

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and
wastewater rates in Charlotte, Highlands, Lake,
Lee, Marion, Orange, Pasco, Pinellas, Polk,
and Seminole Counties by Utilities, Inc. of Florida

Docket No. 20200139-WS

DIRECT TESTIMONY

OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida

1 I. INTRODUCTION AND BACKGROUND INFORMATION

2 **Q. Please state your name, your position, your business**
3 **address and identify the party for whom you are providing**
4 **testimony.**

5 A. My name is Shawn M. Elicegui. I am the Executive Vice
6 President, Risk Management for Corix Infrastructure Inc.
7 ("CII"). I am based in Reno, Nevada and my business
8 address is 6160 Plumas Street, Suite 200, Reno, Nevada
9 89519. I am providing testimony in support of the
10 application filed by Utilities, Inc. of Florida (the
11 "Company"). The Company filed an application with the
12 Florida Public Service Commission (the "Commission")
13 requesting permission to change its annual revenue
14 requirement and the rates it charges for services provided
15 to the public. The results of operations are based on the
16 12-month period ending December 31, 2019 (the "Test
17 Year").

18 **Q. Please describe your responsibilities in your current**
19 **position.**

20 A. I joined CII in September 2019. I am responsible for,
21 among other things, developing, implementing and reporting
22 on CII-wide risk management strategy, actions and results.
23 I also provide executive oversight to several corporate
24 service functions including Health Safety and
25 Environmental ("HSE"), Legal, Insurance and Internal Audit

1 ("IA"). Finally, I provide testimony in regulatory
2 proceedings as needed to support company objectives.

3 **Q. Briefly describe your educational background and**
4 **professional experience.**

5 A. I have a Bachelor of Arts degree in International Affairs
6 and Political Science from the University of Nevada, Reno
7 and a Juris Doctor degree from the University of
8 California, Davis, King Hall School of Law. I practiced
9 law for nearly twelve years in Nevada, primarily
10 representing businesses and individuals before state and
11 federal administrative agencies. I was Associate General
12 Counsel for NV Energy from February 2009 until December
13 2013. In 2013, I became Vice President of Regulatory
14 Affairs and then held numerous management positions
15 involving regulation and strategic planning, customer
16 operations, and ultimately became Senior Vice President of
17 Business Plan, Regulatory and Legislative Strategy.

18 **Q. Have you ever testified before a state utility regulatory**
19 **agency?**

20 A. Yes. I have testified before the Public Utilities
21 Commission of Nevada and the Public Service Commission of
22 South Carolina. I also have submitted prepared testimony
23 to the Arizona Corporation Commission, North Carolina
24 Utilities Commission, the Kentucky Public Service
25 Commission, the Public Utility Commission of Texas and the

1 Virginia State Corporation Commission, Division of Public
2 Utility Regulation.

3 **Q. Are you sponsoring any exhibits?**

4 A. Yes. I sponsor the following exhibits:
5

Exhibit Name	Description	Confidential
SME-1 Confidential	Corix Cost Allocation Manual	Yes
SME-2	Organization Chart	No
SME-3	Agreement between Water Service Corp and Utilities, Inc. of Florida	No
SME-4	Comparison of 2019 Per-regulated Customer Costs to 2018 FERC Form 60 Data	No
SME-5	Summary of Management Consulting, Certified Public Accounting and IT Professional Costs	No
SME-6 Confidential	Report of Baryenbruch & Company, LLC regarding the necessity and reasonableness of charges from Water Services Corporation during the 12 months ended December 31, 2019	Yes, page 56

6 **II. PURPOSE OF TESTIMONY AND SUMMARY OF RECOMMENDATIONS**

7 **Q. What is the purpose of your direct testimony?**

8 A. My testimony:

- 9 • describes the relationship between and among CII, Water
10 Service Corporation ("WSC") and the Company;
- 11 • describes the corporate services CII provides to support
12 the Company's operations;
- 13 • describes how those corporate services are charged to
14 WSC and, ultimately, the Company;

- 1 • sponsors the Cost Allocation Manual (Exhibit SME-1
2 Confidential) that is used to allocate costs between and
3 among the Corix Group of Companies (defined below); and,
4 • demonstrates that corporate service and shared service
5 costs are necessary and reasonable.

6 **Q. Please summarize your recommendations for the Commission.**

7 A. I recommend that the Commission find:

- 8 • the shared and corporate service costs charged to the
9 Company are necessary costs incurred by the Company to
10 provide regulated water and wastewater services to its
11 customers; and,
12 • the costs for such services are reasonable and,
13 therefore, should be included in the Company's revenue
14 requirement.

15 **III. DESCRIPTION OF CII AND CORIX GROUP OF COMPANIES**

16 **Q. Please describe the relationship between and among CII,
17 WSC and the Company.**

18 A. CII is the ultimate parent corporation of the Company and
19 the operating companies that comprise the "Corix Group of
20 Companies". CII is a privately held corporation owned by
21 affiliates of the British Columbia Investment Management
22 Corporation. An organization chart illustrating CII's
23 relationship to the Corix Group of Companies, including
24 the Company and WSC, is attached as Exhibit SME-2. As
25 shown in Exhibit SME-2, both WSC and the Company are

1 subsidiaries of Corix Regulated Utilities (US), Inc
2 ("CRUUS").¹

3 **Q. What types of services does the Corix Group of Companies**
4 **provide?**

5 A. The Corix Group of Companies provides a variety of utility
6 services including district energy; electric distribution;
7 natural gas and propane distribution; water production,
8 treatment and delivery; and, wastewater collection,
9 treatment and disposal services. The CII executive
10 management team (the "Executive Team") works hard to
11 develop a culture that facilitates the rapid dissemination
12 of learnings to improve service quality and efficiency for
13 each member of the Corix Group of Companies.

14 **Q. What purpose drives CII?**

15 A. CII is a purpose-driven organization. As an organization,
16 we help people enjoy better lives and communities thrive.
17 By observing our core values—safety, integrity, connection
18 and excellence—we strive to deliver essential services to
19 our customers in a cost-effective way. Collectively, we
20 aim to leverage our resources to deliver to our customers
21 the highest quality service at reasonable prices.

22 **Q. What benefits does affiliation with CII provide?**

23 A. CII has access to capital that is not available to smaller

1 Corix Regulated Utilities (US) Inc. ("CRUUS") was previously known as Utilities, Inc. Utilities, Inc. changes its name in 2019. Corix Regulated Utilities (US) Inc. owns all of the Company's outstanding stock. WSC is a shared service corporation that provides services to CRUUS' operating subsidiaries.

1 organizations. CII's geographic diversity, scale and
2 scope provide advantages to the operating companies within
3 the Corix Group of Companies. Specifically, the customers
4 of the operating companies receive better service at a
5 lower cost than they would from a smaller, stand-alone
6 organization. Finally, CII possesses and shares technical
7 and industry expertise improves the quality of service to
8 customers of the operating companies.

9 **Q. Did the Company receive services from an affiliate during**
10 **the Test Year?**

11 A. Yes, the Company received services from WSC during the
12 Test Year.

13 **Q. Does WSC have a contract with the Company pursuant to**
14 **which it provides shared services in support of the**
15 **Company's public service operations?**

16 A. Yes. WSC and the Company have entered into an Agreement
17 dated December 19, 2007 (the "Agreement"), which is
18 attached to my testimony as Exhibit SME-3. Under the
19 Agreement, the Company may call on WSC to provide all day-
20 to-day services the Company needs to fulfill its public
21 service obligations to customers. The Agreement allows WSC
22 to retain employees and vendors as needed to provide the
23 shared support services and WSC receives corporate
24 services from CII ("Corporate Services"). These Corporate
25 Services help WSC serve the Company. I describe the

1 Corporate Services in Section IV of my testimony.

2 **Q. Are the services that WSC provides the Company necessary**
3 **for the Company to deliver regulated services to its**
4 **customers?**

5 A. Yes. The services that WSC provides allow the Company to
6 fulfill its obligations to deliver water and wastewater
7 service to its customers. The shared and Corporate
8 Services, which include but are not limited to accounting,
9 billing, customer service, environmental compliance, human
10 resource, legal, occupational health and safety, and
11 technology functions, are necessary services. Every public
12 utility incurs these functional costs in connection with
13 the delivery of the essential utility services regulated
14 by the Commission.

15 **Q. Are the costs charged to the Company for the shared and**
16 **Corporate Services reasonable?**

17 A. Yes. In Section V of my testimony, I support the
18 reasonableness of the price for such services by comparing
19 WSC's total shared and Corporate Service costs on a per-
20 regulated customer basis to the costs incurred by 33
21 service companies that file Form 60 with the Federal
22 Energy Regulatory Commission ("FERC"). These 33 service
23 companies are associated with the 24 utility holding
24 companies shown in Exhibit SME-4. Then, I compare the
25 hourly rates for the managerial consulting, accounting and

1 IT categories of shared and Corporate Service costs to
2 market benchmarks. Finally, I compare hourly rates of
3 certain Corporate Service employees to other market
4 benchmarks to buttress my conclusion that the shared and
5 Corporate Service costs charged to the Company are
6 reasonable.

7 In summary:

- 8 • WSC's 2019 per-regulated customer cost of \$74 falls 33 percent below the average per-regulated
9 customer cost of \$110 for the 24 organizations shown in Exhibit SME-4;
- 10 • WSC's 2019 average per-regulated customer cost was lower than 18 of the organizations shown in
11 Exhibit SME-4;
- 12 • On average, the hourly rates for outside service providers are 108% higher than comparable hourly
13 rates charged by WSC for shared and Corporate Services;
- 14 • If all of the managerial and professional services provided by WSC, as supported by CII, had been
15 outsourced during 2019, the customers served by the CRUUS utilities would have incurred more
16 than \$12.4 million in additional expenses; and,
- 17 • WSC charges for shared and Corporate Services do not include any markup.

18 It is important to note that it would be difficult to find
19 third-party service providers with the same specialized
20 knowledge as WSC and CII. WSC and CII personnel spend
21 substantially all of their time servicing operating
22 utility companies, the majority of which provide water and
23 wastewater service. This specialization brings unique
24 knowledge that most likely is not available from outside
25 service providers.

26 **Q. Did the Company obtain a third-party assessment of the**

1 **need for and the reasonableness of the total cost**
2 **allocations from?**

3 A. Yes. My analysis is based on Exhibit SME-6 Confidential, which
4 is a report prepared by
5 Baryenbruch & Company, LLC, evaluating the necessity of
6 services and reasonableness of charges from WSC. The
7 report asks four questions to test the necessity of the
8 "Corix/WSC support services" and four questions to test
9 the reasonableness of the charges for those services.² B&C,
10 LLC conducted a thorough investigation and concluded that
11 the "Corix/WSC support services" are necessary; i.e., the
12 services allow the Company to fulfill its obligation to
13 the serve the public.³ B&C, LLC also concludes that the
14 charges for such services are reasonable.⁴

14 **Q. Are the services provided by WSC to the Company in the**
15 **public interest?**

16 A. Yes. The services that WSC provides to the Company,
17 including the Corporate Services, provided are in the
18 public interest because they improve the service that the
19 Company provides to customers for a small portion of the
20 overall expense incurred to provide the services. The
21 centralization of shared and Corporate Services allows the
22 Corix Group of Companies improvise efficiency and benefits
23 the Company's customers.

2 Exhibit SME-6 Confidential at 1-2.

3 Id. at 2.

4 Id.

1 **IV. DESCRIPTION OF THE SHARED SERVICES AND CORPORATE SERVICES**

2 **Q. What services did WSC provide to the Company under the**
3 **Agreement?**

4 A. For the benefit of the Company's customers, WSC provided a
5 broad range of operational, back-office, support and
6 corporate services. WSC is the statutory employer the
7 people who provide water and wastewater service to the
8 Company's customers. Under the Agreement, WSC may furnish
9 to the Company all day-to-day services "including but not
10 limited to the following: executive, engineering,
11 operating, accounting, legal, billing, customer relations,
12 and construction." Additional services WSC provides to
13 the Company under the Agreement include, but are not
14 limited to, human resource ("HR"), health, safety and
15 environmental ("HSE"), informational technology ("IT"),
16 including cybersecurity and governance, and corporation
17 communications services.

18 **Q. What is the general nature of the Corporate Services CII**
19 **provided WSC to support the Company?**

20 A. Generally, Corporate Services are strategic and focus on
21 business oversight, enterprise-wide policies and ensuring
22 legal and regulatory compliance which are necessary
23 functions for the continuous and effective operation of
24 any responsibly run corporation and, therefore, benefit
25 customers. In the questions and answers that follow, I

1 provide a more detailed explanation of the human resource
2 HR, HSE, financial management, IA, tax, legal, IT,
3 corporate communication

4 **Q. Please describe the HR services CII provided WSC to**
5 **support the Company.**

6 A. WSC directly employs individuals to manage many day-to-day
7 personnel matters, such as recruiting, background checks,
8 onboarding training, payroll, complaints, investigations,
9 reviews, assisting employees with various benefit
10 questions and elections, for the Company. WSC relies on
11 the CII corporate HR group to provide enterprise-wide
12 direction and coordination for numerous activities. The
13 corporate HR group:

- 14 • creates and updates enterprise-wide policies, programs and practices for all aspect of the HR
15 function;
- 16 • provides overall guidance and direction;
- 17 • undertakes comprehensive compensation reviews;
- 18 • recruits and HR administration for executive positions;
- 19 • ensures timely and accurate reporting of HR information to the Human Resources and
20 Compensation committee and the Board of Directors;
- 21 • maintains talent management and succession planning functions;
- 22 • maintains a confidential compliance hotline for the anonymous reporting of ethical issues;
- 23 • investigates complaints made through the compliance hotline and other reporting;
- 24 • conducts employee engagement surveys;
- 25 • leverages scale to obtain enterprise-wide consulting services, when necessary;
- 26 • supports the administration and development of retirement and benefit plans; and,

1 • supports local business units with employee and labor relations issues;

2 **Q. Please describe the HSE services CII provides WSC to**
3 **support the Company.**

4 A. A small corporate HSE team provides enterprise-wide
5 planning and oversight functions to support and supplement
6 local HSE staff, who ensure compliance and familiarity
7 with local requirements, permits, and regulators. The
8 corporate HSE team:

- 9 • ensures compliance with federal government mandates;
- 10 • develops and deploys enterprise-wide HSE policies, procedures, training manuals, forms and
11 tools to ensure standardization across business units;
- 12 • supervises and supports incident reporting and investigation;
- 13 • partners with IA to complete safety and environmental audits;
- 14 • reports and disseminates learnings from safety and environmental incidents;
- 15 • facilitates the development of an enterprise-wide safety culture that ensures safety remains
16 the number one priority; and,
- 17 • nurtures a culture of environmental stewardship.

