includes all facilities, equipment, and processes used to treat raw water to meet drinking water quality standards, such as filtration, disinfection, chemical feed systems, treatment buildings, and clearwells integral to treatment.

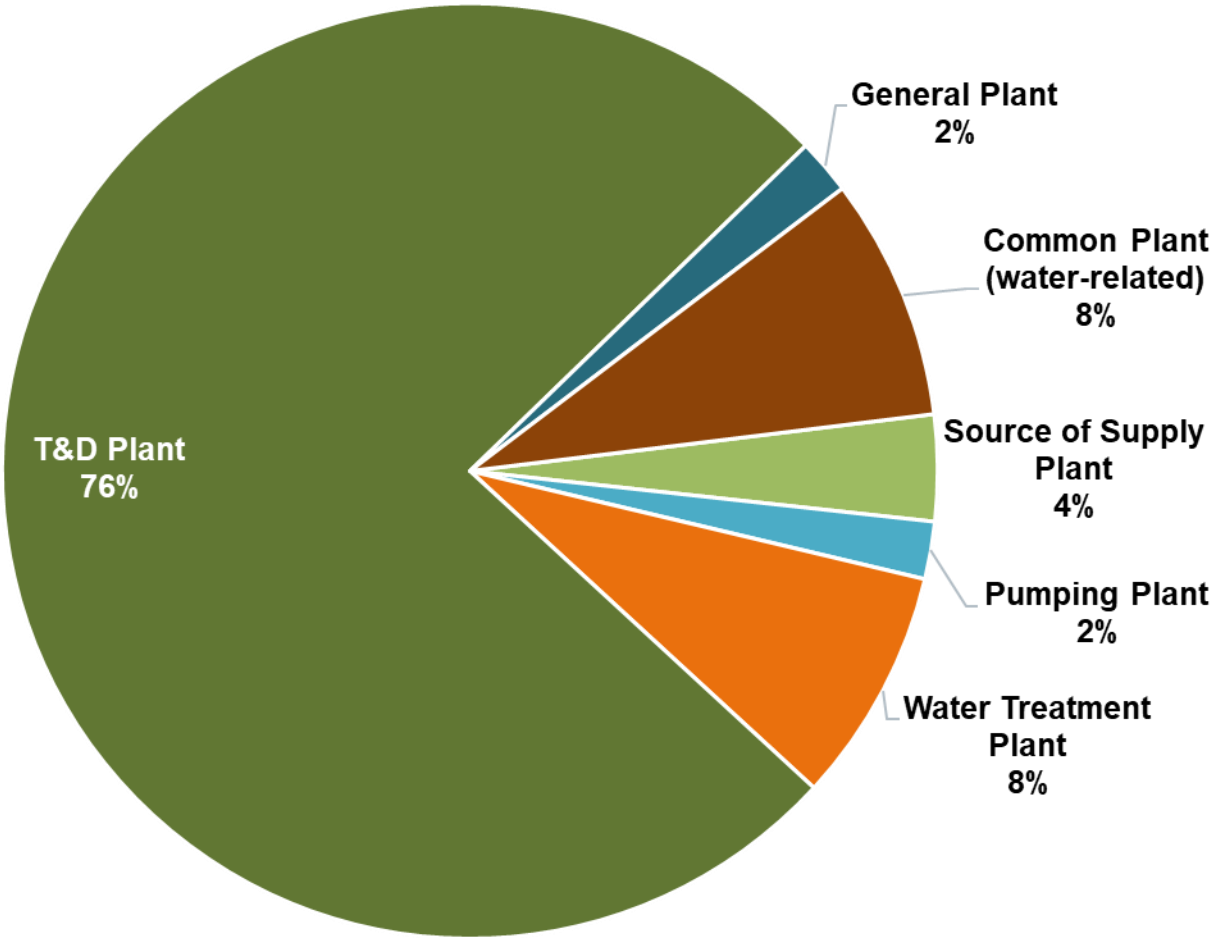
T&D Plant (Transmission and Distribution Plant) encompasses the infrastructure used to convey finished water from treatment or storage facilities to customers, including transmission mains, distribution mains, storage tanks, hydrants, valves, and service lines owned by the utility.

General Plant includes assets that support overall utility operations but are not directly tied to a specific water function, such as office buildings, vehicles, equipment, information technology systems, and maintenance facilities.

Common Plant (water-related) consists of facilities or equipment shared by multiple water utility functions and not assignable to a single plant category, such as shared SCADA systems, laboratories, infrastructure, or centralized maintenance and support facilities.

Figure III-3 below illustrates the distribution of assets based on the net book value as of end of year 2024.

Figure III-3: Share of Water Assets[5]



Concentric first identified the list of water assets to include in the valuation, such as miles of line, number of services, other facilities from SWL&P's records. Concentric then calculated modern construction costs using indices, such as the Handy Whitman Index, to develop the RCN value of the system assets as of end of year 2024. Concentric then applied depreciation rates to each asset using primarily SWL&P's depreciation study values, which assumes straight line depreciation.[6]

5 Based on end of year 2024 net book value.

6 Sources: Case No. UR-117, *Application of Superior Water, Light and Power Company for Authority to Adjust Retail Electric, Gas, and Water Rates. Final Decision on Reopening*, Appendices E-H. April 14, 2025. Company information.

The reproduction costs started with the original cost based on the installation year for each asset, then escalated the reproduction costs to 2030. This indicates a 2024 estimate of $93.8 million RCNLD, based on industry cost indices, or $139.3 million RCNLD estimate through end of year 2030, including capital investments into the system and depreciation between 2024 and 2030. The valuation reflects adjustments for physical deterioration, but not functional or economic obsolescence, as Concentric is not aware of any applicable functional or economic obsolescence.

Why is the Reproduction Cost New (RCN) value so high?

The RCN value does not factor in depreciation. This value reflects the original cost escalated to current dollars.

For example, a water service line was installed in 1919 for an original cost of $8,485. Installing that same line in 2024 would cost $608,787, based on Handy Whitman Index values.

Once depreciation is applied to estimate the RCNLD value, many of the assets installed in the early 1900s no longer have a net book value.

As a result, the water line installed in 1919 now has a net book value of $0, and an RCNLD value of $0, as well.

Figure III-4: Preliminary Estimate of Water System Asset Valuation[7]

Water System	$M
Original Cost (2024$M)	$74.6
NBV (2024$M)	$47.1
RCN (2024$M)	$843.0
RCNLD (2024$M)	$93.8
NBV (2030$M)[8]	$69.9
RCNLD (2030$M)	***$139.3***

[7] Values include construction work in progress (CWIP) and common plant applicable to water, and excludes land. RCN and RCNLD values exclude values with negative book cost values.

[8] Estimated 2030 NBV derived from SWLP forecast net utility plant. RCNLD 2030 estimated based on 2024 RCNLD/NBV of 1.99x for water.

2. Market Approach

The Market Approach estimate is based on assumptions that a market participant would use and is designed to estimate what a third-party buyer would pay for these assets in a competitive arms-length market solicitation. This approach applies multiple market-based sales comparison approaches to develop valuation multiples, which are then applied to (1) the earnings before interest, taxes, depreciation, and amortization (EBITDA) at the assumed transaction date and (2) existing rate base[9] plus investments made during the period prior to financial closing. The multiples are then applied to calculate the preliminary valuation, or enterprise value (EV).[10]

Concentric estimated the value of assets using the following methodology

$$Value\ of\ Assets = (EBITDA\ at\ Transaction\ Date) * Market\ Based\ EV / EBITDA\ Multiple$$

And:

$$Value\ of\ Assets = (Rate\ Base\ at\ Transaction\ Date) * Market\ Based\ EV / Rate\ Base\ Multiple$$

Applying market-based valuation multiples to an acquisition targets' financial metrics is a common methodology used by market participants and valuation experts to estimate the fair market value of a company's assets. Concentric has calculated valuation multiples applicable to the Company's assets by analyzing the current trading dynamics of comparable publicly-traded utilities, as well as institutional investors' valuations of regulated utility assets in recent water utility deals.

The multiple was developed based on two sources:

Method 1 (Trading Multiples): The median ratio of the total enterprise value to trailing twelve-month EBITDA of eight publicly traded U.S. water utilities, as defined by Value Line, averaged quarterly over the last ten years, yielding a ratio of **17.59x**;[11] and

Method 2 (Transaction Multiples): The median ratio of enterprise value implied by the purchase price to regulated rate base at time of acquisition of nine comparable deals for water utilities in the U.S. over the last ten years, yielding a ratio of **1.85x**. In addition, for the same set of transactions, an enterprise value to EBITDA multiple was calculated based on income statements at the time of acquisition, yielding a ratio of **22.35x**.

Figure III-5 depicts the trading multiple of 17.59x for eight publicly traded U.S. water utilities, illustrating that the enterprise value for the publicly traded water companies divided by EBITDA over the past ten years resulted in a median of 17.59x. This results in an estimated enterprise value for SWL&P's water assets of $166 million, based on the Company's end of year 2030 water EBITDA forecasts.