18 **Q. Please describe the financial management services Corix**
19 **provided WSC to support the Company.**

20 A. Corporate financial management services include corporate
21 finance, accounting, treasury, tax and, until recently,
22 IA.⁵ The corporate financial group provides general
23 oversight to all financial professionals in all business
24 units including guidance on the use of accounting

5 The internal audit function moved into the risk department effective January 1, 2020.

1 principles, the implementation of internal controls to
2 ensure spending and investing are in accordance with the
3 business strategy and budget and the appropriate
4 disclosure and presentation of financial and performance
5 indicators. The corporate finance team:

- 6 • is primarily responsible for external and internal financial reporting;
- 7 • oversee and support the independent audit of the consolidated financial
8 statements of the Corix Group of Companies;
- 9 • interacts with debt and equity markets to ensure access to capital at
10 reasonable terms and conditions;
- 11 • monitors compliance with budgets;
- 12 • provides strategic financial planning and modelling services;
- 13 • works closely with the risk department to identify and treat enterprise risk;
- 14 • provides corporate treasury services including long- and short-term capital
15 needs planning for both debt and equity;
- 16 • leads debt issuances by operating subsidiaries;
- 17 • provides corporate tax compliance services to WSC to support the Company's
18 operations;
- 19 • coordinates tax planning activities; and,
- 20 • directs tax compliance activities taking place in the business units and
21 oversees outside tax professionals who provide services to business units.

22 **Q. Please describe the IA services provided by CII to WSC to**
23 **support the Company?**

1 A. IA ensure compliance with laws, regulations, internal
2 controls and corporate policies and procedures. IA
3 conducts risk and fraud assessments and develops an
4 internal audit plan. In connection with its annual risk
5 assessment, IA interviews corporate and business unit
6 leaders to identify and assess inherent risk. Generally,
7 improvement opportunities identified in IA reports are
8 shared across the enterprise to improve operational
9 efficiency, mitigate risk and, ultimately, reduce the cost
10 of providing water and wastewater service to the Company's
11 customers.

12 **Q. Please describe the corporate legal services CII provided**
13 **WSC to support the Company.**

14 A. The CII corporate legal group coordinates all legal
15 services within the Corix Group of Companies. The
16 corporate legal team:

- 17 • makes certain annual corporate filings both in Canada and the U.S., creating
18 and maintaining viable companies that are legally authorized to conduct
19 business;
- 20 • drafts and reviews key institutional contracts such as credit facilities and note
21 purchase agreements;
- 22 • communicates legal risk to the CII Board and provides services to operating
23 companies, including the Company, to mitigate such risk;

- 1 • facilitates communications with the Executive Management team, finance, tax,
2 HSE, and other key groups within the organization to ensure effective
3 management of legal matters;
- 4 • provides strategic input into corporate-wide decisions to minimize cost and
5 exposure for customers; and,
- 6 • provides input and analysis to support economic and environmental regulatory
7 proceedings.

8 **Q. Please describe the corporate IT services CII provided WSC**
9 **to support the Company.**

10 A. While WSC directly employs individuals to provide day-to-
11 day IT services (such as general system operations and
12 maintenance, software maintenance, workstation acquisition
13 support and certain network administration), the CII
14 corporate IT Group has responsibility for developing our
15 corporate IT strategy. These services include:

- 16 • the design, implementation, and replacement of enterprise resource planning
17 systems;
- 18 • oversight of cybersecurity programs;
- 19 • operation, maintenance and monitoring of data storage and management;
- 20 • operation and maintenance of communication networks;
- 21 • development of enterprise-wide IT equipment strategies;
- 22 • coordination with other groups to prepare and implement enterprise policies
23 relevant to IT such as record retention;

- 1 • conducting security analyses and monitoring and investigating security alerts
2 and incidents;
- 3 • directing and overseeing third-party assessments of cybersecurity defense
4 systems and procedures;
- 5 • conducting security awareness training; and,
- 6 • continuously working to improve security in the environment including
7 identifying and implementing best practices to prevent incidents.

8 The current environment has necessitated some third-party
9 expenditure on cybersecurity to ensure we have an
10 appropriate framework for cybersecurity at all levels of
11 the business. Corporate IT is overseeing the
12 cybersecurity strategy and implementation across the Corix
13 Group of Companies and providing critical services to WSC
14 to support the Company. Examples of specific services
15 this group provides include:

- 16 • Management of the enterprise application portfolio – identifying what
17 applications will be used company-wide, ensuring they are reliable and
18 ensuring that the enterprise has one application portfolio;
- 19 • Enterprise security including constantly monitoring changes in legislation
20 for data privacy, changes in legislation for various security requirements for
21 contracts, establishing frameworks, parameters, setting requirements for
22 security, monitoring security alerts, and providing the businesses security
23 awareness training; and

- 1 • Focus on constant improvement to security in environment and proactive
2 work to secure assets and information; monitoring numerous reports on
3 vulnerability and working to standardize the program across the CII entities.

4 **Q. Please describe the corporate communications services CII**
5 **provided WSC to support the Company.**

6 A. While many communications functions are performed by WSC
7 employees or resident in the local business units, this
8 small group in corporate communications is responsible for
9 overall communications programs within the organization
10 including the development and maintenance of a company-
11 wide intranet and the establishment of communications
12 protocols for individual business unit branding and
13 websites. This group also monitors mainstream and social
14 media channels across North America to ensure we are aware
15 as an organization of emerging issues in the media from
16 stakeholders, customers, or others that we should be aware
17 of and potentially responsive to. This group also is
18 available to provide guidance to all business units and
19 assistance where significant crisis management may require
20 additional communication resources. Natural disasters
21 such as floods, hurricanes, earthquakes, and national and
22 local concerns with water quality issues are all examples
23 where these staff assist local management in communication
24 both internally and externally.

25 **Q. Please describe the services the CII EMT provides to**

1 **support the Company.**

2 A. The CII EMT provides corporate management services
3 necessary at the executive level for continued operations
4 in the short and long term. The Company provides critical
5 services—water and wastewater—to customers. Poor
6 management at any level of the organization could result
7 in significant negative impacts communities we serve.
8 Corporate executive management services ensure the
9 Company’s economic stability. The CII EMT provides
10 strategic direction, formulates corporate strategy and
11 ensures corporate goals and objectives are met for the
12 Corix Group of Companies. The CII EMT provides guidance to
13 operational leadership to optimize CII’s lines of business
14 and identify complementary aspects of CII’s businesses to
15 achieve synergies where possible for the benefit of
16 multiple stakeholders - including the customers of the
17 business units such as the Company. The CII EMT reviews
18 CII’s and its subsidiaries’ activities to foster the
19 corporate culture and values of safety, integrity,
20 connection and excellence.
21 In addition to strategic direction, the CII EMT also
22 ensures CII and its business units have systems in place
23 to manage their respective principal business risks;
24 develop strategies and goals for financial planning,
25 capital access, and organizational structure; and

1 establish effective company-wide governance models,
2 internal control standards, and procedures to drive
3 efficiencies and cost effectiveness. Examples of important
4 executive management functions that benefit the customer
5 include monthly executive management team meetings where
6 financial and operational reports and issues are discussed
7 at length; monitoring of overall financial reporting,
8 budgeting process, and monitoring internal control
9 performance; approving policies, procedures, and practices
10 as they relate to safe, reliable, and effective provision
11 of service; review of major projects with significant
12 input from the businesses to scrutinize cost and
13 effectiveness of proposed projects and initiatives and
14 their alignment with enterprise goals; capital and asset
15 planning including a formal process for review of
16 prioritizing capital expenditures, approving project
17 spending, and delivery and measuring outputs including
18 placement of effective controls over budgets through
19 business plans and individual capital projects through
20 appropriate authorization thresholds, management, and
21 reporting processes. The CII EMT also establishes capital
22 risk management strategies.

23 **Q. Please explain the differences between the management**
24 **services provided by the Company's regional management**
25 **team differ from those provided by the CII EMT.**

1 A. The regional management team for the Company focuses on
2 the administration and operations of the Company—at the
3 most local and granular level. The CII EMT focuses on
4 enterprise-wide management. The CII CEO sets overall
5 enterprise direction and strategy, interacts with the
6 shareholder to source capital, and at a high-level works
7 with corporate debt holders to provide assurance that an
8 appropriate governance structure exists overall and in
9 each operating unit. The Chief Operating Officer of
10 Regulated Utilities (a member of the CII EMT) works
11 closely with local leadership (such as the Company’s
12 regional team) to evaluate capital investment plans and
13 operating budgets and responding to customer concerns.

14 **Q. Please explain how the services provided by WSC employees**
15 **differ from the services provided by CII to support the**
16 **Company.**

17 A. The WSC employees are dedicated to the operations of the
18 affiliate operating business units such as the Company
19 while, as discussed above, the CII corporate services are
20 allocated among the CII business units and focus on
21 enterprise-wide strategies, policies and corporate
22 governance. The WSC workforce resident in the business
23 units is responsible for, among other things, ensuring
24 water supply, safe transmission and treatment of
25 wastewater, leak detection, community education on safe

1 water and wastewater service, servicing and reading
2 customer meters, installing and maintaining utility
3 infrastructure, right-of-way activities, engineering,
4 monthly financial variance analysis for the operating
5 business unit, annual report preparation for local
6 jurisdictions, state level monthly reporting, annual
7 operating budgets, local environmental compliance and
8 regulatory issues, local communications and community
9 outreach and generally safe operation of the water and
10 wastewater system on a daily basis.

11 WSC also directly employs individuals in shared services
12 to provide consolidated operational functions such as
13 customer service, billing and collections, and legal for
14 the business units. Accounting staff directly employed by
15 WSC shared services are dedicated to performing day-to-day
16 accounting tasks such as processing accounts payable,
17 payroll, preparing and supporting rate case filings, and
18 posting general ledger entries. As discussed herein,
19 these are clearly distinct functions from the CII
20 Corporate Services.

21 **Q. Are the CII Corporate Services WSC is receiving to support**
22 **the Company similar to services provided by other service**
23 **companies that benefit regulated utilities?**

24 **A.** Yes. The services are common and necessary activities
25 required for ongoing management of any responsibly and

1 effectively run corporate entity and are relevant to more
2 than any single operating entity within the Corix Group of
3 Companies. The related activities are performed in a
4 centralized manner on behalf of all the operating
5 entities, achieving economies of scale. CII operates
6 multiple business units in the water and wastewater sector
7 with various operating characteristics such that these
8 common activities can be shared, avoiding duplication
9 within the individual operating entities and maximizing
10 the use of resources dedicated to providing these
11 activities across many business units. In addition, the
12 access to expertise and ability to enjoy economies of
13 scale are critical to the Company's ability to continue to
14 provide safe and reliable service and keep up with
15 increasing needs in technology (such as cybersecurity as
16 one example) that would be cost-prohibitive on a stand-
17 alone basis.

18 **Q. Are the Corporate Services necessary for the Company's**
19 **provision of reliable and safe service to its customers?**

20 A. Yes. The shared and Corporate Services are consistent with
21 services provided by other utility service companies. The
22 functions provided by WSC and CII would be necessary if
23 the Company operated on a stand-alone basis.

24 **V. ALLOCATION, CONTROL AND REASONABLENESS OF COSTS**

25 **Q. How are the costs of the Corporate Services charged to WSC**

1 **and the CII business units?**

2 A. Corporate Services costs are allocated to the CII business
3 units and subsidiaries using the method set forth in
4 Exhibit SME-1 Confidential, which is the Corix Cost
5 Allocation Manual (the "Corix CAM"). The Corix CAM is
6 based on commonly used and accepted regulatory practices
7 for shared cost allocation. The Corix CAM was developed to
8 maintain allocation consistency across the Corix Group of
9 Companies and avoid subsidization of one group or unit by
10 another.

11 Under the Corix CAM, direct costs are identified up front
12 and directly assigned to the business units receiving the
13 exclusive benefit of the service. Corporate Service costs
14 are subject to a Tier 1 allocation between the business
15 units receiving services. The Tier 1 allocation for
16 corporate costs is based on the composite allocator
17 factoring 33.3% for each of the factors of gross revenue,
18 headcount, and gross property, plant and equipment to best
19 represent the size, scope and complexity of operating
20 business units.

21 **Q. Do the shared and Corporate Service costs included in the**
22 **revenue requirement for the Company have any mark-up?**

23 A. No. The charges included in the Company's revenue
24 requirement reflect the shared and Corporate Services
25 provided at cost with no mark-up or profit.

1 **Q. Has CII implemented mechanisms to control shared and**
2 **Corporate Service costs?**

3 A. Yes. Budgets are reviewed with the expectation that all
4 costs incurred must be necessary for the delivery of water
5 and wastewater service to customers. Budgets are also
6 reviewed and tested to ensure costs are reasonable.
7 Management is held accountable for expenses incurred
8 within their budget and a portion compensation is linked
9 to responsible cost management. Headcount mapping is
10 conducted in the CII budget process on an annual basis and
11 requires a demonstration of need. The budgeting process
12 begins in August and ends in December with budgets
13 undergoing rigorous internal review by the budget owners
14 and vice presidents with multiple levels of review at the
15 business unit level and at corporate, along with
16 presentations and question and answer sessions to test
17 proposed costs including headcount for each business unit
18 and department including in WSC shared and Corporate
19 Services. Following thorough review by the business units
20 and corporate teams, the budgets are then carefully
21 reviewed and sometimes further modified as appropriate by
22 the CFO, then the CEO, then the Executive Management Team,
23 before then going to the audit committee and the CII board
24 of directors. At each level, costs are heavily scrutinized
25 to evaluate efficiency of operations at all levels.

1 **Q. Has CII incurred any costs for services that are not**
2 **allocated to WSC for its support provided to the Company?**

3 A. Yes. For example, CII incurs costs for business
4 development. Those costs have been removed from the
5 Corporate Service costs.

6 **Q. Have you analyzed whether the costs WSC charges the**
7 **Company for shared and Corporate Services are reasonable?**

8 A. Yes. The 2019 shared and Corporate Service costs were
9 compared to the 2018 costs incurred by centralized service
10 companies providing similar services utility companies on
11 a per-regulated customer basis. This comparison shows that
12 the 2019 shared and Corporate service costs were 33
13 percent below the average per-regulated customer service
14 costs of the 24 organizations shown in Exhibit SME-4.

15 **Q. Were the shared and Corporate Service costs compared to**
16 **market benchmarks?**

17 A. Yes. Adjusted shared and Corporate Service costs,⁶ were
18 reduced to an hourly rate for three categories of
19 services: management consultants, certified public
20 accountants and IT professionals. The shared and Corporate
21 Service costs were then compared to market benchmarks. The
22 results are shown in Exhibit SME-5 and, for ease of
23 reference, set forth in the table below.

6 Travel expenses, outside services, non-service expenses, certain license expenses, business development costs, and accounts payable clerk costs were excluded from the hourly-rate calculation.

Cost Per-hour & Difference⁷

	Shared and Corporate Services	Outside Provider	Corix/WSC is Greater or (Lower) than Outside Provider
<i>Management Consultant</i>	\$137	\$293	\$(156)
<i>Certified Public Accountant</i>	\$95	\$164	\$(69)
<i>IT Professional</i>	\$73	\$196	\$(123)

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Overall, the shared and Corporate Services costs were approximately 108 percent lower on a per-hour basis than services provided by consultants. The costs, in short, were lower than market.

Q. Are the charges included in the revenue requirement for the shared and Corporate Services provided to the Company competitive?

A. Yes. As described in detail above, the charges for shared and Corporate Services are lower than market and reasonable as compared to similar costs incurred by other shared service organizations serving utilities. Shared and Corporate Service costs are charge to the Company at cost.