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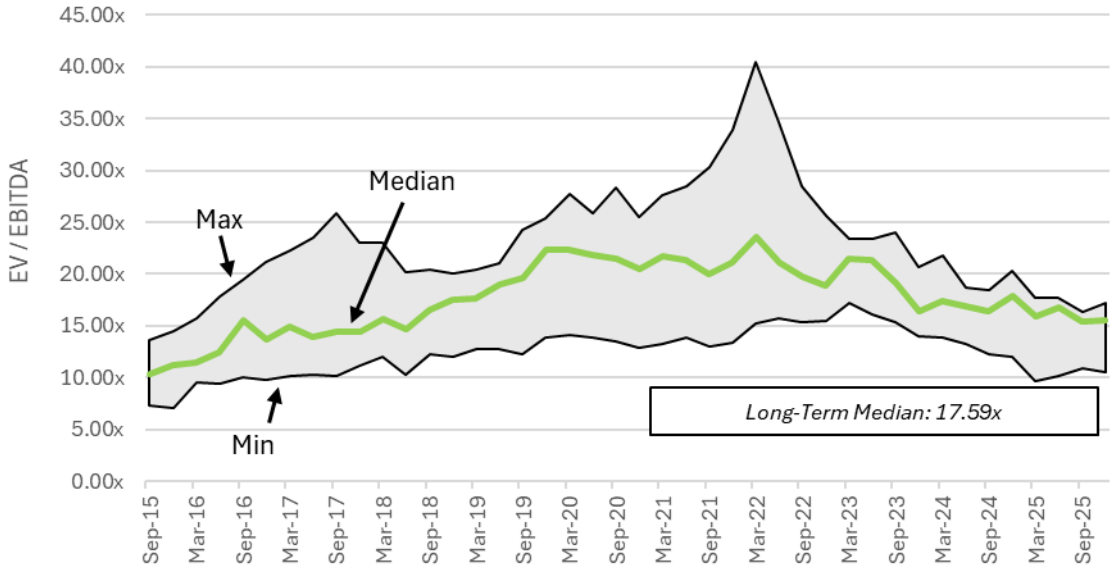
9 *Rate base* refers to the net asset value of property used by a public utility to provide service. Regulatory commissions determine the rate base on which the utility is authorized to earn a specified rate of return during a rate case, and is a key input to calculating the utility's revenue requirement. Rate base includes the physical assets (i.e., original cost less depreciation), as well as other regulatory adjustments, such as regulatory assets and accumulated deferred income taxes.

10 *Enterprise value* measures a company's total value and includes not only the market capitalization of a company's common stock but also short-term and long-term debt, as well as any cash or cash equivalents on the company's balance sheet.

11 Because trailing twelve-month rate base data were unavailable, the rate base multiple methodology was excluded from the trading multiples analysis.

Figure III-5: Water Asset Value (Trading Multiple): $166M[12]

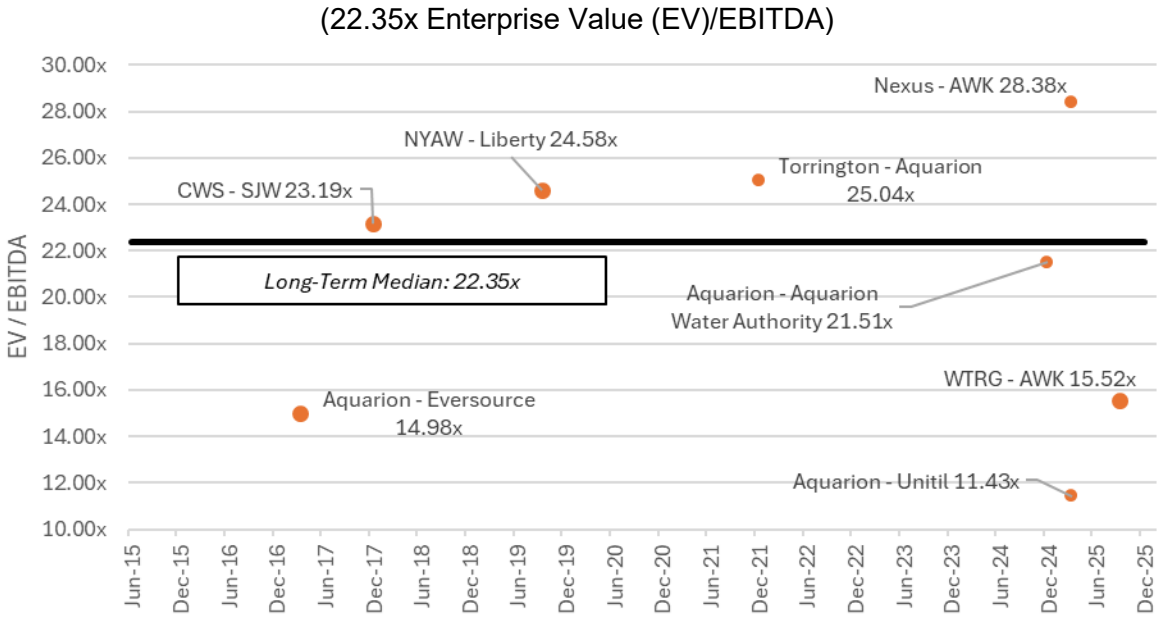
(17.59x Enterprise Value (EV)/EBITDA)



12 *Source: S&P Capital IQ Pro as of November 6, 2025.*

Figure III-6 shows the estimated enterprise value divided by EBITDA at the time of transaction for several relevant water transactions over the past ten years, deriving a multiple of 22.35x. This results in an estimated enterprise value for SWL&P's water assets of $211 million, based on the Company's end of year 2030 water EBITDA forecasts.

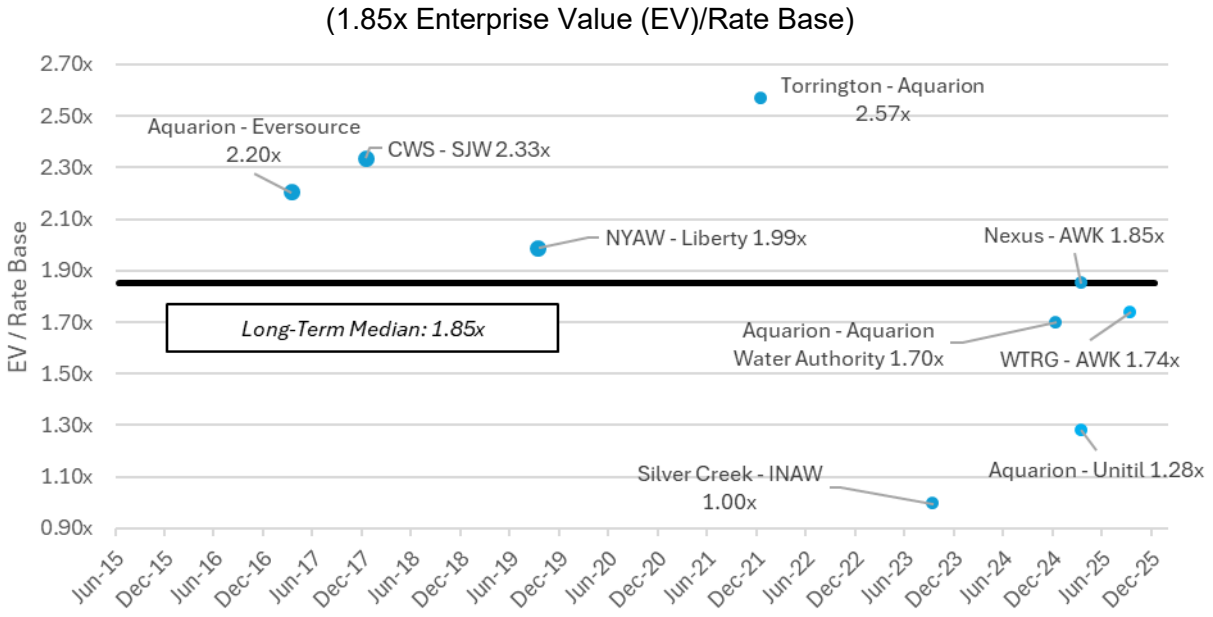
Figure III-6: Water Asset Value (Transaction Multiple): $211M[13]



[13] Source: S&P Capital IQ Pro as of November 6, 2025 and public research. Includes U.S. transactions over $25 million. EBITDA based on value at time of transaction. Included in this analysis are 2015-2025 acquisitions of regulated water utilities owned at the time by investor-owned utilities. EV / EBITDA = implied enterprise value divided by target EBITDA estimate at time of announcement. Certain transactions were excluded due to material differentiators. No EBITDA available for Silver Creek – Indiana American Water 2023 transaction.

Figure III-7 shows the estimated enterprise value divided by rate base at the time of transaction for several relevant water transactions over the past ten years, deriving a multiple of 1.85x. This results in an estimated enterprise value for SWL&P's water assets of $113 million, based on the Company's end of year 2030 water rate base forecasts.

Figure III-7: Water Asset Value (Transaction Multiple): $113M[14]



Using the Market Approach, Concentric estimates the asset valuation to be between approximately $113 and $211 million based on SWL&P's 2030 end-of-year rate base and EBITDA projections.