Q Has the methodology for allocation of costs, and actual allocated costs about which are testifying been accepted in any other jurisdictions?

Yes, Tennessee and South Carolina have both accepted the methodology, and with minor changes the actual allocated

⁷ Exhibit SME-6, Confidential.

1 costs, although the actual allocated costs were based upon
2 a different Test Year than this case.

3 **V. CONCLUSION**

4 **Q. Are the costs allocated to the Company associated with**
5 **shared and Corporate Services and included in the revenue**
6 **requirement necessary and reasonable?**

7 A. Yes. The costs allocated to the Company for the Corporate
8 Services are necessary and reasonable. The cost
9 allocations reflect a reasonable cost allocation
10 methodology based on widely used and accepted regulatory
11 principles and lower the costs the Company would have
12 incurred had it obtained the services from an unaffiliated
13 third-party. The shared and Corporate Service costs
14 included in the revenue requirement are beneficial to
15 customers and in the public interest.

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does, however I reserve the right to supplement or
18 make corrections to this testimony. Thank you.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk, and Seminole Counties by Utilities, Inc.)
of Florida.)
_____)

Docket No. 20200139-WS

EXHIBIT (SME-3) _____

OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida

Corix Group of Companies

Cost Allocation Manual

July 3, 2019

CONFIDENTIAL

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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CONFIDENTIAL

COST ALLOCATION MANUAL

[REDACTED]

[REDACTED]

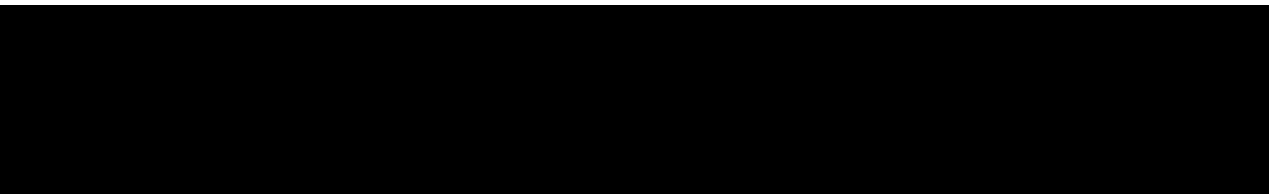
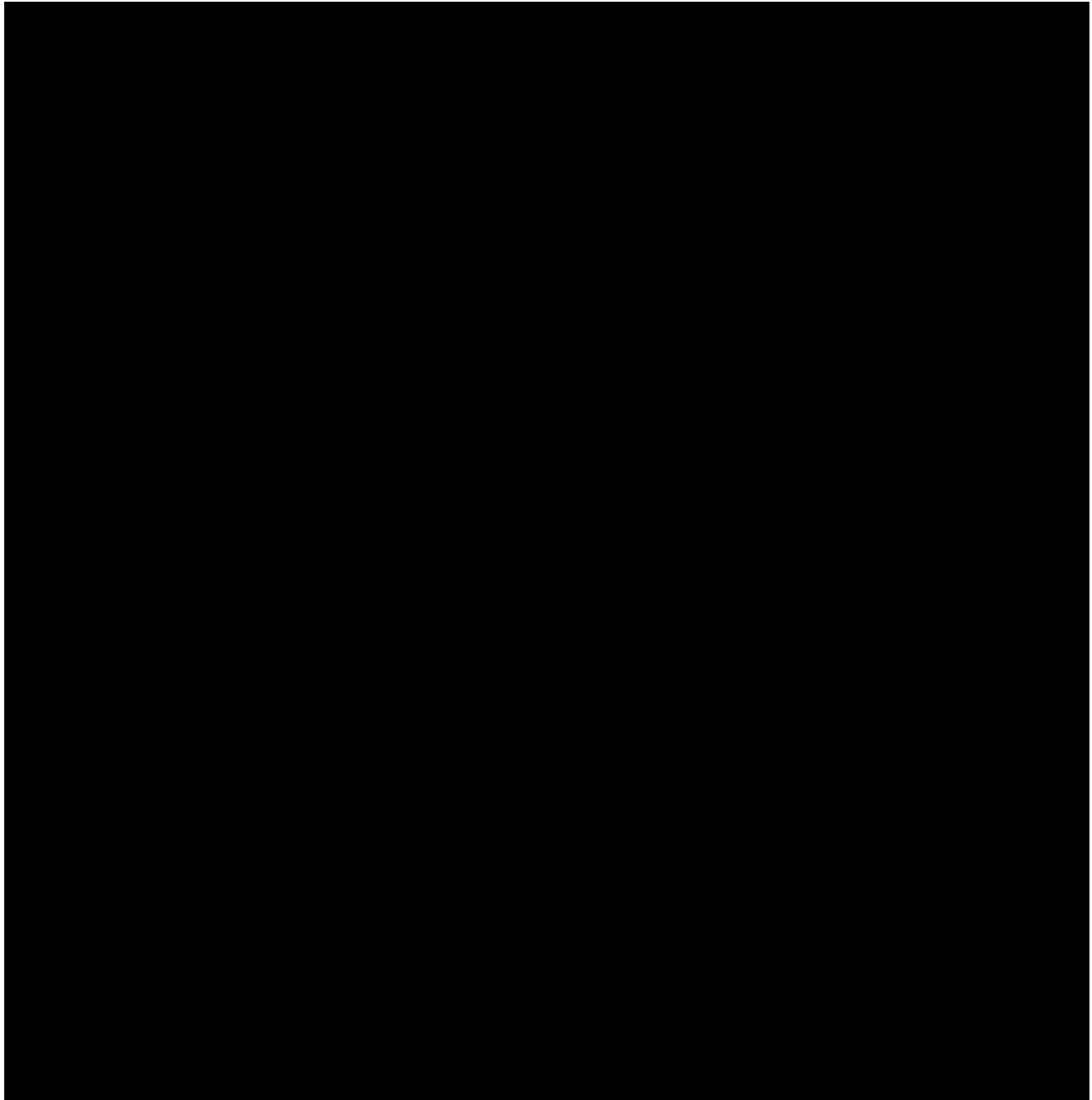
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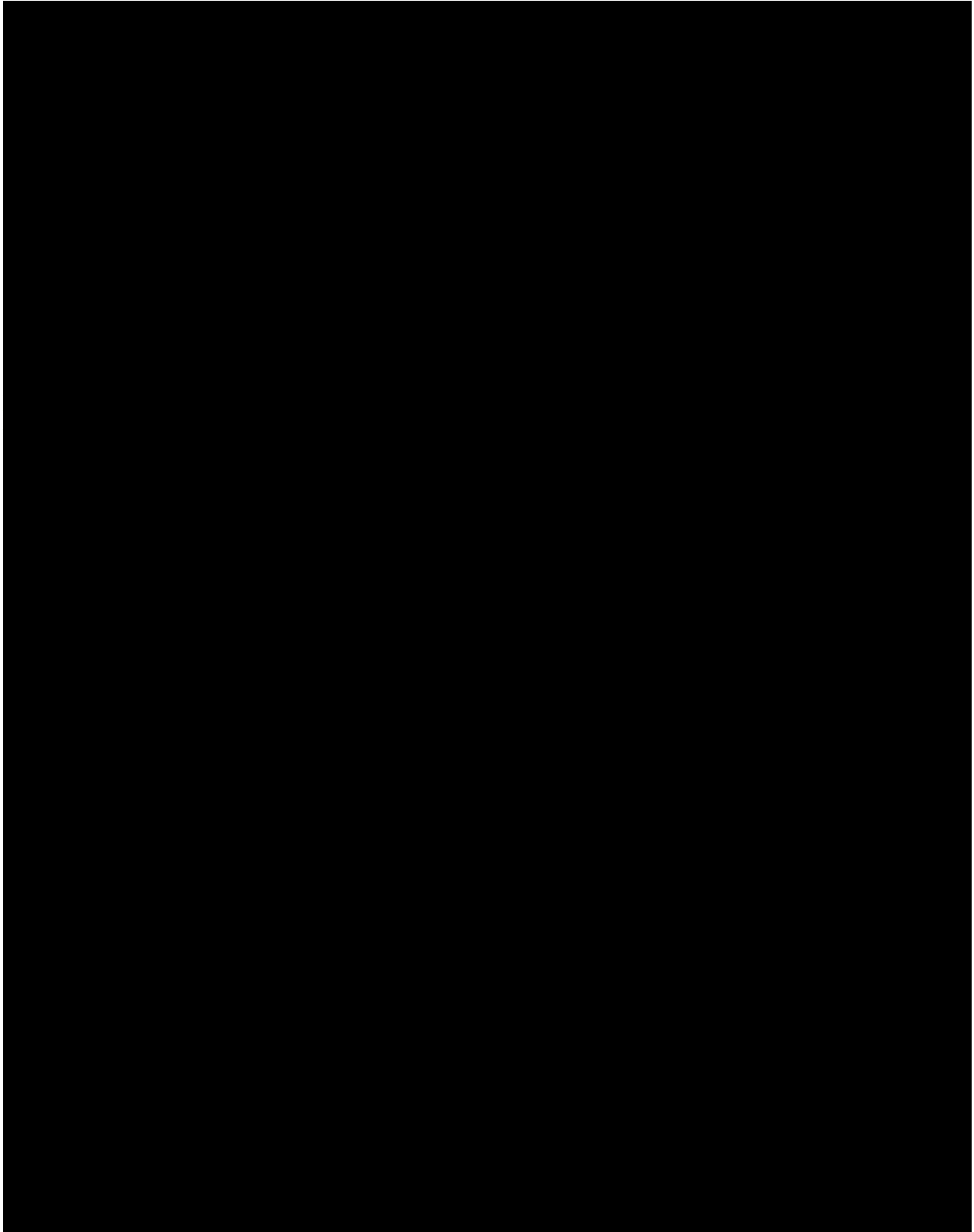
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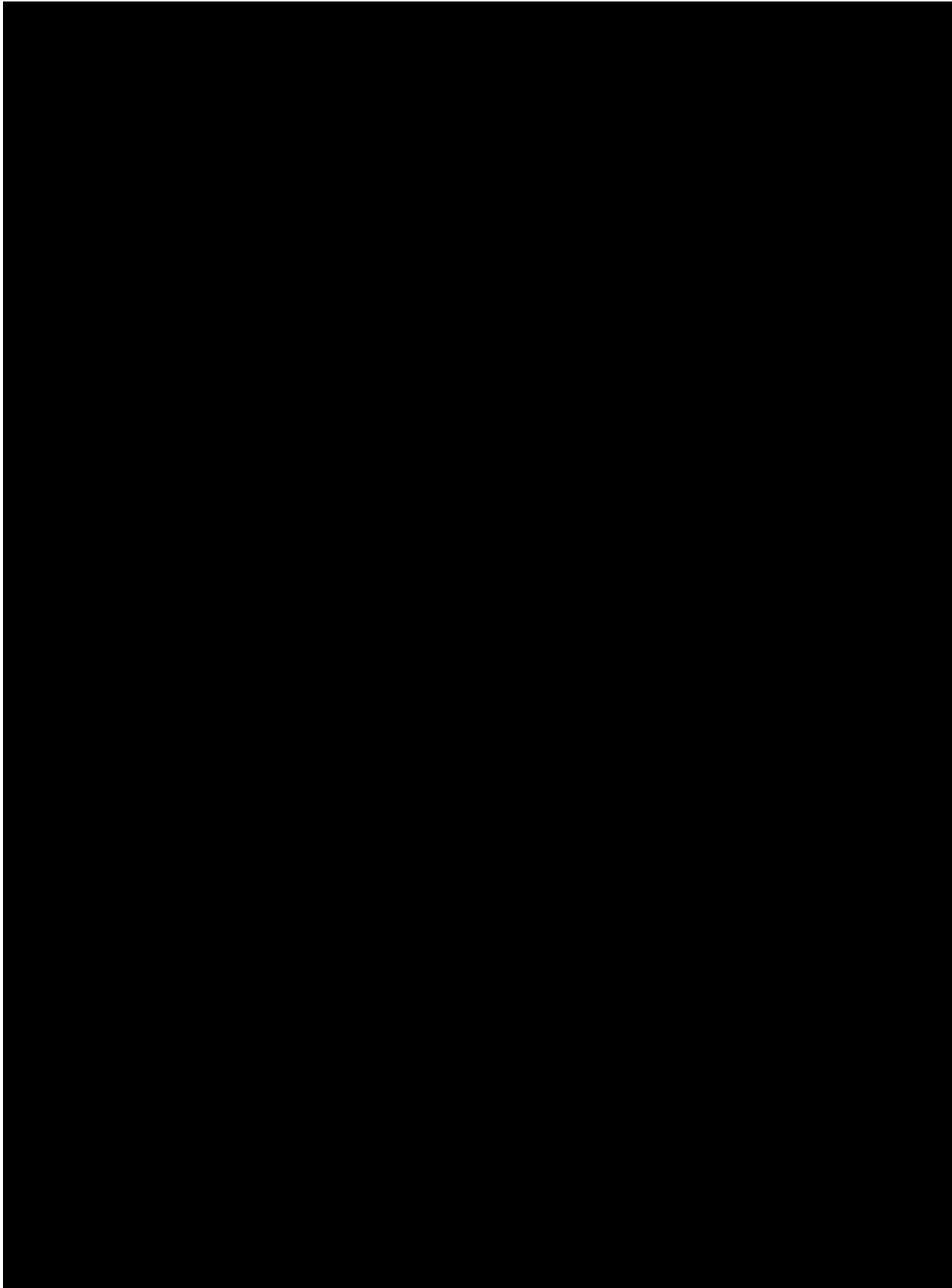
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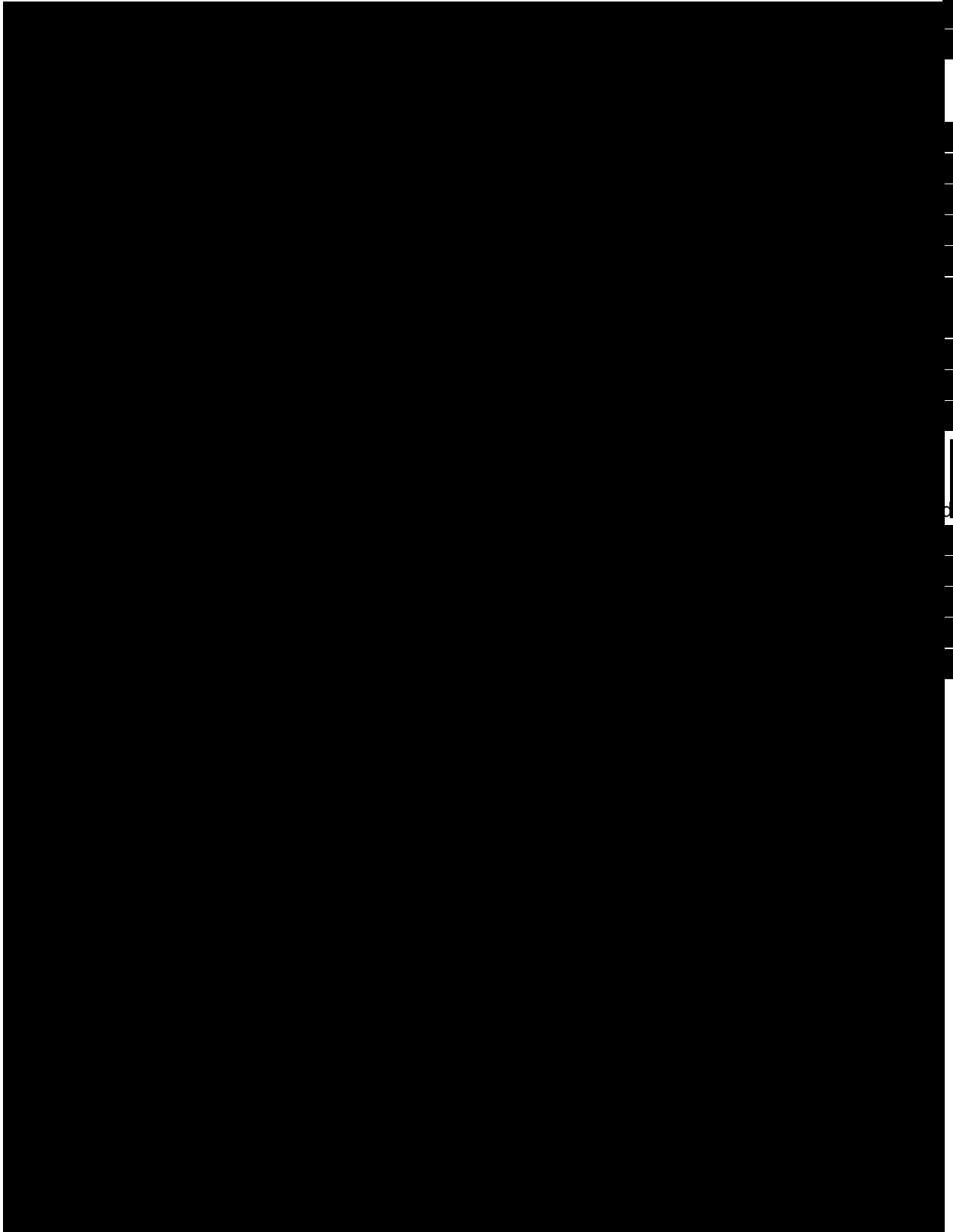
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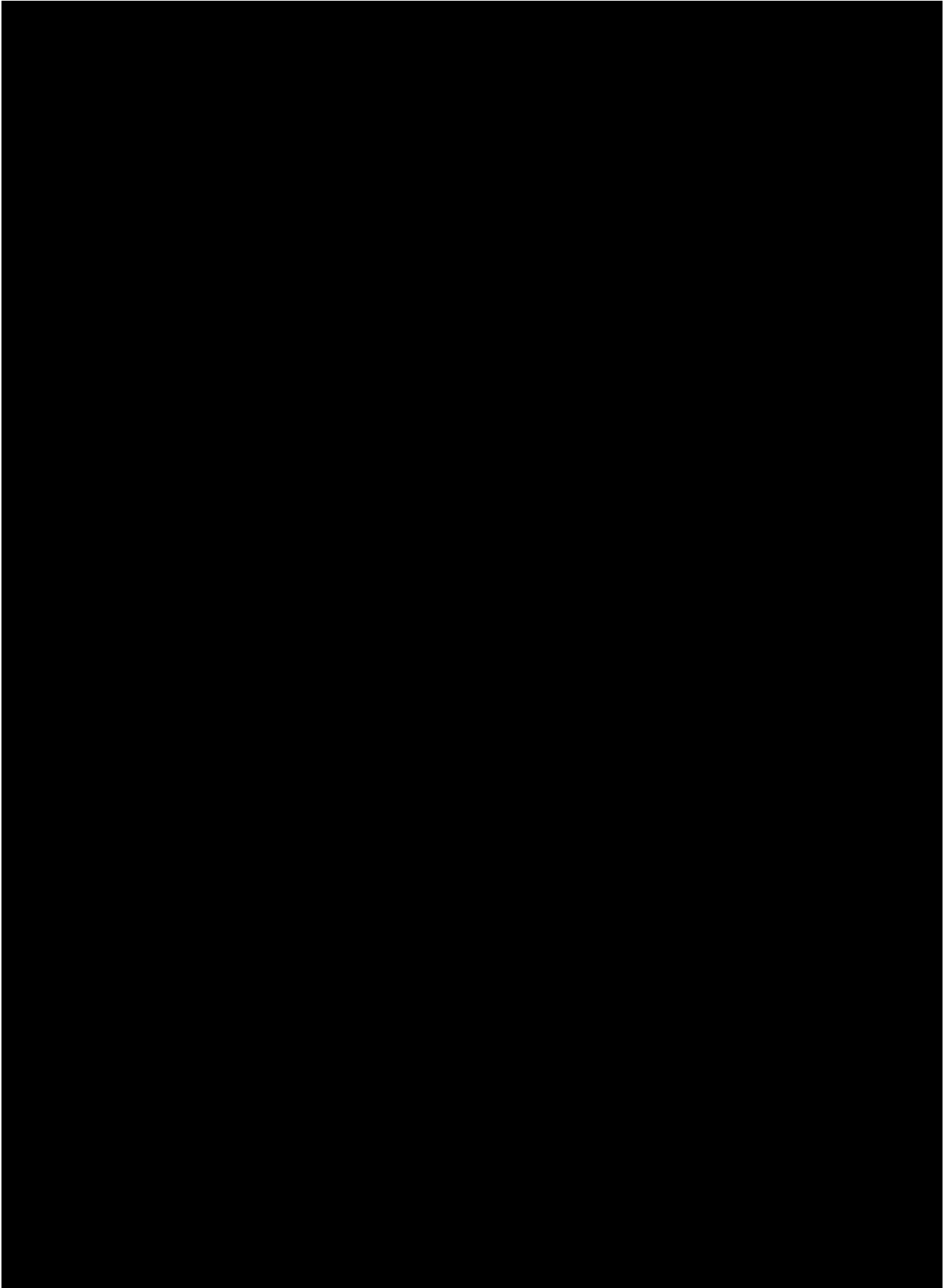