Figure III-8: Market Approach Water Asset Value Estimates

Market Approach	Implied SWL&P Water Asset Value *(end of 2030)*
Trading Multiple (17.59x EV/EBITDA)	$166M
Transaction Multiple (22.35x EV/EBITDA)	$211M
Transaction Multiple (1.85x EV/Rate Base)	$113M

[14] Source: S&P Capital IQ Pro as of November 6, 2025 and public research. Includes U.S. transactions over $25 million. Rate base represented regulated rate base at time of transaction. Included in this analysis are 2015-2025 acquisitions of regulated water utilities owned at the time by investor-owned utilities. EV / Rate Base = implied enterprise value divided by target rate base estimate at time of announcement. Certain transactions were excluded due to material differentiators.

3. Income Approach

A common Income Approach valuation technique is a discounted cash flow (DCF) analysis to determine a value for SWL&P's water system based on projecting the Company's future cash flows and discounting those cash flows back to a net present value (NPV). Concentric developed the DCF analysis by projecting SWL&P's cash flow over a fifty-year period and applying a terminal value at the end of that period. More specifically, this involved forecasting (1) the NPV of free cash flows for 2031-2080 and (2) the NPV of the terminal value in 2080 (i.e., the estimated total value of all cash flows occurring after the forecast period).

To project future cash flows, Concentric estimated future revenues, expenses, taxes, and cash flow items such as capital expenditures. A common approach to estimating the terminal value of a business as part of a DCF analysis valuation is to use a multiple of EBITDA. Concentric utilized the median EV/EBITDA multiples developed as part of the Market Approach valuation – specifically, the Trading Multiple and Transaction Multiple – to provide a valuation range for the DCF analysis.

Figure III-9: DCF Analysis Terminal Value Multiple

EV/EBITDA Multiple	Trading Multiple	Transaction Multiple
Range	10.3-23.6	11.4-28.4
Median	17.6	22.4
Mean	17.8	20.6

To discount the value of future dollars, Concentric used a discount rate based on the Company's current after-tax weighted average cost of capital (WACC) of 6.64%.[15] However, since an estimated value is needed in 2030 dollars, the DCF analysis results for a 2025 NPV of SWL&P's EV are escalated to 2030 dollars at the assumed general inflation rate used elsewhere in Concentric's modeling of 2.20%. The results of the DCF analysis valuation are provided below.

Figure III-10: DCF Analysis Valuation Results (2030$)

DCF Analysis Summary	Trading Multiple	Transaction Multiple
Terminal EV/EBITDA Multiple	17.6x	22.4x
Terminal Value – 2080 ($M)	$35.9	$45.6
Free Cash Flow – 2031-2080 ($M)	$88.4	$88.4
SWL&P Enterprise Value ($M)	**$124.4**	**$134.1**

[15] After-tax WACC assumptions: 33.82% long-term debt at 2.47% after-tax cost of debt (3.40% pre-tax), 11.07% short-term debt at 3.67% after-tax cost of debt (5.05% pre-tax), and 55.11% common equity at 9.80% cost of equity.

B. Separation Costs

Separation costs include separating the City purchase from SWL&P's existing system, including additional costs incurred by the City to duplicate assets that will remain with SWL&P. As mentioned earlier, the analysis made simplifying assumptions regarding boundaries, including the entire water system, rather than excluding those assets serving the Village of Superior from the analysis of acquisition costs. Should the City pursue a municipalization of only those assets within City boundary lines, the City could incur additional separation costs to sever the system along the City limits, which may increase final acquisition costs.

Separation costs calculated in this preliminary analysis include the costs of certain advanced metering infrastructure (AMI) assets currently shared with SWL&P's sister utility, Minnesota Power (note that actual meters are included above in the asset value itself), as well as other equipment and substation maintenance equipment. Specifically, separation costs estimated include:

AMI Radio Equipment: SWL&P has deployed an advanced metering infrastructure for its electric, gas, and water meters. SWL&P relies on its sister company, Minnesota Power, for the AMI radio infrastructure. If the City of Superior were to acquire SWL&P's water system, the City would need to acquire an AMI radio infrastructure, including approximately 3-6 pole-top radios, an FCC license for a new radio frequency, and develop engineering studies and acquire software for monitoring. Because of the integrated nature of SWL&P's electric, gas, and water meters, which the City would not have (*i.e.*, because it would be acquiring only water meters), the City would likely require a stronger radio network. A detailed scenario is not included in the analysis, as it may require detailed engineering analysis to assess the radio infrastructure needs.

Supervisory Control and Data Acquisition (SCADA) Equipment: The City must acquire a separate SCADA system to separate the water system from SWL&P's existing equipment that would remain with SWL&P. These costs may include installation of metering equipment and a SCADA system currently housed within transmission substations.

Water Leak Program and Equipment: Development of a water leak detection program and acquisition of water equipment for water meter test bench and other exercises.

Figure III-11 below indicates total separation costs of approximately $1.4 million as of end of year 2030.

Figure III-11: Preliminary Estimate of Separation Costs

Separation Cost	(2030$M)
Meter Radio Equipment	$1,111,000
SCADA Equipment	$199,400
Water Lean Program and Equipment	$122,100
Total Separation Costs	**$1,432,500**

C. Going Concern

Going Concern value can be considered in the determination of just compensation. This represents the incremental value attributable to the fact that the assets that are the subject of a proceeding are not just a collection of physical assets, but together comprise a business unit that is complete, functional, and can be run as a business unit on day one of the acquisition. This value is derived from all the elements that contribute to the complete operating business segment, including the establishment of a customer base, records, maps, and the time and cost of building the business.

The estimate of Going Concern value is typically based on an income capitalization methodology. Its simplest form, direct capitalization, assumes that there is some stabilized annual income that can be expected from the business over time. The expected annual income of the enterprise is divided by a discount rate to arrive at an estimate of the total value of the business. The Going Concern component is calculated as the value of the business less the value of the physical and tangible assets that are used to generate the income. However, this methodology can produce a Going Concern value of hundreds of millions of dollars. Rather than relying on an income capitalization methodology, Going Concern value in the municipalization context is often based on annual revenue from the Going Concern multiplied by a factor that ranges from 0.5 to 5 times the revenue of the business.

For the Base Case, Concentric applied the lower end of this range (0.5), estimating Going Concern, and arrived at a preliminary estimated Going Concern value of approximately $9.7 million. In the Low-Cost Case, Concentric relied on Going Concern costs that were estimated at 7.5% of the distribution system assets forecast as end of year 2030 Low-Cost Case ($9.5 million); the High-Cost Case calculates the Going Concern at 20% of the High-Cost Case asset value ($31.9 million). A full and thorough analysis of Going Concern damages could produce a significantly higher number.

D. Startup Costs

The City will also incur certain one-time startup costs that are necessary to operate the newly formed municipal water utility. First, the City will need to have access to capital to make the necessary replacements to the distribution system if ownership is assumed. For purposes of this analysis, the initial capital expenditure fund for the first four years is estimated based on SWL&P's capital expenditure forecasts for 2031-2034, for a total of $21.5 million. Second, the inventory cost assumes 3% of the estimated asset value discussed previously (*i.e.*, the $136.7 million Base Case), or $4.1 million at end of year 2030. Third, the operations startup costs (*e.g.,* fleet vehicles, facilities, staffing, information technology costs) are estimated at 3% of the estimated asset value discussed above, totaling $4.1 million in 2030. Fourth, the City would need to establish a debt service reserve fund roughly equivalent to one year of interest and principal associated with acquisition-related borrowings. The initial debt service reserve is estimated at $3.1 million, plus interest on the reserve fund totaling approximately $0.1 million. Lastly, cash working capital, representing 45 days of working capital to cover cash expenses related to costs such as water purchases and O&M expenses, is also reflected in the startup costs, or $0.9 million in 2030. Based on these estimates, the total startup costs are estimated to be approximately $33.9 million in 2030, as shown in Figure III-12 below.

Figure III-12: Preliminary Estimate of Startup Costs

Startup Costs	(2030$M)
Initial Capital Expenditure Cycle	$21.5
Inventory	$4.1
Operations Startup Costs	$4.1
Initial Debt Service Reserve	$3.1
Interest on Reserve Fund	$0.1
Working Capital	$0.9
Total	**$33.9**

E. Transaction Costs

The City will incur legal, consulting, and financing costs to pursue the municipalization process and close the transaction. The legal process for establishing the acquisition price of the system can be a lengthy process that involves several legal and regulatory authorities, particularly if the outcome is determined through a regulatory proceeding, rather than negotiation. As shown in Figure III-13, legal and consulting costs are estimated to be $2.0 million. However, considering the experiences of other municipalization efforts, this estimate is likely to be conservative. Concentric estimated that financing or underwriting fees (known as flotation costs) would be approximately 1.5% of the borrowed amount, or $2.7 million. These fees are associated with the taxable debt to fund the acquisition of the assets and the tax-exempt debt used to fund transaction fees, startup costs, acquisition costs, working capital, and an initial debt issuance to fund the first few years of capital expenditures.