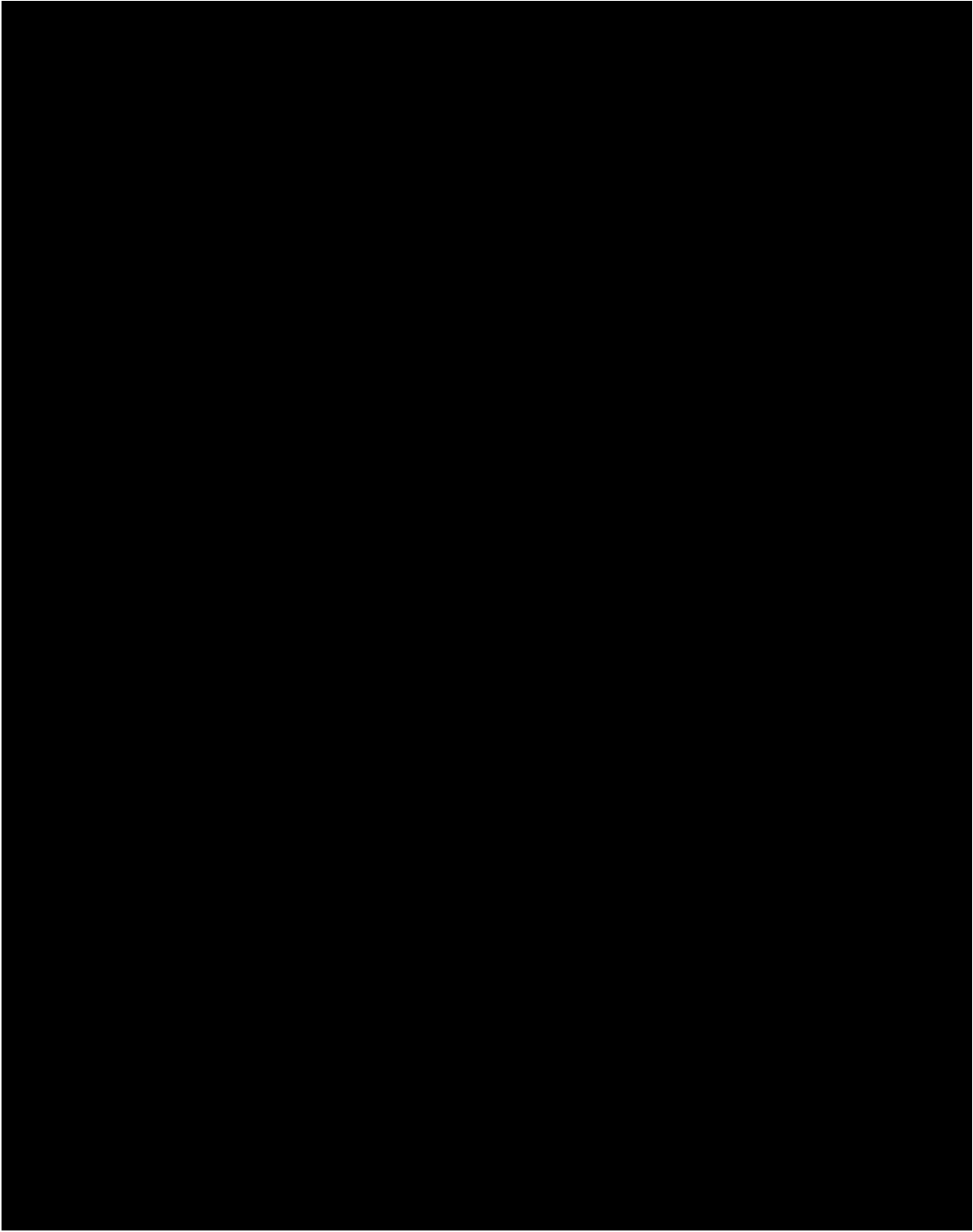


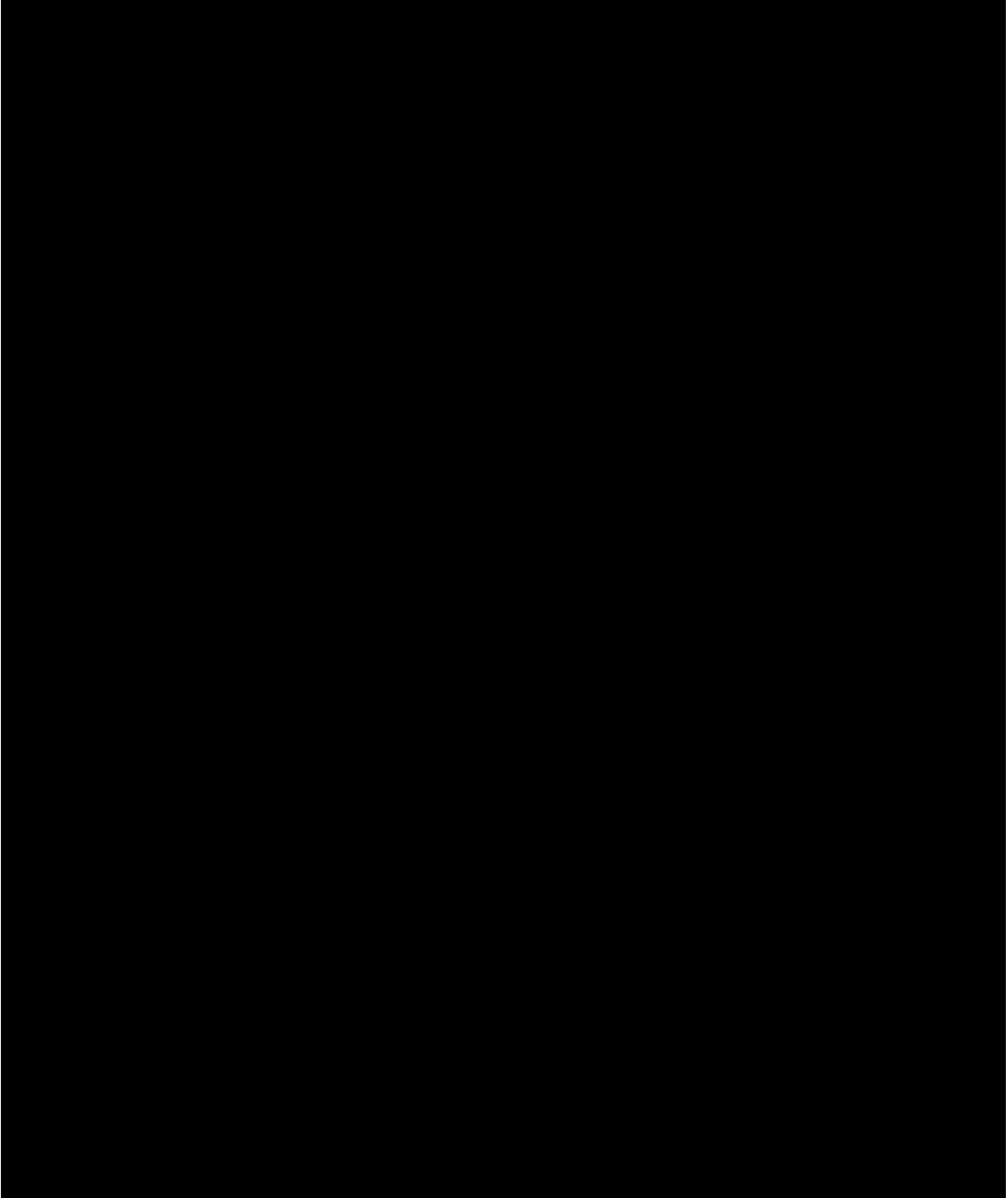


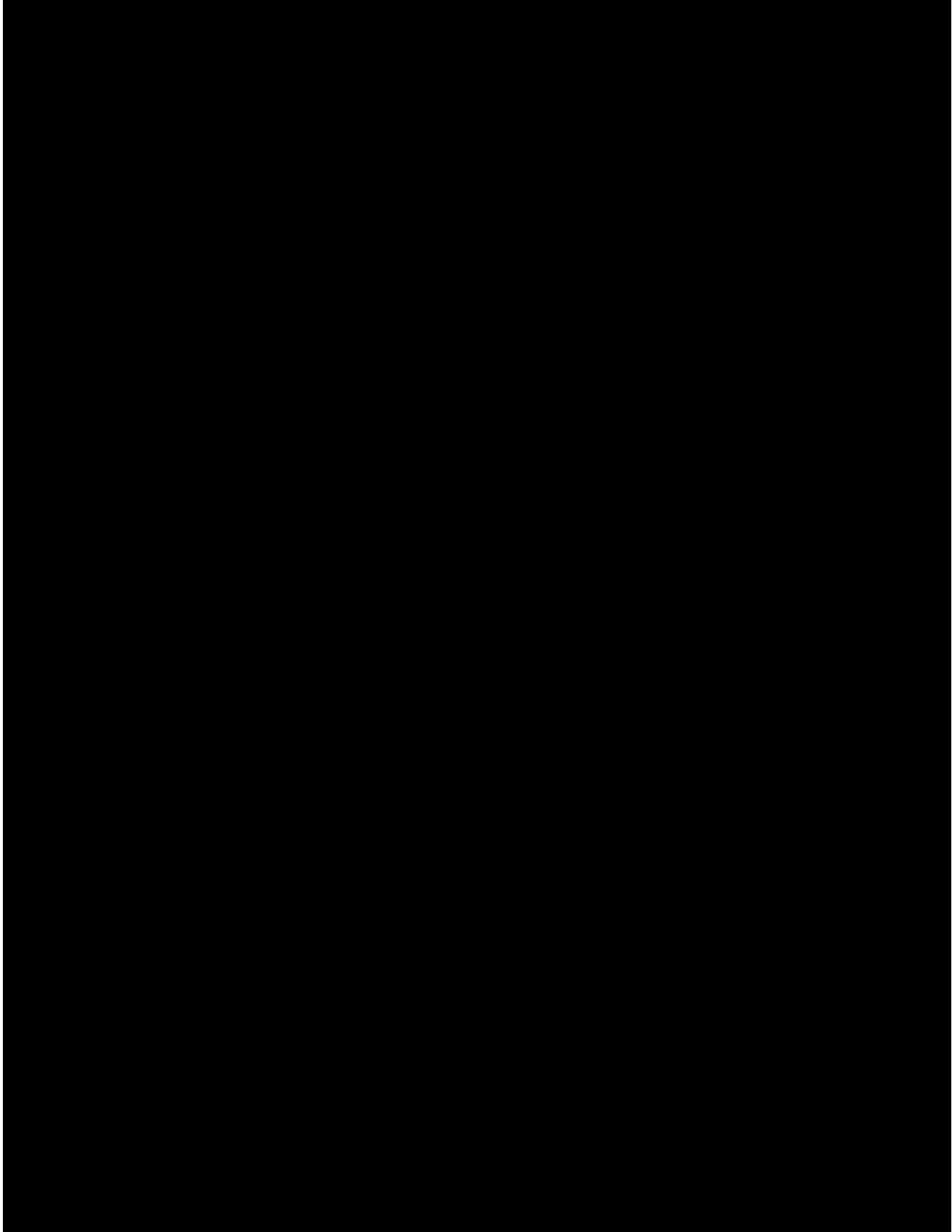


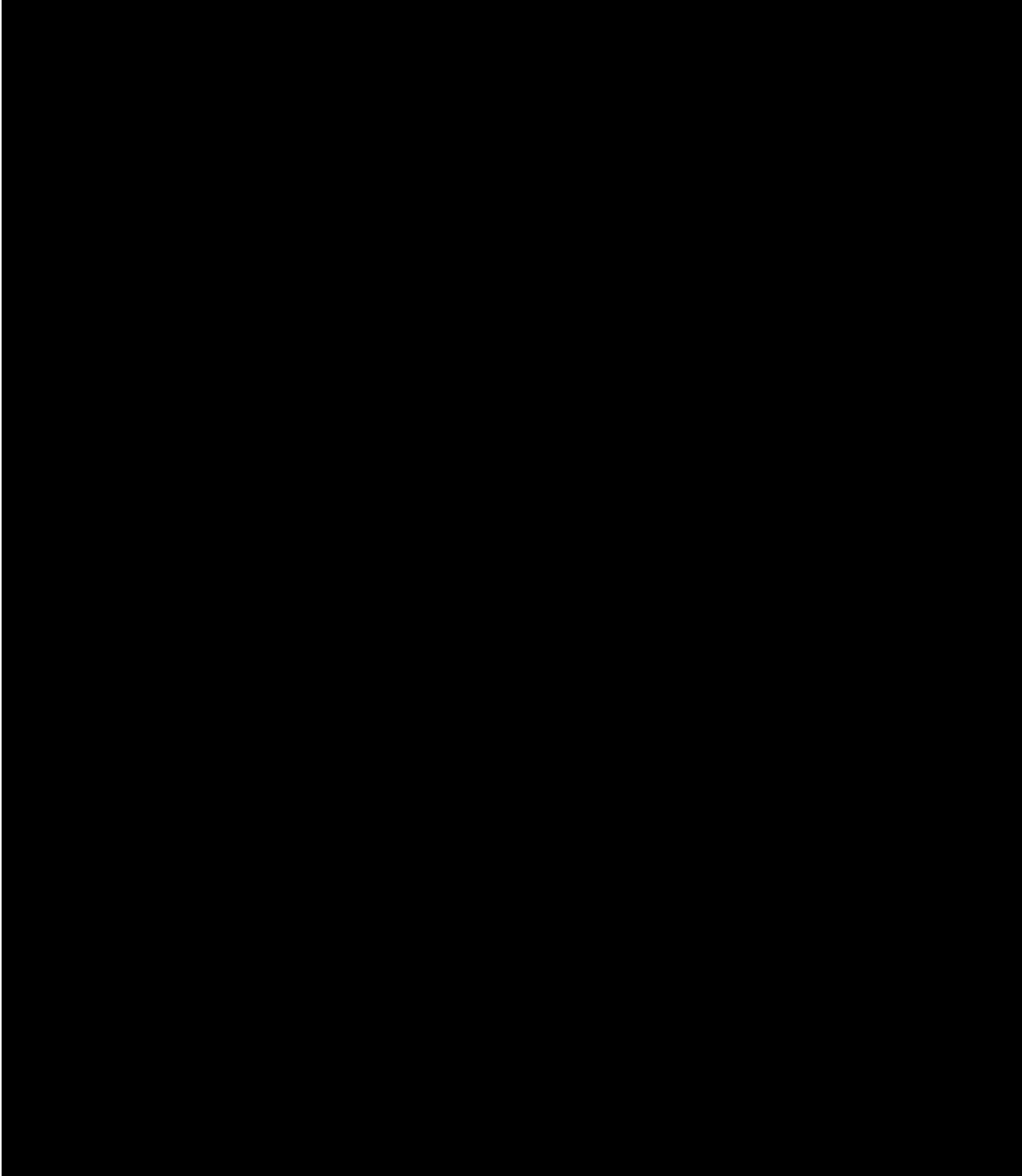
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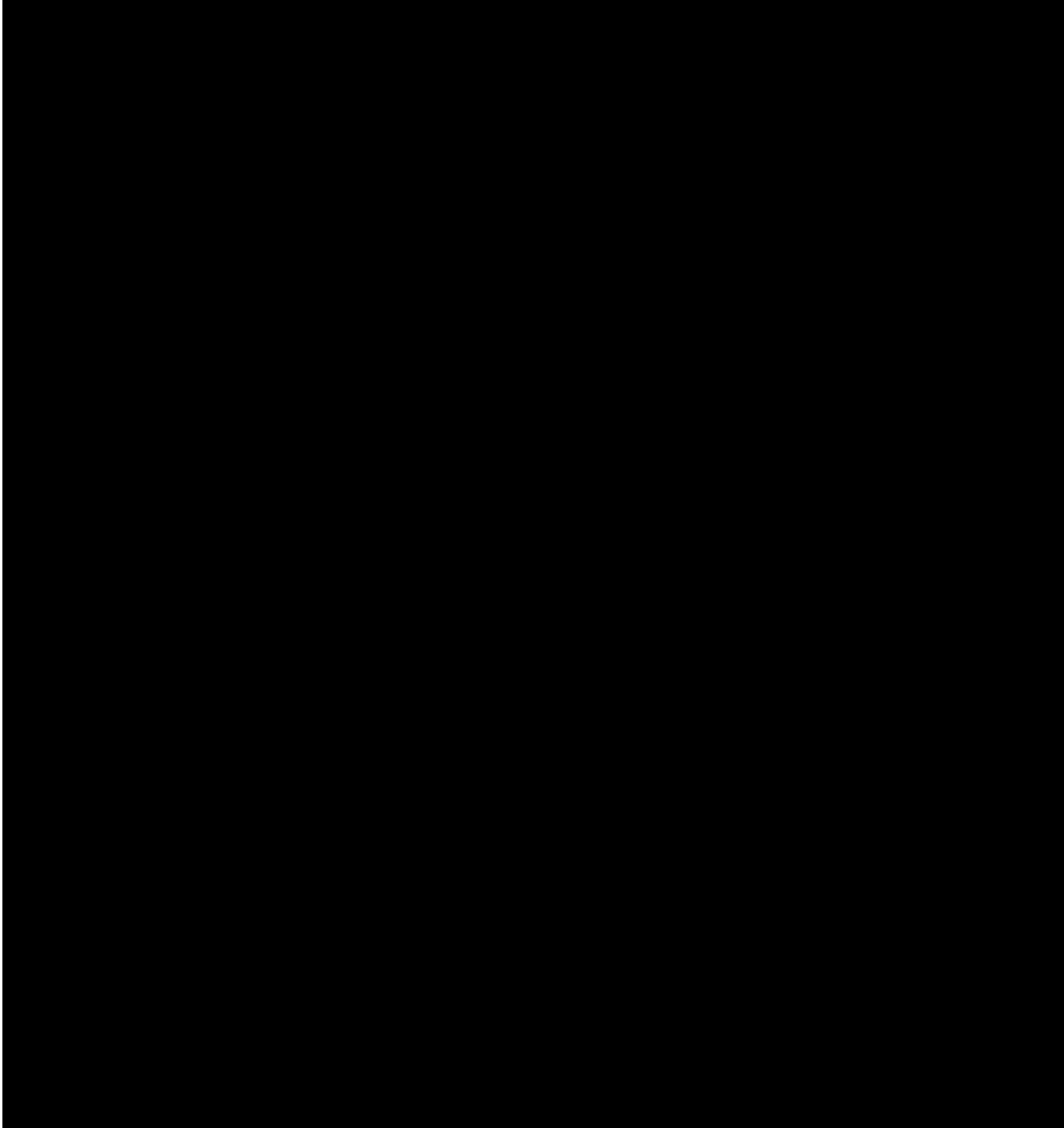