Figure III-13: Preliminary Estimate of Transaction Costs

Transaction Costs	(2030$M)
Legal/Consulting Costs	$2.0
Flotation Costs	$2.7
Total	**$4.7**

IV. Superior Projected Costs to Operate a Water Utility

The going forward costs of operating the utility is referred to as the "cost of service" or "revenue requirement," including debt service, and stipulates that revenues must be sufficient for the City to maintain an investment grade credit rating related to its utility debt. This analysis assumes that the City will generally replicate the services currently provided by SWL&P. Financial feasibility in this context implies that the City will be able to raise the capital necessary to acquire SWL&P's assets and fund the startup operations and, once operational, generate sufficient revenue to maintain investment grade credit ratings from water rates that Superior customers are willing to pay. The Base Case analysis is performed over the 20-year period of 2031–2050, assuming a January 1, 2031 acquisition date. This section presents Concentric's assumptions used to perform the financial feasibility analysis, including operating costs of the water distribution system as a newly formed municipal water utility.

Concentric's Base Case reflects the expected operation of the existing water system, assuming baseline forecasts of customer growth, operations and maintenance costs, and capital replacement. Additional cost scenarios are also presented in Section VI.

The typical annual operating expenses for a water utility included in the revenue requirement are:

Debt Service: principal and interest payments on the debt incurred to fund the acquisition costs, as well as investments required to replace assets that have failed and assets that are beyond their economic and functional life and capital investment to fund system expansion and upgrades.

O&M Expenses: cost to operate and maintain the system, including costs for supply source, pumping expense, water treatment expense, transmission and distribution expenses, customer accounts expenses, sales expenses, and administrative and general expenses.

Meter Reading Expenses: SWL&P utilizes AMI, not typically a common feature for municipal water utilities. The municipalization would include acquisition of SWL&P's advanced water meters. Thus, this category captures the incremental meter reading expenses associated with the AMI water meters.

Taxes and Fees: local and state taxes paid by the MWU, including "payment in lieu of taxes" fees.

In addition, there will likely be **"Other Revenues"**, which are primarily non-metered sales to fire protection services that will offset the utility's total revenue requirement. The resulting "net revenue requirement" is then applied to metered water customers.

Figure IV-1 below shows the major ongoing costs to run the MWU, offset by Other Revenues.

Figure IV-1: Preliminary Estimate of Ongoing Municipalization Costs by Category

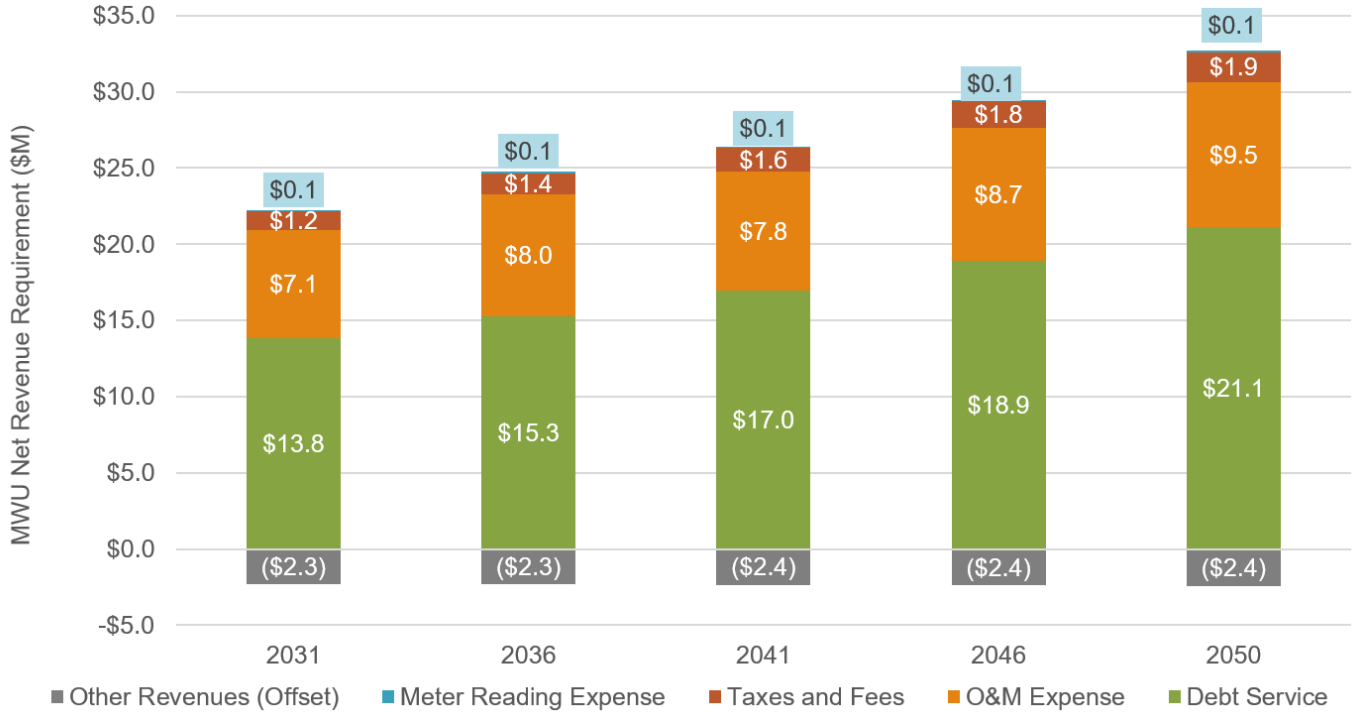
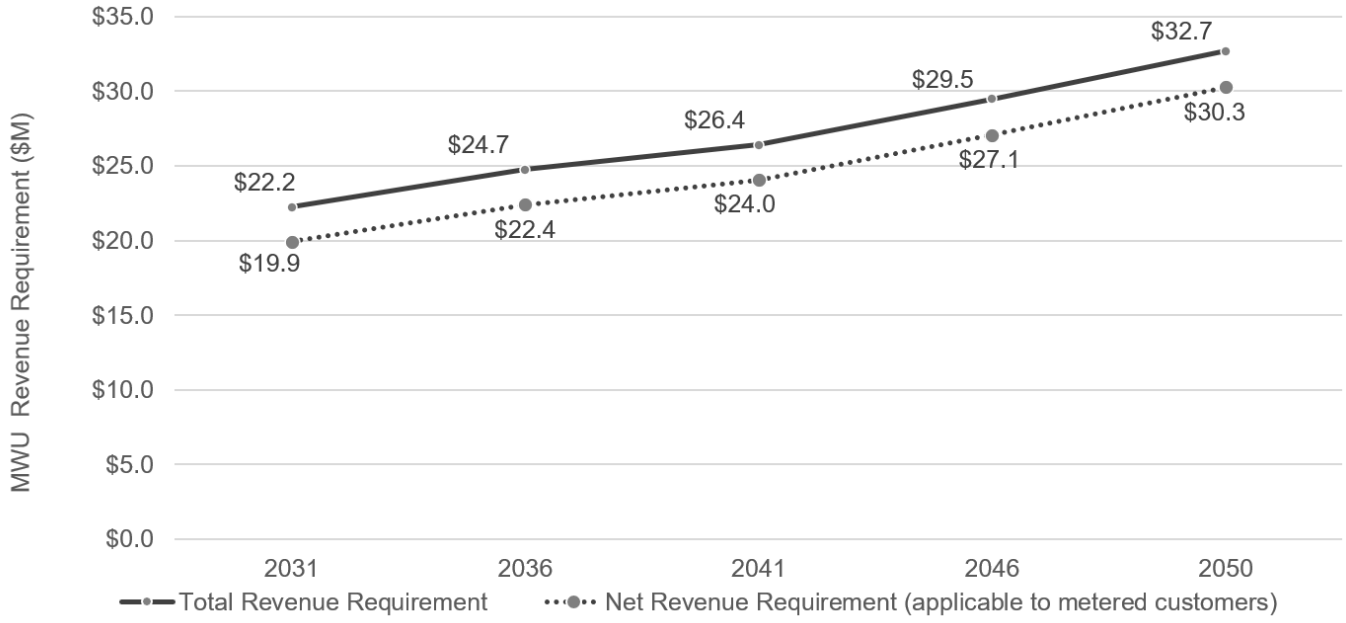


Figure IV-2 illustrates that after accounting for the Other Revenues offsets, the net ongoing municipalization costs applicable to metered customers is expected to total $19.9 million, assuming a 2031 start date. These costs are estimated to escalate to $30.3 million by 2050.

Figure IV-2: Preliminary Estimate of Ongoing Municipalization Costs



A. Debt Service

This schedule reflects less than five years for the completion of the process and the transition to City operation and is considered fairly aggressive, given the likelihood that a proceeding will be required to establish the level of just compensation. As presented in Section III, the City will need to raise capital sufficient to fund acquisition costs ($186.4 million in estimated initial municipalization costs in the Base Case), as well as ongoing funding for capital expenditures.

Federal law restricts the use of tax-exempt debt to finance the acquisition of utility property, including pre-municipalization capital investments (i.e., $136.7 million of the acquisition costs) from an investor-owned utility under the Internal Revenue Code § 142(a)(4). Given that it is uncertain whether the City's MWU would be eligible for tax-exempt debt to finance the entire acquisition, this Study assumes in the Base Case that the City will be required to finance the acquisition with taxable revenue bonds. Other costs, including the remainder of the acquisition costs, startup, inventory, working capital, and legal and consulting fees, as well as ongoing capital investments, can be financed with tax-exempt debt. Concentric assumes that revenue bonds would be issued for a term of 30 years.[16] [17]

Annual debt service costs will be determined by the amount to be financed and the relevant interest rate. This analysis evaluated long-term financing assumptions for the City of Superior, Wisconsin's potential acquisition of SWL&P's water utility assets, assuming the City maintains an AA credit rating from S&P Global and begins municipal water utility operations in 2031.[18]

Taxable municipal bonds trade at roughly 100 basis points higher than tax-exempt municipal bonds.[19] Applying this discount for tax-exempt municipal bonds gives a range of 5.30%-5.80%, with a midpoint of 5.55%. Thus, for the purposes of the analysis, Concentric assumed 5.55% for tax-exempt debt and 6.55% for taxable debt. However, actual rates could be higher, as the City would be required to use revenue bond financing, rather than General Obligation bonds, for a least a portion of its acquisition.[20] This could have a significant impact on the City's ability to maintain its AA rating, as a key rate driver is the entity's financial profile, including metrics "used to evaluate the utility's leverage and liquidity profiles in the context of its

16 Shorter financing terms could be achieved and may provide for lower borrowing costs; however, the annual debt service would be higher to reflect the prepayment of principal over fewer years.

17 Concentric assumed SWL&P's capital expenditure forecast for the MWU so as not to create a degradation of service for customers. Annual capital expenditures average $6.3 million annually through the forecast period, or an average capital replacement rate of 3.75 percent through the forecast period.

18 S&P Global. "Superior, WI Series 2026A GO Promissory Notes Assigned 'AA' Rating; Other GO Debt Affirmed; Outlook Stable." February 10, 2026. Available at: https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3515291

19 Long-term average spread since 2010 has been 1.00% per Charles Schwab report in February 2025. Source: Charles Schwab. "5 Things to Consider About Taxable Municipal Bonds." February 20, 2025. Available at: https://www.schwab.com/learn/story/5-things-to-consider-about-taxable-municipal-bonds

20 The City of Superior's General Obligation Bond limit is $117M, with $31M in debt outstanding, leaving $86M available for GO bonds. The remainder of the total $186M in estimated initial acquisition costs would have to come from revenue bonds. Source: City of Superior. "2025 Adopted Budget," at 5. Available at: https://www.superiorwi.gov/DocumentCenter/View/15628/Adopted-Budget-Book-2025--

overall risk profile."[21] Further, the small and stand-alone nature of the water utility, as well as transaction-specific risks associated with the acquisition of an investor-owned utility, including transition, integration, and potential litigation risk related to just compensation must be considered. Collectively, these factors could support additional incremental yield spreads.

Overall, the assumed interest rates of 5.55% (tax exempt) and 6.55% (taxable) reflect long-run normalized market conditions, and an assumed AA credit profile. These assumptions are conservative and appropriate for evaluating the long-term financial feasibility of the proposed municipalization, and do not include additional structural and transaction-specific risks inherent in such an acquisition.

Figure IV-3: Tax Exempt and Taxable Municipal Bond Yields

	Rate
Interest Rate on Tax-Exempt Bonds Issued by Utilities (Prior 12 Months)	5.00-5.50%
+ Adjustment for Current/Projected Interest Rates	~30 bps
Assumed Tax-Exempt 30-Year AA-rated Muni Bond (2030)	**5.55%** (5.30%-5.80%)
- Average Spread Taxable/Tax-Exempt[22]	~100 bps
Assumed Taxable 30-Year AA-rated Muni Bond (2030)	**6.55%** (6.30%-6.80%

B. O&M Costs

To estimate O&M costs for a municipal water utility in Superior, Concentric reviewed annual reports filed with the PSCW from a proxy group of 29 municipal water utilities. The initial proxy group of 29 municipal water utilities was selected based on size, as determined by the total number of meters served. The table below lists the full set of municipal water utilities that were reviewed and provides each utility's total number of meters in 2024, which is the most recent reporting period. The proxy group range includes utilities with more than 7,000 meters and less than 19,000 meters, which compares to SWL&P's 10,974 meters at year-end 2024. Because there are more utilities on the smaller side (i.e., between 7,000 and 11,000 meters), the range on the larger side (i.e., between 11,000 and 19,000 meters) is greater to include a reasonable number of utilities that are both smaller and larger than SWL&P.

Figure IV-4: Wisconsin Municipal Water Utilities Assessed for O&M Benchmarking

Utility ID	Municipal Water Utility	Total Meters in 2024
455	Beloit Water Utility	18,181
2920	La Crosse Water Utility	17,942
2010	Fond Du Lac Water Utility	17,347

[21] FitchRatings. "U.S. Water and Sewer Rating Criteria – Effective from February 24, 2025 to February 17, 2026," at 1. February 24, 2025. Available at: https://www.fitchratings.com/research/us-public-finance/us-water-sewer-rating-criteria-24-02-2025

[22] Long-term average spread since 2010 has been 1.00% per Charles Schwab report in February 2025. Source: Charles Schwab. "5 Things to Consider About Taxable Municipal Bonds." February 20, 2025. Available at: https://www.schwab.com/learn/story/5-things-to-consider-about-taxable-municipal-bonds

Utility ID	Municipal Water Utility	Total Meters in 2024
3320	Manitowoc Public Utilities	15,887
6320	Wauwatosa Water Utility	15,755
5810	Sun Prairie Utilities	15,450
760	Brookfield Municipal Water Utility	13,577
6380	City of West Bend Water Utility	12,583
4030	City of Neenah Water Utility	11,555
4090	New Berlin Water Utility	11,048
1610	De Pere Water Department	10,978
5820	Superior Water Light and Power Company	10,974
3550	Fox Crossing Utilities	10,185
4310	Oak Creek Water and Sewer Utility	9,977
2630	Hudson Public Utilities	9,773
5690	Stevens Point Municipal Water Utility	9,642
2105	Franklin Municipal Water Utility	9,616
6230	Watertown Water Department	9,507
6700	Wisconsin Rapids Water Works and Lighting Comm.	8,868
3420	Marshfield Utilities	8,843
1990	Fitchburg Water Utility	7,999
255	Ashwaubenon Water and Sewer Utility	7,804
2470	City of Hartford Utilities	7,496
4340	City of Oconomowoc Utilities	7,464
3640	Middleton Municipal Water Utility	7,446
4410	Onalaska Municipal Water Utility	7,379
2800	Kaukauna Utilities	7,303
1120	Chippewa Falls Department of Public Utilities	7,262
2620	Village of Howard Water and Sewer Department	7,202
400	Beaver Dam Water Utility	7,021

A subset of the 29 municipal water utilities assessed were used to create a benchmark group to estimate the expected O&M expenses for a municipal water utility in Superior. From the municipal water utilities reviewed, the benchmark group of utilities was selected to include only utilities with a primary water source of surface water to be comparable with the operations of SWL&P. The resulting benchmark group includes the nine municipal water utilities as shown in the figure below.

Figure IV-5: Wisconsin Municipal Water Utility O&M Benchmark Group

Utility ID	Municipal Water Utility	Total Meters in 2024
3320	Manitowoc Public Utilities	15,887
6320	Wauwatosa Water Utility	15,755
4030	City of Neenah Water Utility	11,555
4090	New Berlin Water Utility	11,048
1610	De Pere Water Department	10,978
5820	Superior Water Light and Power Company	10,974
4310	Oak Creek Water and Sewer Utility	9,977
2105	Franklin Municipal Water Utility	9,616
255	Ashwaubenon Water and Sewer Utility	7,804
2620	Village of Howard Water and Sewer Department	7,202

Using this PSCW annual report data, Concentric compiled five years of historical annual water O&M expenses (i.e., 2020-2024), which include the following expense categories:

- Source of Supply Expenses
- Pumping Expenses
- Water Treatment Expenses
- Transmission and Distribution Expenses
- Customer Accounts Expenses
- Sales Expenses
- Administrative and General Expenses

The Base Case uses the third quartile values escalated at inflation from the nine municipalities included in the benchmark for the first ten years of MWU service (2031-2040), and the median values escalated by inflation thereafter (2041+). This approach reflects the expectation that a newly established MWU will initially incur higher O&M costs, but will achieve greater operational efficiencies over time. The Lower Bound scenario reflects escalated O&M for SWL&P, which assumes the new MWU can achieve similar efficiencies and economies of scale as a multi-utility operator. The Upper Bound scenario is based on the third quartile of the municipal water utility benchmarking data shown in the figure below.