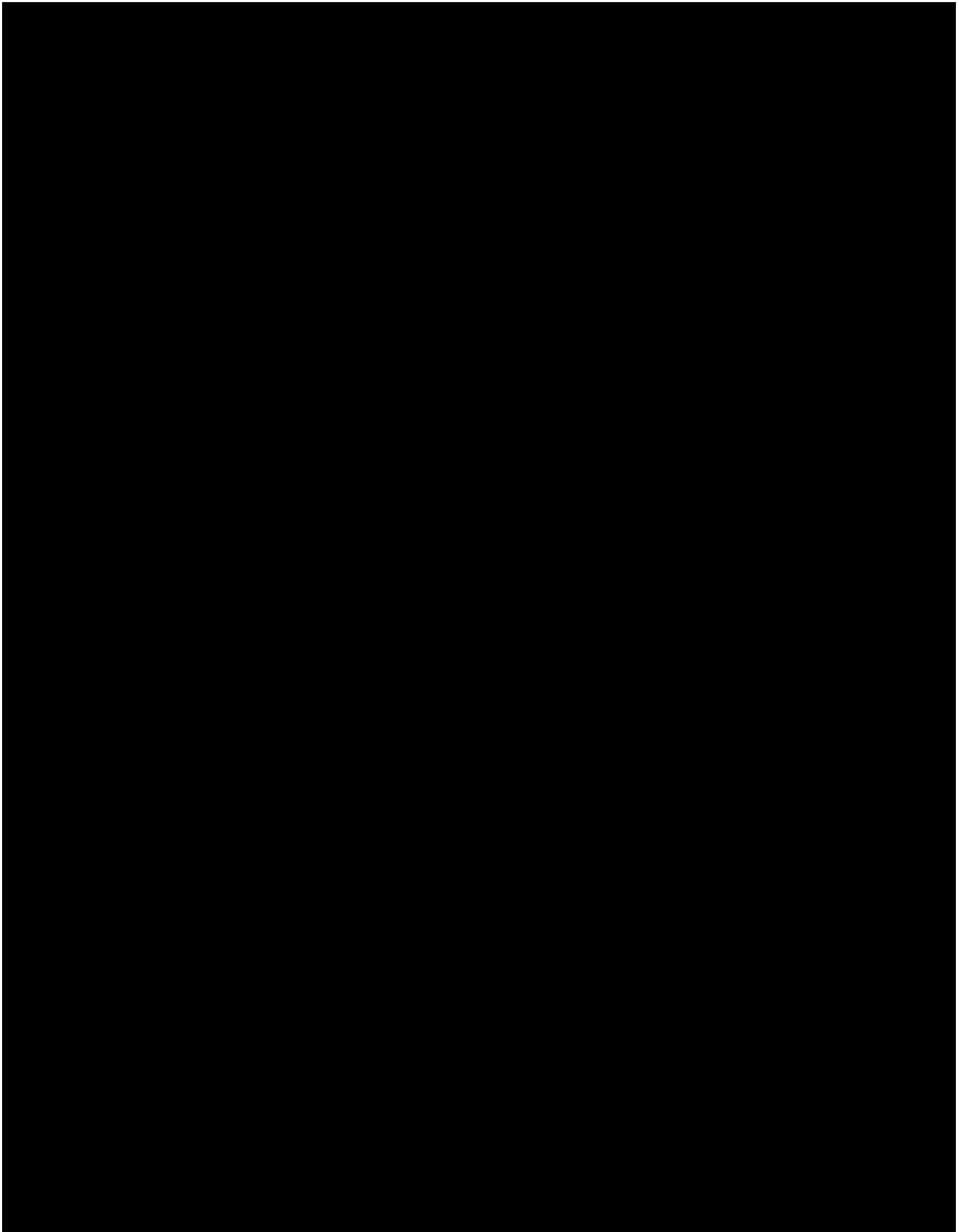


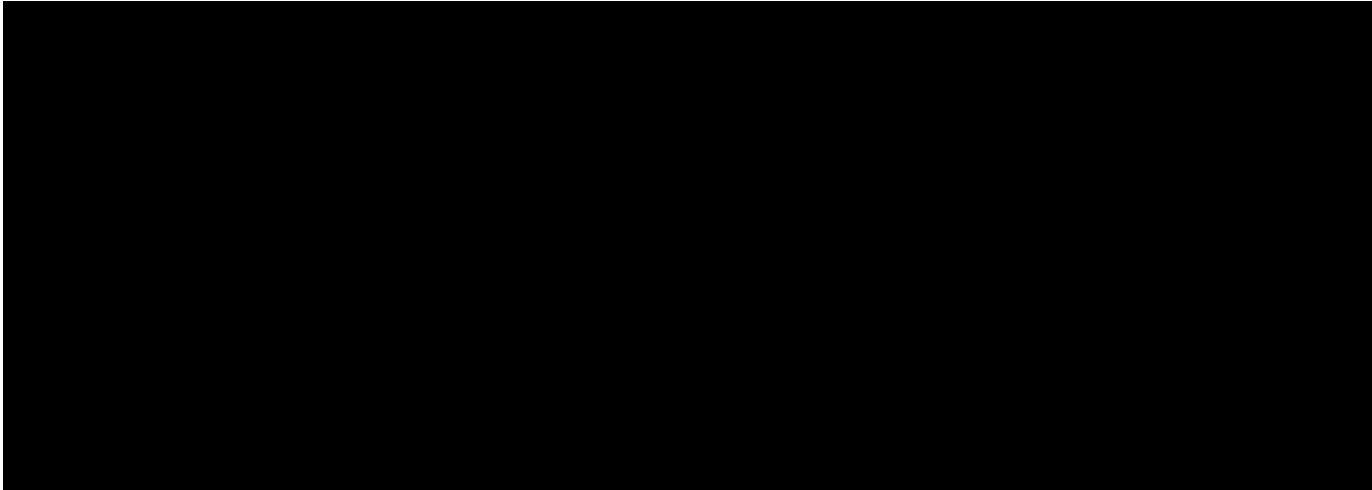




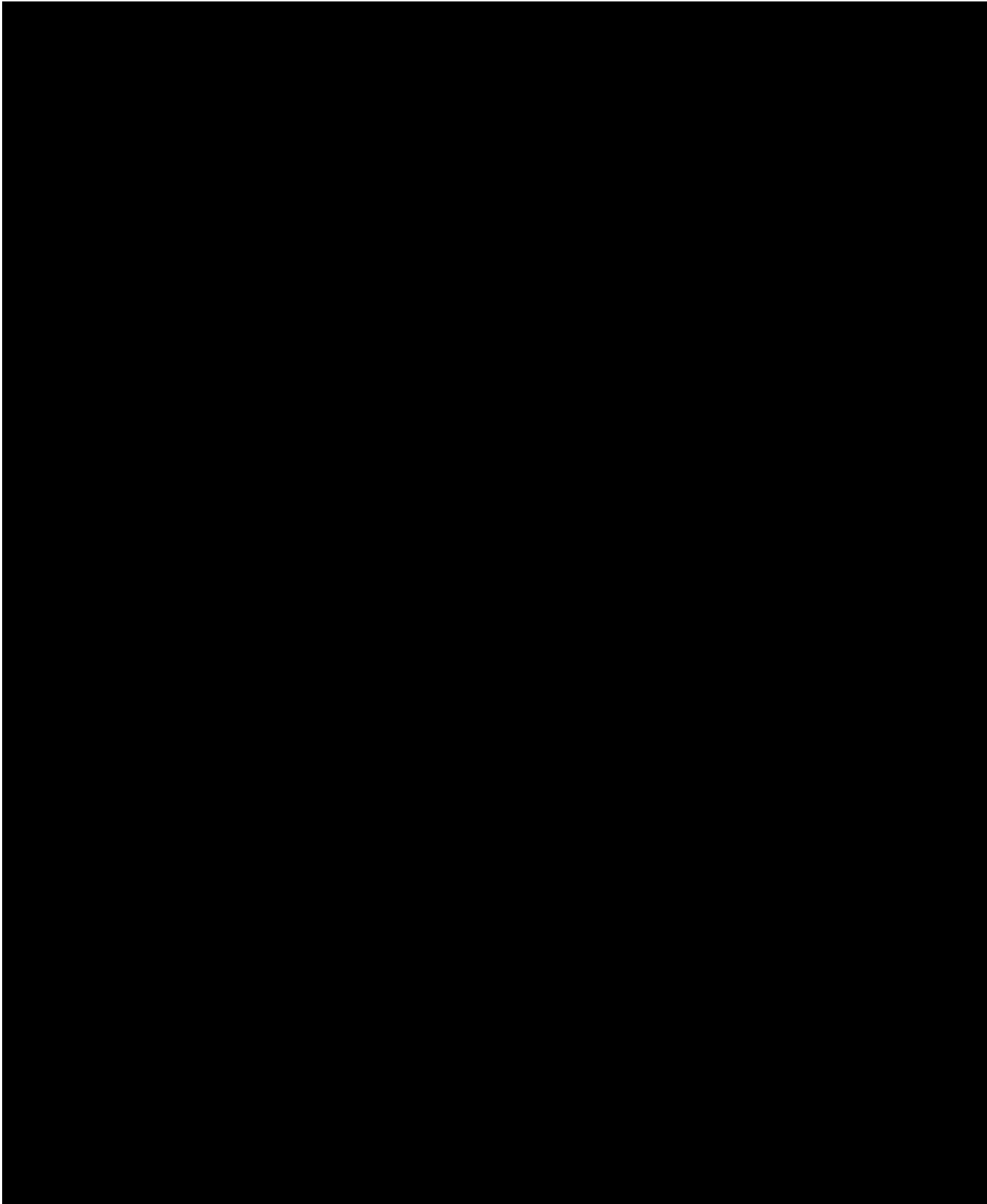


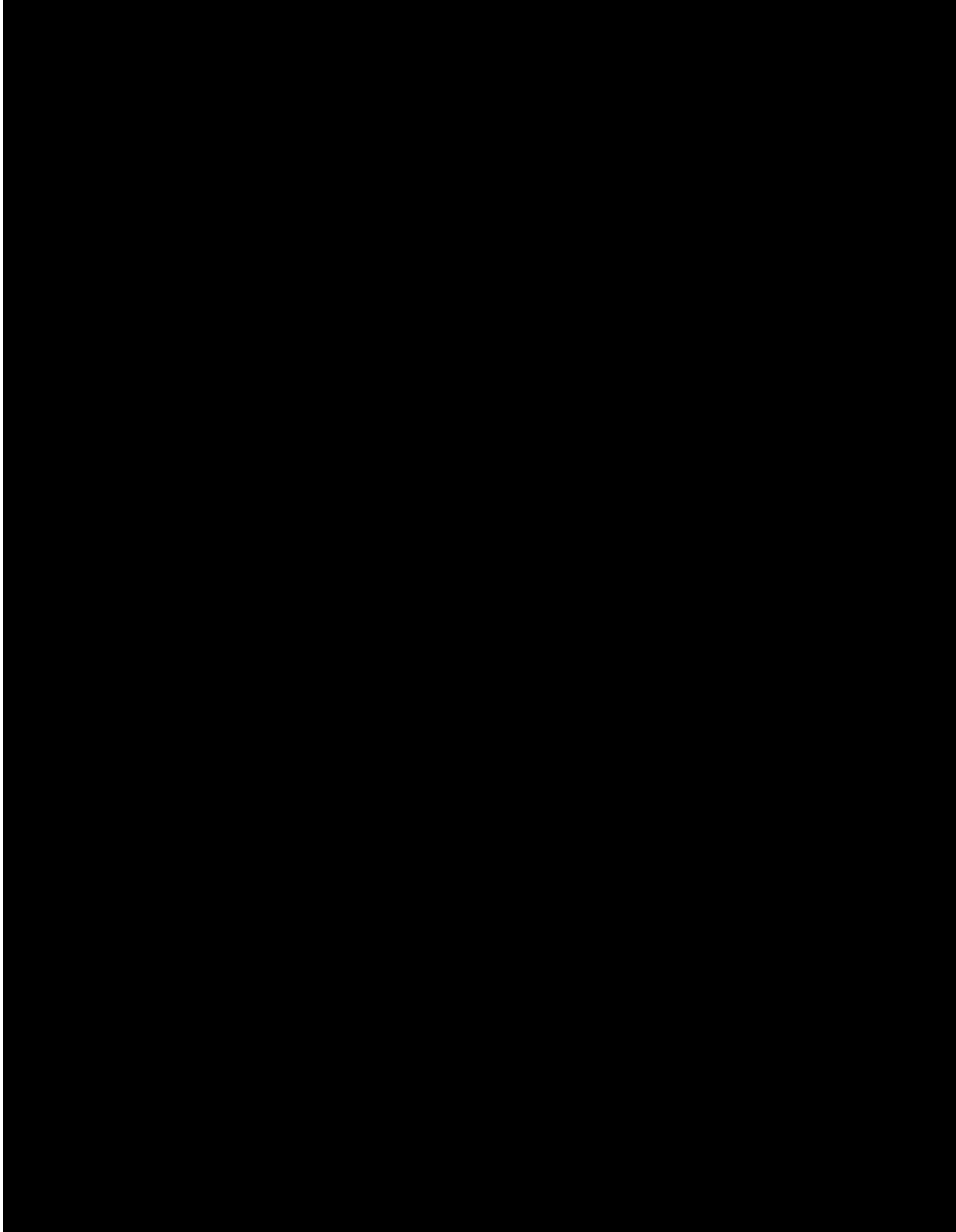


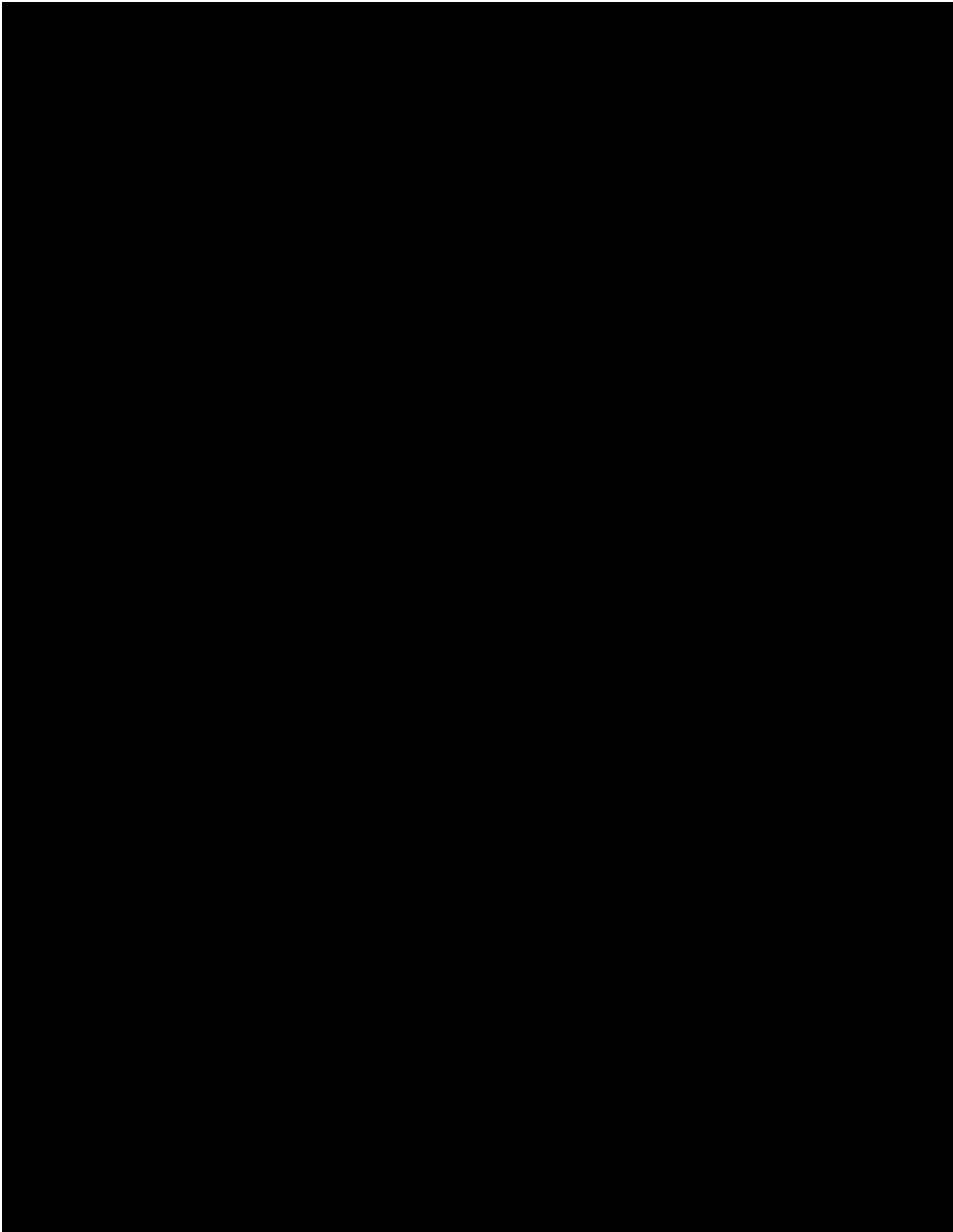


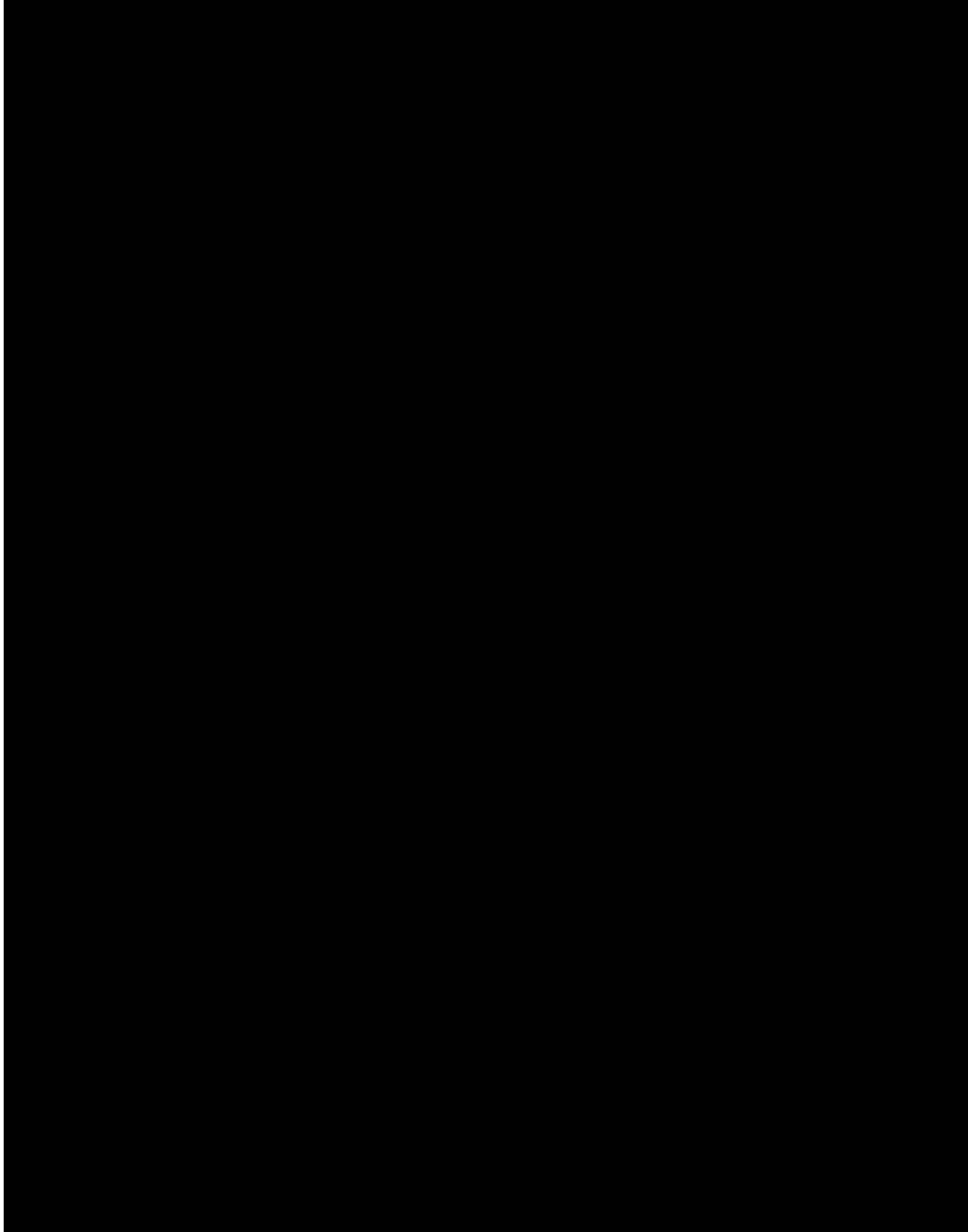


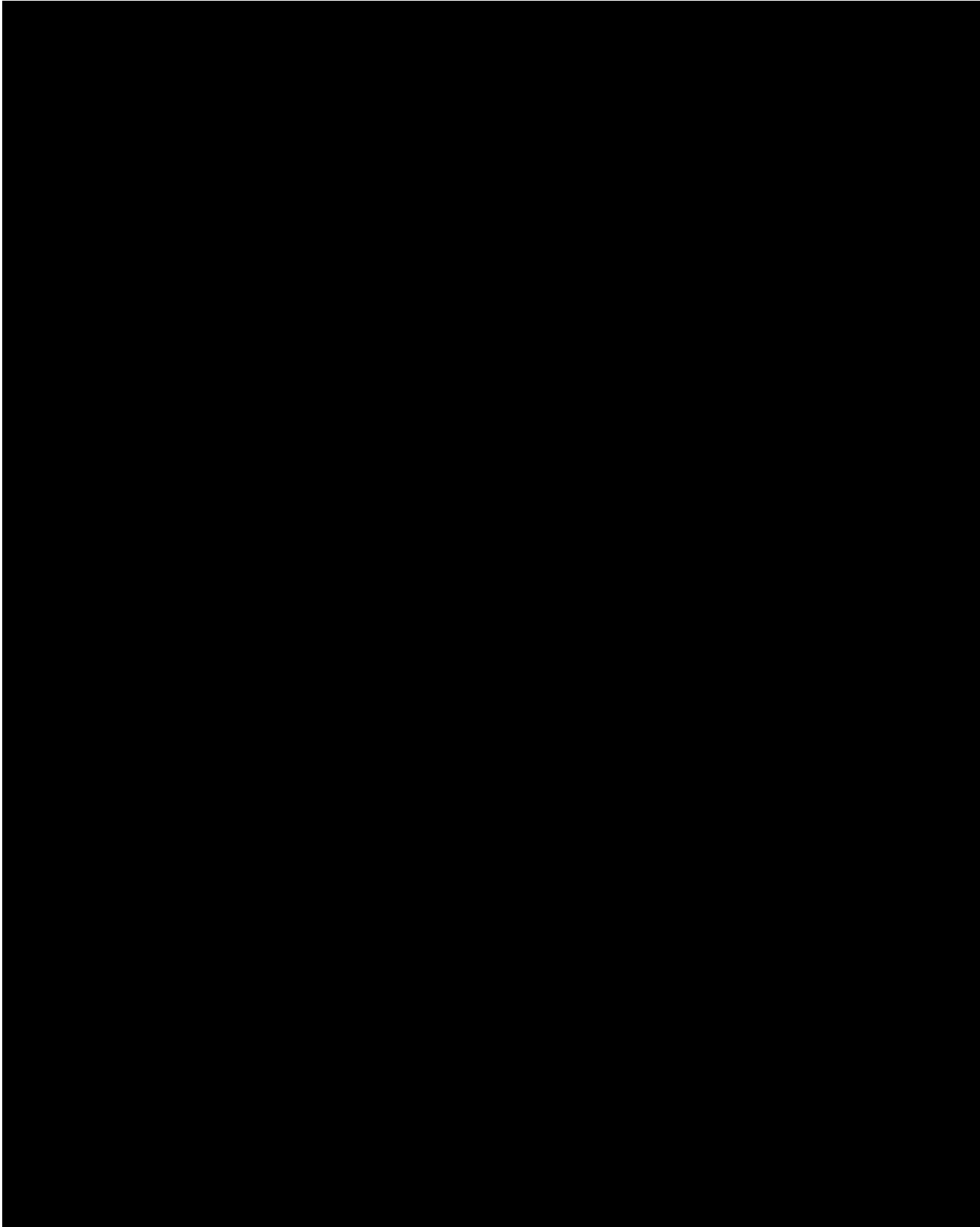
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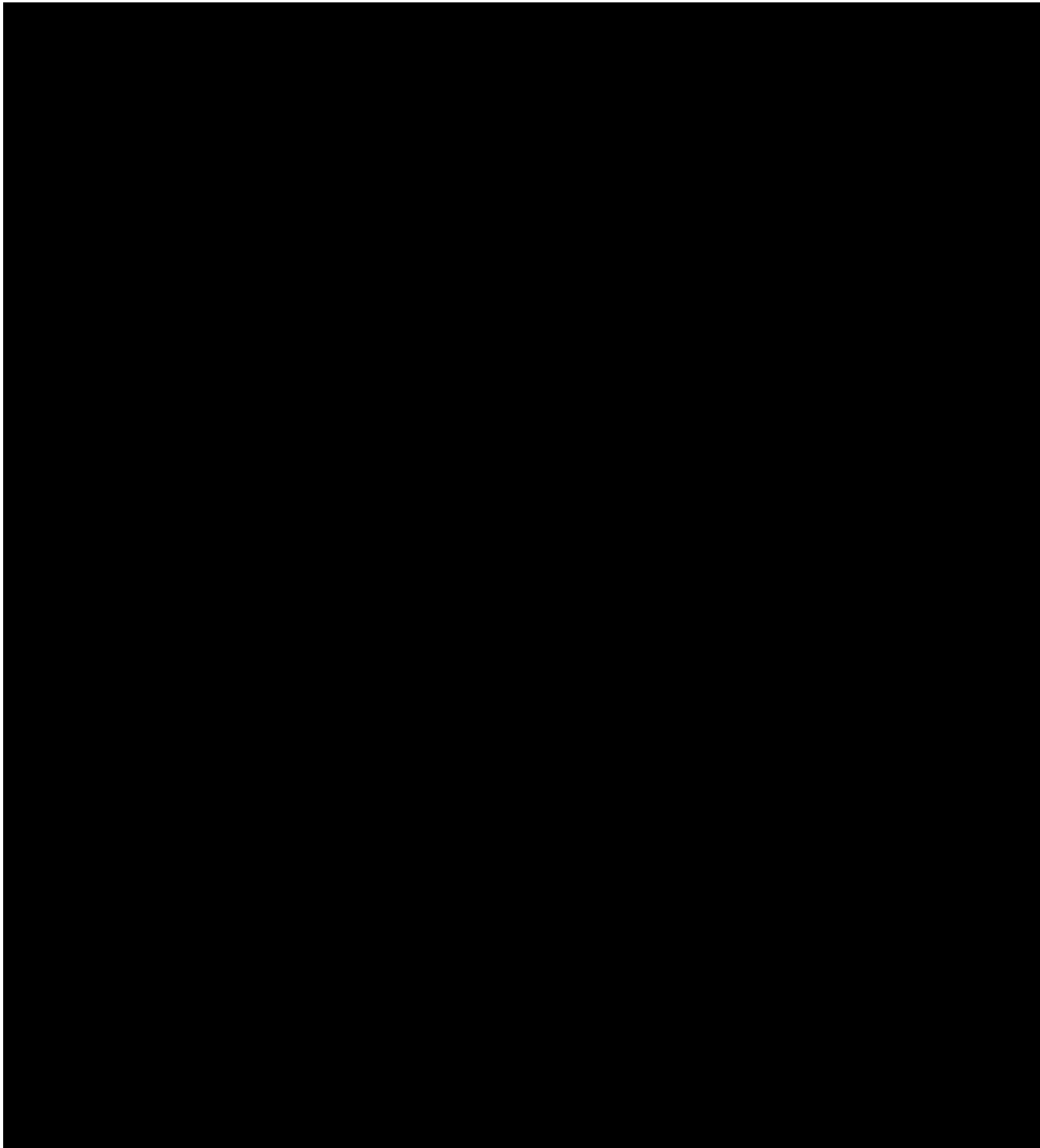












BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk, and Seminole Counties by Utilities, Inc.)
of Florida.)
_____)