Figure IV-6: Surface Water Municipal Utility Annual O&M Expenses (2025$)

Water O&M Expenses	First Quartile	Median	Average	Third Quartile
Source of Supply	$62,730	$3,294,776	$2,231,555	$3,644,129
Pumping	$111,467	$297,681	$389,065	$478,916
Treatment	$9,217	$56,141	$444,028	$1,136,522
Transmission and Distribution	$592,113	$701,404	$932,715	$1,202,071
Customer Accounts	$75,935	$99,491	$163,076	$164,622
Administrative and General	$564,396	$699,635	$863,496	$1,208,635
Total Water O&M Expenses	**$4,347,117**	**$5,005,942**	**$5,023,934**	**$5,614,124**

All data included in the PSCW annual reports is provided in nominal dollars. Concentric converted the nominal dollar amounts to 2025 dollars to provide data on a comparable basis. As a point reference, the total annual water O&M expenses shown in the figure above compares to SWL&P's total five-year average annual water O&M expenses from 2020-2024 of $5,250,965 in 2025 dollars. To use this data as an input in Concentric's feasibility study, total water O&M expenses are converted to metrics in terms of annual O&M dollars per customer, which can be applied to SWL&P's total number of customers. For reference, the O&M metrics provided below compare to SWL&P's total five-year average annual water O&M expenses of $508/customer in 2025 dollars.

Total Annual Water O&M Expense per Customer (2025$)

- First Quartile: $464/customer
- Median: $521/customer
- Average: $483/customer
- Third Quartile: $600/customer

C. Meter Reading Expenses

SWL&P utilizes AMI, not typically a common feature for municipal water utilities. The municipalization would include acquisition of SWL&P's advanced water meters. Thus, this category captures the incremental meter reading expenses associated with the AMI water meters. In addition to the initial AMI costs, as well as upfront infrastructure, such as radio towers, the MWU would incur additional ongoing meter system costs to ensure real-time meter monitoring, estimated at between $50,000-$75,000 in 2024, or escalated to an average of $72,780 in 2031 at 2.2% inflation.

D. Taxes and Fees

To assess the taxes that the MWU would expect to pay, Concentric compiled annual tax expense data for the benchmarking group over the same period as a proxy for estimated taxes for a municipal water utility. If the City of Superior were to own and operate a water utility, in order to continue to fund the City operations at the existing levels, it is necessary to assume that the municipal water utility would provide a "payment in lieu of taxes" to the City's general fund to replace revenue sources from SWL&P that are currently supplied through SWL&P's rates.

Total Annual Tax Expense per Customer (2025$)

- First Quartile: $61/customer
- Median: $105/customer
- Average: $98/customer
- Third Quartile: $135/customer

As previously indicated, the initial proxy group was selected based on the number of water meters served. To confirm the final benchmark group of nine municipal water utilities can reasonably approximate expected water O&M costs and taxes for a municipal water utility in Superior, Concentric also reviewed several other size benchmarks, as shown in the table below.

Figure IV-7: Surface Water Municipal Utility Size Benchmarks

	Utility Benchmark Group		SWL&P
	Median	*Average*	
Metered Water Customer Served	9,606	10,399	10,327
Water Meters	10,783	10,949	10,974
Water Mains (feet)	923,535	861,739	811,791

E. Other Revenues (Offset)

Other Revenues refers to income not directly derived from volumetric retail rates, primarily fire protection services, and is treated as ancillary revenues streams that "offset" the utility's total revenue requirement. For the purpose of the analysis, Concentric developed metered rate comparisons between the MWU and SWL&P by removing the Other Revenues category from both the MWU's and SWL&P's total revenue requirement, or the net revenue requirement (i.e., projected cost to operate a water utility) for metered customers. The assumptions regarding the historical Other Revenues and projections through the 20-year forecast period are included in Section V below.

V. Forecast of SWL&P's Revenue Requirement and Rates

To develop a comparison to the potential rates that customers would pay under the MWU, Concentric developed a forecast of SWL&P's average rates based on historical cost trends for the Company. Concentric relied largely on SWL&P's forecasts through 2035 and developed a forecast based on historical trends thereafter, as well as using historical trend patterns for selected categories (e.g., proportion of Other Revenue to total revenue requirement forecast).

Concentric assumes the same volume and customer growth assumptions between the SWL&P and MWU rate assumptions. SWL&P's revenue requirement includes the following categories:

Depreciation and Debt and Equity Returns: this includes annual depreciation expense on SWL&P's capital investments, the principal and interest payments on SWL&P's debt, and return on equity.[23]

O&M Expenses: cost to operate and maintain SWL&P's water system, including costs for supply source, pumping expense, water treatment expense, transmission and distribution expenses, customer accounts expenses, sales expenses, and administrative and general expenses. Embedded in these costs are the AMI meter reading expense.

Taxes and Fees: local and state taxes paid.

In addition, there will likely be Other Revenues, which are primarily non-metered sales to fire protection services, which will offset the utility's total revenue requirement. The resulting "net revenue requirement" is then applied to metered water customers.

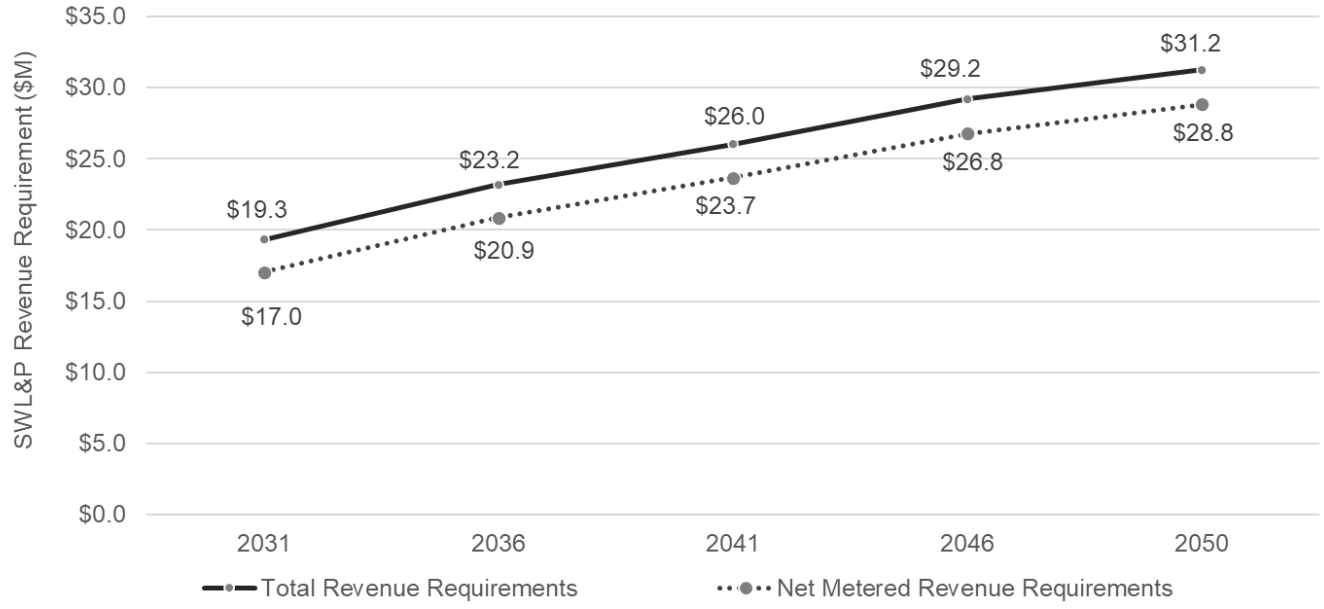
Figure IV-1 below shows the major ongoing costs to run SWL&P's water system, offset by Other revenues.

[23] Concentric assumed utility common equity share of total capital at 55.11% at a return of 9.80%, long-term debt share of 33.82% share at 3.40%, and short-term debt share of total capital of 11.07%, at a cost of 5.05% based on SWL&P's current projections.

Figure V-1: Forecast of SWL&P's Net Revenue Requirement by Major Category

Figure IV-2 illustrates that after accounting for the Other revenues offsets, SWL&P's net revenue requirement applicable to metered customers is expected to total $17.0 million in 2031, up to $28.8 million by 2050.

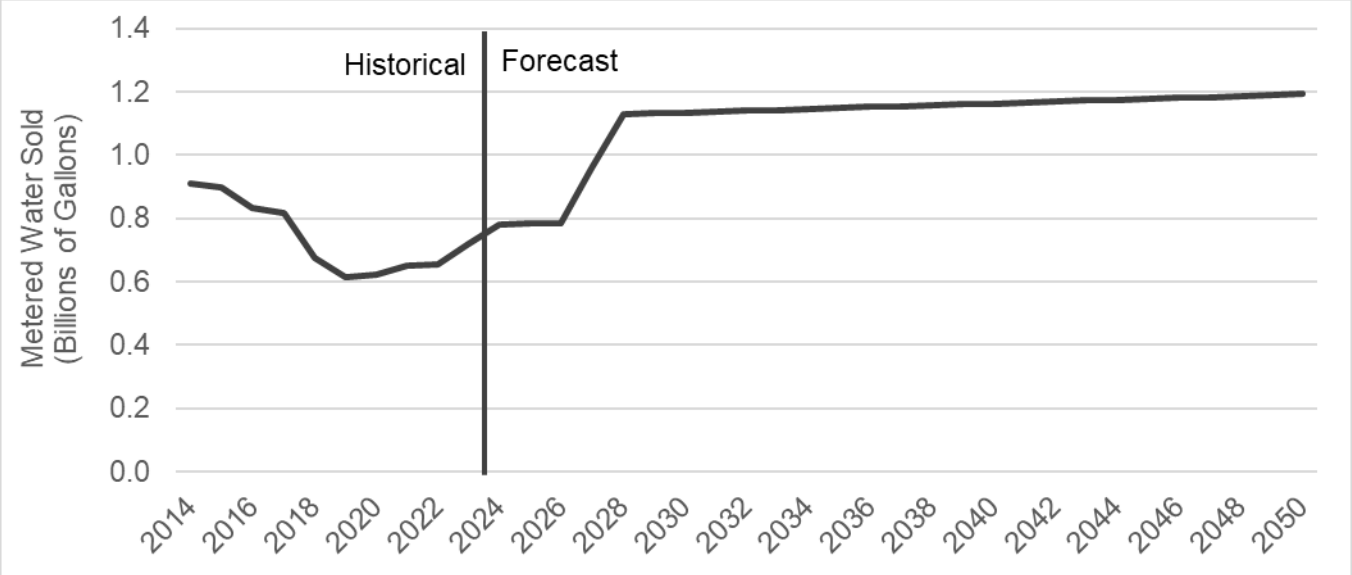
Figure V-2: Forecast of SWL&P's Total and Net Revenue Requirements



Concentric assumes a usage forecast growth rate of 0.25% annual compounded annual growth. Note that in 2018, SWL&P's usage rates fell dramatically due to a large refinery fire that took the system offline for several years. The forecast also incorporates expected usage growth from an industrial customer expected to come online in 2027.

As mentioned earlier, Concentric assumes the same water usage assumptions between SWL&P and the MWU for the purposes of developing a metered rate comparison. The metered water sales are expected to be 1.15 billion in 2031, as shown in Figure V-3 below.

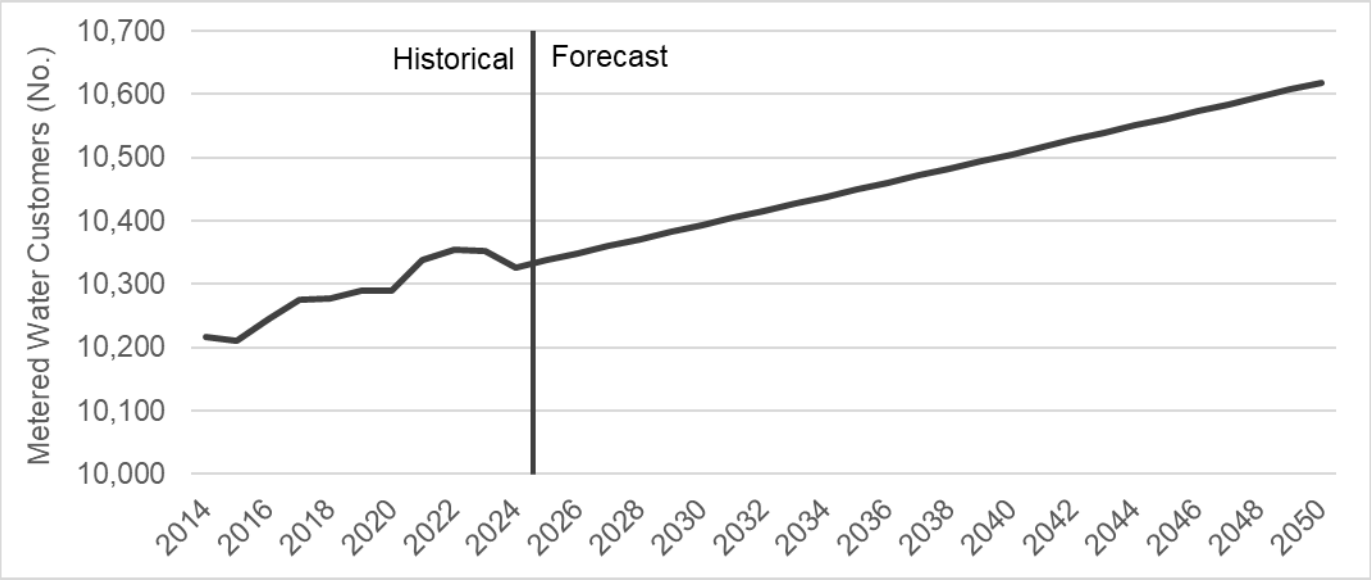
Figure V-3: SWL&P Metered Water Sold[24]



Concentric assumes a metered customer forecast growth rate of 0.11% annual 10-year historical compounded annual growth. As mentioned earlier, Concentric assumes the same water customer count assumptions between SWL&P and the MWU for the purposes of developing a metered rate comparison. The metered water customer counts are expected to be 10,405 in 2031.

[24] The analysis excludes "other" water sold, which averaged approximately 16.4 million gallons annually between 2014 and 2024.

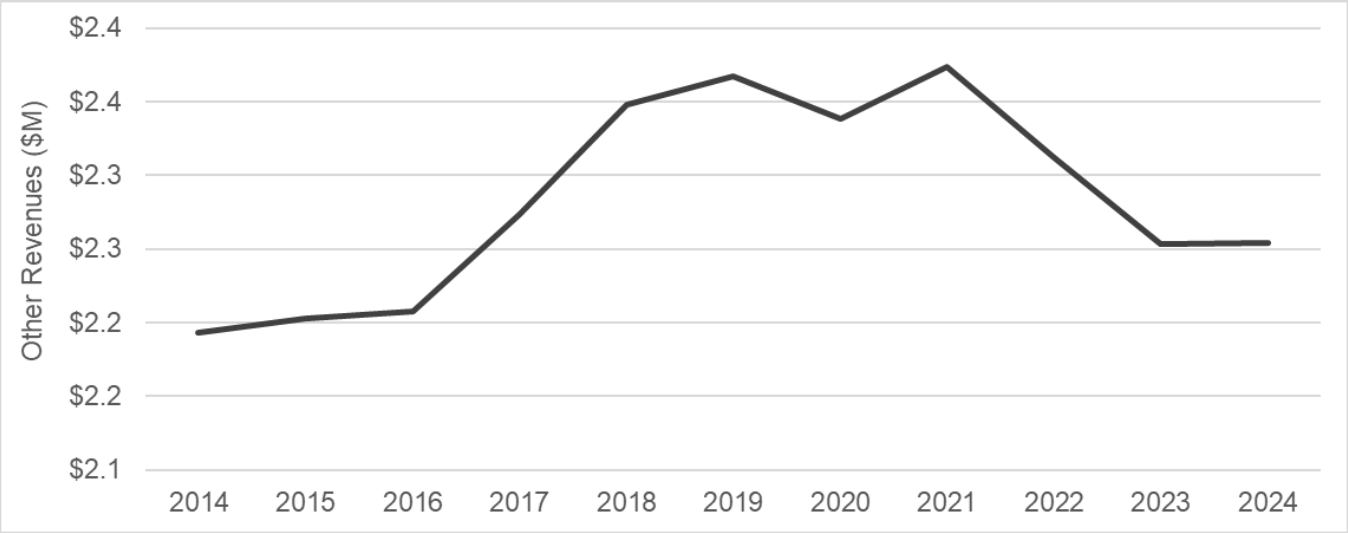
Figure V-4: SWL&P Metered Water Customers[25]



As mentioned, in addition to SWL&P's metered revenues derived from its metered customers' water use, the Company has Other Revenues that are excluded from the operating revenues for the purpose of developing a metered rate comparison between SWL&P and an MWU. The main driver of SWL&P's Other Revenues include fire protection service, sales to public authorities, and interdepartmental sales. Concentric assumed a 0.27% annual growth rate, based on the historical compounded annual growth between 2014 and 2024.

[25] The analysis excludes "other" water customers, which totaled 141 customers in 2024, or 1.3% of total customers.

Figure V-5: 2014-2024 SWL&P Other Revenue[26]



[26] Source: PSCW annual report data, Sheet W-02.

VI. Preliminary Feasibility Study Results

A. Base Case

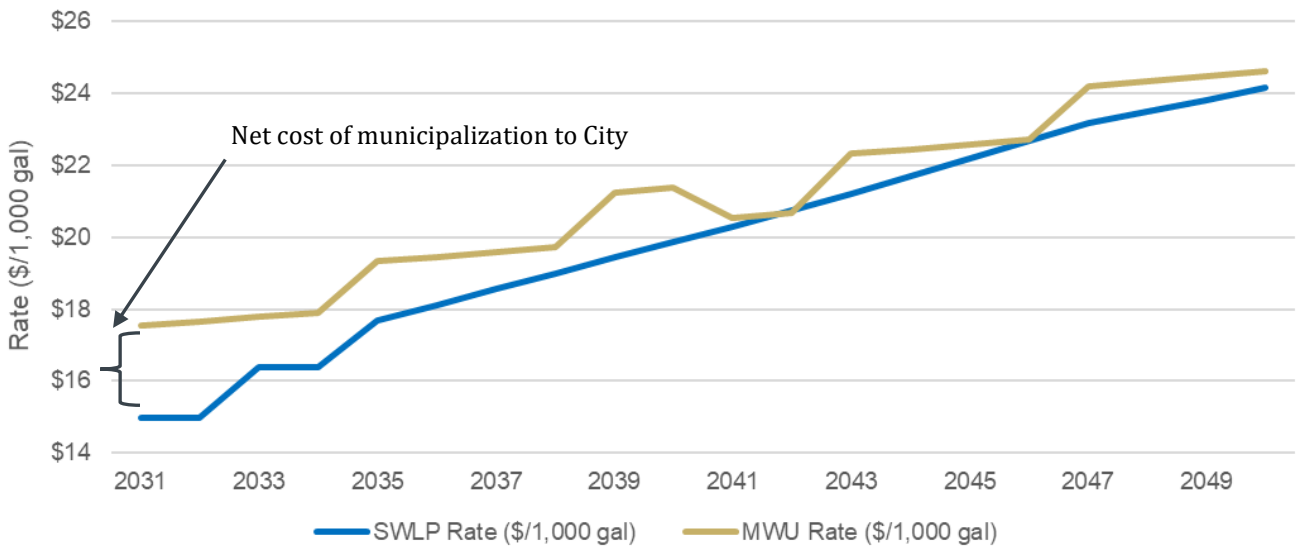
With the projected rates for both the City and SWL&P options developed, those rates are then compared to determine whether the City would be expected to benefit or incur costs over the forecast period associated with forming a municipal utility. As shown in Figure VI-1 below, the MWU rates are expected to exceed those of SWL&P by approximately $2.55 per 1,000 gallons of water usage in 2031, and the rates under the City are projected to continue to be higher than the SWL&P rates throughout the 20 years of the forecast period.

$15 Million
10-year net present value ***cost*** to the City of switching to municipal ownership

$19 Million
20-year net present value ***cost*** to City of switching to municipal ownership

On a net present value (NPV) basis, the MWU is projected to result in an incremental cost to Superior customers of approximately $15 million over the initial 10 years of municipal utility operation, and approximately $19 million over the initial 20 years of operation. This indicates that municipalization would result in a substantial *net economic detriment* to the water customers in Superior over the long term, relative to continuing to take service under SWL&P. Of note, over a 20-year period, the MWU rates are expected to remain above those of SWL&P nearly every year. Note that the MWU rate is stepped based on the assumption that the MWU acquires capital for the following four-year period.

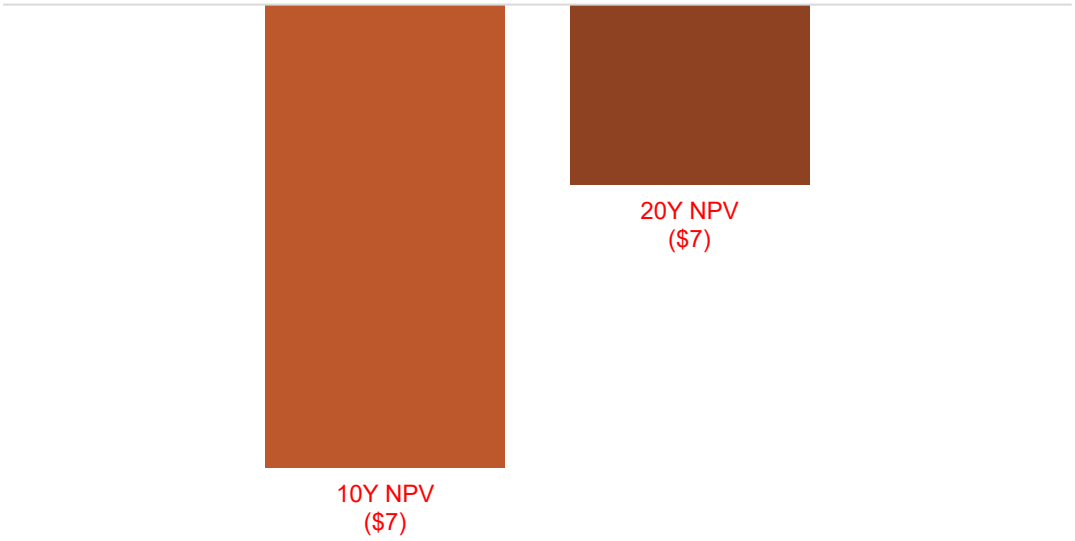
Figure VI-1: Preliminary Comparison of MWU vs SWL&P "All-In" Metered Rates



B. Tax-Exempt Funding Case

Given the uncertainty regarding the City's ability to use tax-exempt funding for acquisition costs associated with the water system under the Internal Revenue Code § 142(a)(4), Concentric developed an alternative scenario. The alternative scenario assumes that the City is able to rely on tax-exempt funding for all costs associated with the transaction, including acquisition costs. This scenario assumes the same tax-exempt rate discussed in Section IV.A. Specifically, Concentric assumed a tax-exempt interest rate of 5.55 percent in this scenario. This alternative case indicates that despite the ability to fund the entire transaction with tax-exempt debt, the transaction remains a ***net cost*** to the City, relative to remaining on SWL&P's service. The figure below discounts the net costs to the City over the 10- and 20-year period to today's value. This scenario finds a net cost of municipalization to the City totaling $6.8 million over 10 years, or $6.7 million over 20 years.

Figure VI-2: MWU vs SWL&P Cost of Service Scenario Results



C. Sensitivity Cases

There are inherent uncertainties associated with projecting costs and rates over such an extended period. In order to recognize the risks of relying on long-term forecasts, two alternative scenarios were also conducted to reflect the potential for variation in certain key assumptions.

The first alternative scenario assumes that costs for municipal acquisition and ownership would be *higher* than estimated in the Base Case (i.e., the "High-Cost Case"), and the second alternative scenario assumes that those costs would be *lower* than estimated in the Base Case (i.e., the "Low-Cost Case"). These two alternative scenarios reflect changes in acquisition costs, annual ongoing costs, and cost of debt. Each alternative scenario reflects changes to all of the key assumptions (i.e., in the High-Cost Case, all changes to these assumptions *increase* the costs of municipal acquisition and ownership under MWU ownership, and likewise *decrease* those costs in the Low-Cost Case, relative to the Base Case). Figure VI-3 shows the key assumption changes by case.

Figure VI-3: Key Scenario Assumptions

Assumption	Base Case	High-Cost Case	Low-Cost Case
Asset Value (2030$)	$136.7M (median)	$159.4M (third quartile)	$126.8M (first quartile)
Separation Costs (2030$)	$1.4M	$1.6M (+10% Base Case)	$1.3 (-10% Base Case)
Going Concern (2030$)	$9.7M (0.5x 2031 Revenues)	$31.9M (20% of High Case Assets)	$9.5M (7.5% of Low Case Assets)
Initial Capex - 4 years (2030$)	$21.5M (4 years of capex)	$21.5M (4 years of capex)	$21.5M (4 years of capex)
Inventory (2030$)	$4.1M (3% of Assets)	$4.8M (3% of Assets)	$3.8M (3% of Assets)
Operations Startup Costs (2030$)	$4.1M (3% of Assets)	$4.8M (3% of Assets)	$3.8M (3% of Assets)
Legal, Consulting, Engineering Costs (2030$)	$2.0M	$5.0M	$1.0M
Debt Issuance Costs (2030$)	$2.7M (1.5% of Borrowing)	$3.4M (1.5% of Borrowing)	$2.5M (1.5% of Borrowing)
O&M (Ongoing)	2031-2040: Proxy Group Third Quartile 2041+: Proxy Group Median	Proxy Group Third Quartile	SWL&P Average (SWL&P as an integrated utility benefits from synergies from 3 utilities)
Annual Meter Costs	$72,800 (2031$) (2.2% annual inflation)	$80,100 (2031$) (2.2% annual inflation) (+10% Base Case)	$65,500 (2031$) (2.2% annual inflation) (-10% Base Case)
Taxable Debt Costs	6.55%	7.05%	6.05%
Tax-Exempt Debt Costs	5.55%	6.05%	5.05%

Figure VI-4 compares the assumptions utilized in the Base Case relative to the High-Cost and Low-Cost cases. The figure below discounts the net costs to the City over the 20-year period to today's value. The figure below shows the present value of costs or savings to the City from municipalization under the three cases. In both the Base Case and High-Cost Case, municipalization to the City is a net cost. Only in the Low-Cost Case, with the assumptions tending lower than the Base Case expectations, is municipalization lower cost than remaining on SWL&P's service. The Base Case assumes a net cost of municipalization to the City totaling $15 million over 10 years, or $19 million over 20 years. The High-Cost Case additional costs to the City, or $49 million over 10 years and $77 million over 20 years. The Low-Cost Case estimates savings to the City of approximately $7 million over 10 years, and $11 million over 20 years. This range of results illustrates the uncertainties associated with municipalization.

Figure VI-4: MWU vs SWL&P Cost of Service Scenario Results