Docket No. 20200139-WS

EXHIBIT (SME-2) _____

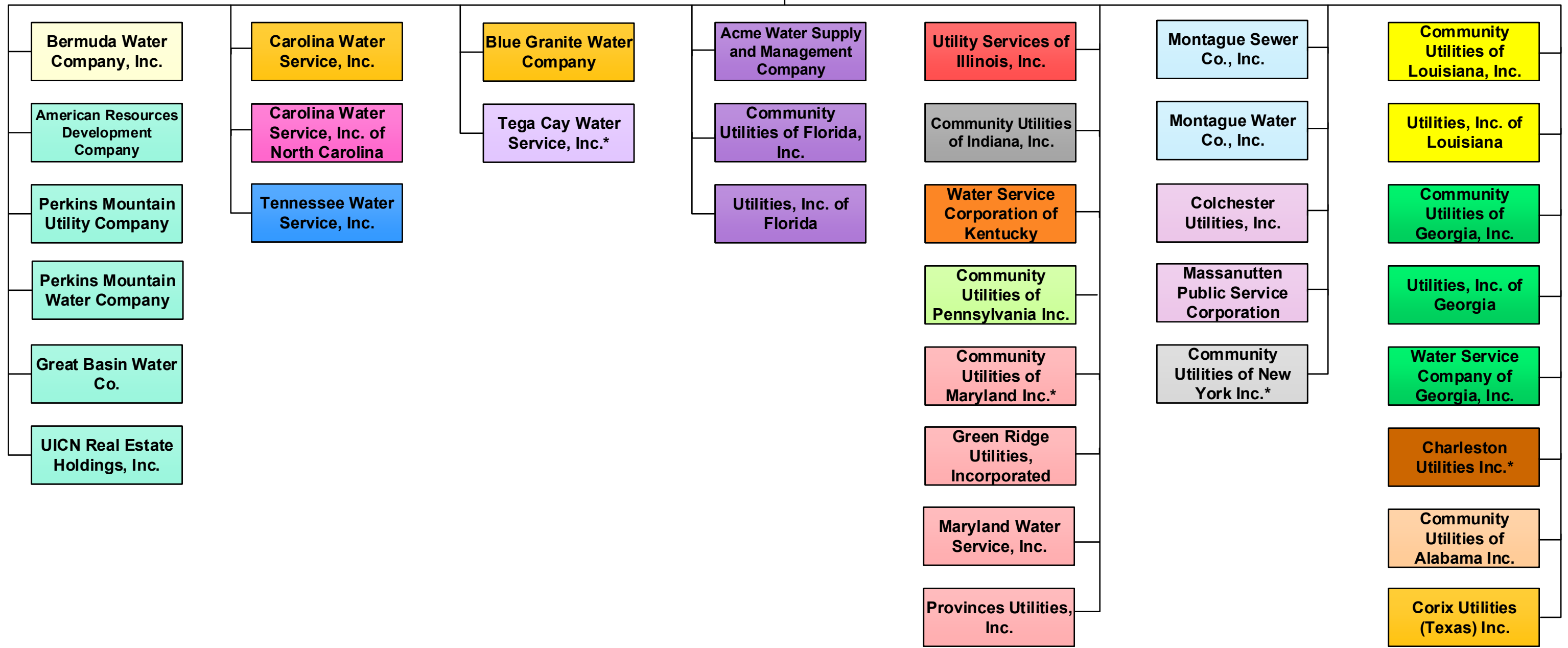
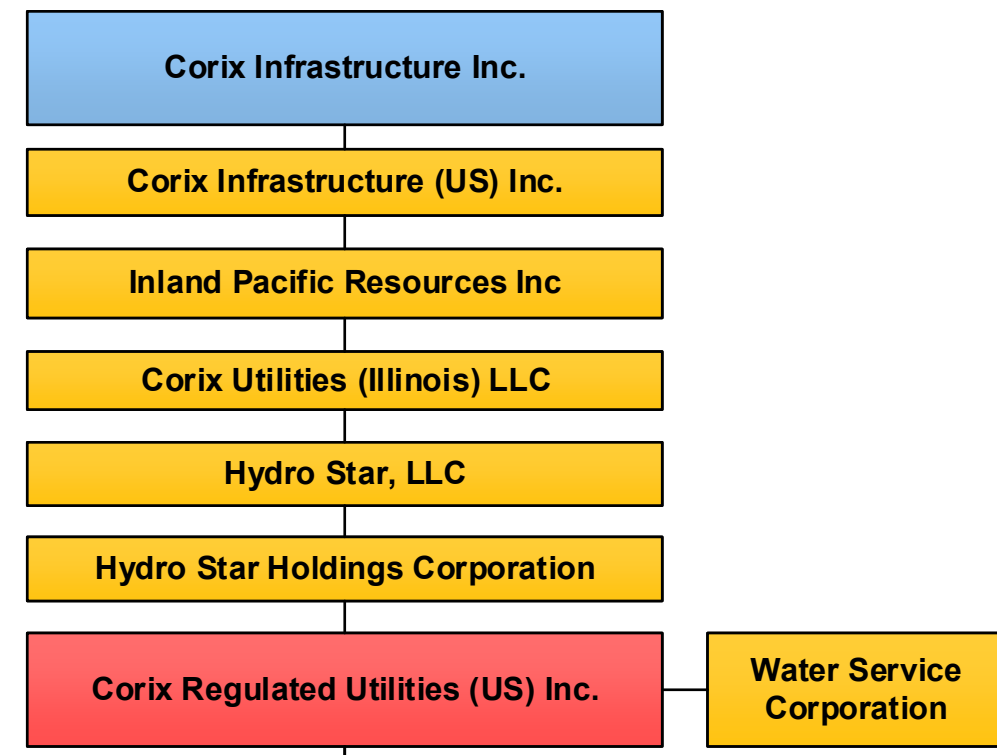
OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida

Colour Codes (Province/ State Where Entity Was Formed)		
Alabama	Arizona	Columbia
Delaware	Florida	Georgia
Illinois	Indiana	Kentucky
Louisiana	Maryland	Mississippi
North Carolina	New Jersey	Nevada
New York	Pennsylvania	South Carolina
Tennessee	Virginia	*Inactive Entity



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk, and Seminole Counties by Utilities, Inc.)
of Florida.)
_____)

Docket No. 20200139-WS

EXHIBIT (SME-3) _____

OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida

AGREEMENT

Agreement dated December 19, 2007 between Water Service Corp., a Delaware corporation (hereinafter called the “**Service Company**”) and Utilities, Inc. of Florida (hereinafter called the “**Operating Company**”):

WHEREAS, both the Service Company and the Operating Company are subsidiaries of or affiliated with Utilities, Inc., an Illinois corporation (hereinafter called the “**Parent**”); and

WHEREAS, the Service Company maintains an organization which includes among its officers and employees, persons who are familiar with the development, business and property of the Operating Company and are experienced in the conduct, management, financing, construction, accounting and operation of water and sewer properties and are qualified to be of great aid and assistance to the Operating Company through the services to be performed under this Agreement; and

WHEREAS, the Service Company has or proposes to enter into agreements similar to this Agreement with certain affiliated water and/or sewer companies (hereinafter referred to collectively as the “**Operating Companies**”); and

WHEREAS, the services to be rendered under this Agreement are to be rendered at cost and without profit to the Service Company;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

The Service Company will furnish to the Operating Company, upon the terms and conditions hereinafter set forth, the following services:

- A. EXECUTIVE: The principal executive officers of the Service Company, such as the Chairman of the Board, President and Vice Presidents, and Treasurer will assist and advise the Operating Company in respect to corporate, financial, operating, engineering, organization, regulatory, and other

problems. They will keep themselves informed in regard to the operation, maintenance and financial condition of, and other matters relating to, the Operating Company through contacts with the officers, directors and other representatives of the Operating Company. Such officers of the Service Company will visit the property of the Operating Company when necessary to the proper furnishing of the services provided for in this Agreement. They will also supervise the personnel of the Service Company to the end that services under this Agreement shall be performed efficiently, economically and satisfactorily to the Operating Company.

- B. ENGINEERING: The Service Company will supply engineering services as required in all areas of design, construction, operation and management of the Operating Company.
- C. OPERATING: The Service Company will furnish competent personnel to perform and/or control all normal operating functions, including pumping, treatment, and distribution as well as maintenance of all equipment and facilities. These responsibilities will include testing and record keeping to insure compliance with all state and local regulatory agency requirements.
- D. ACCOUNTING: The Service Company will provide total accounting service, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, P.S.C. annual reports, etc. Periodic analyses will be made for purposes of planning and measurement of efficiency.
- E. LEGAL: The Service Company will employ general counsel as necessary to advise and assist it in the performance of the services herein provided for and to aid the operating company in all matters where such assistance may be desired.
- F. BILLING AND CUSTOMER RELATIONS: The Service Company will handle all billing and collections. It will serve as the link between the customer and

the Operating Company in all areas such as new accounts, deposits, meter reading, inquiries, and complaints.

- G. CONSTRUCTION: The Service Company will perform directly or supervise all construction, including customer connections, meter installations, main extensions, plant expansions, or capital additions of any nature as required by the Operating Company.
- H. ALL OTHER SERVICES AS PROVIDED FOR IN APPENDIX A: In addition to items (A) through (G), the Service Company will employ or provide personnel to perform the attached services, or in the instance of assets. Liabilities, and associated non-cash items, has incurred costs associated with providing service to the corporate headquarters, regional areas, or to all operating companies as a whole. The allocated costs from these services will be for costs attributable to all operating companies, costs attributable to the Service Company, or for costs that cannot, without excessive effort and expense, be directly identified and related to services rendered to a particular operating company.

In consideration for the services to be rendered by the Service Company as hereinabove provided, the Operating Company agrees to pay to the Service Company the cost of said services. Said cost shall not include a markup for profit. In addition, the investment in the Service Company rate base, including depreciation, amortization, interest on debt and a return on the equity invested.

All costs of the Service Company, including salaries and other expenses, incurred in connection with services rendered by the Service Company for the Operating Companies which can, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be charged directly to such company. Examples of such costs to be directly allocated include salary and other expenses incurred for specific projects such as rate cases, construction projects, legal proceedings, etc. Similarly, all such costs which may be identified and related to

services rendered to a particular group of the Operating Companies shall be charged directly to such group of the Operating Companies.

All such costs which, because of their nature, cannot, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be allocated among all the Operating Companies, in the manner hereinafter set forth.

First, the allocable costs shall be distributed on a monthly basis, unless the Parent should elect to make a supplementary analysis for a special purpose.

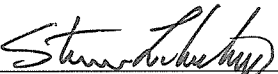
Secondly, these costs will be prorated on the basis of the proportion of active Equivalent Residential Customers ("ERCs") served by the Operating Company to the total number of active ERCs served by the Parent and its affiliates (including, without limitation, the Operating Company), determined as of the end of each month. For purposes of this Agreement, the number of ERCs attributable to each water and sewer connection maintained by the Parent and its affiliates (including, without limitation, the Operating Company) will be determined by applying the formulae set forth in Appendix B.

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the services rendered by the Service Company hereunder, the cost thereof and the allocation of such cost among the Operating Companies. In the case of services in connection with construction, the Service Company will, to the extent practicable, furnish to the Operating Company such information as shall be necessary to permit the allocation of charges for such services to particular work orders.


This Agreement shall be in full force and effect from the date as hereinabove mentioned and shall continue in full force and effect until termination by either of the parties hereto upon ninety days notice in writing.

IN WITNESS WHEREOF, the Service Company and the Operating Company have caused these presence to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attest by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.


Water Service Corporation

BY  _____
Steven Lubertozi
Vice President and Chief Financial
Officer

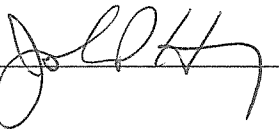
Attest

 _____

Utilities, Inc. of Florida

BY  _____
Steven Lubertozi
Vice President and Chief Financial
Officer

Attest

 _____

AFFILIATE AGREEMENT
APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies at a business unit level.

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies.

<u>JDE Object Number</u>	<u>Account Description</u>	<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
5505	Agency Expense	1030		Land & Land Rights Pump
5525	Bill Stock	1035		Land & Land Rights Wtr Trt
5530	Billing Computer Supplies	1040		Land & Land Rights Trans Dist
5535	Billing Envelopes	1045		Land & Land Rights Gen Plt
5540	Billing Postage	1175		Office Struct & Imprv
5545	Customer Service Printing	1180		Office Furn & Eqpt
5625	401K/ESOP Contributions	1190		Tool Shop & Misc Eqpt
5630	Dental Premiums	1205		Communication Eqpt
5635	Dental Ins Reimbursements	1260		Land & Land Rights Intang Plt
5640	Emp Pensions & Benefits	1265		Land & Land Rights Coll Plt
5645	Employee Ins Deductions	1270		Land & Land Rights Trmnt Plt
5650	Health Costs & Other	1275		Land & Land Rights Reclaim Wtp
5655	Health Ins Reimbursements	1280		Land & Land Rights Rel Dst Plt
5660	Other Emp Pensions/Benefits	1285		Land & Land Rights Gen Plt
5665	Pension Contributions	1455		Office Struct & Imprv
5670	Term Life Ins	1460		Office Furn & Eqpt
5675	Term Life Ins - Opt	1470		Tool Shop & Misc Eqpt
5680	Depend Life Ins - Opt	1485		Communication Eqpt
5685	Supplemental Life Ins	1575		Desktop Computer Wtr
5690	Tuition	1580		Mainframe Computer Wtr
5700	Insurance - Vehicle	1585		Mini Computers Wtr
5705	Insurance - Gen Liab	1590		Comp Sys Cost Wtr
5710	Insurance - Workers Comp	1595		Micro Sys Cost Wtr
5715	Insurance - Other	1605		Desktop Computer Swr
5735	Computer Maintenance	1610		Mainframe Computer Swr
5740	Computer Supplies	1615		Mini Computers Swr
5745	Computer Amort & Prog Cost	1620		Comp Sys Cost Swr
5750	Internet Supplier	1625		Micro Sys Cost Swr
5755	Microfilming	1741		Other Plant In Process History
5760	Website Development	1745	00301	Wip-Cap Time Office Renovation
5785	Advertising/Marketing	1745	00302	Wip-Cap Time Electrical
5790	Bank Service Charges	1745	00303	Wip-Cap Time Lab Expansion
5795	Contributions	1745	00304	Wip-Cap Time Computer Equipmnt
5800	Letter of Credit Fee	1745	00305	Wip-Cap Time Computer Software
5805	License Fees	1746	00306	Wip-Cap Time Radio Equipment
5810	Memberships	1746	00301	Wip - Interest During Constr
5815	Penalties/Fines	1746	00302	Wip - Interest During Constr
5820	Training Expense	1746	00303	Wip - Interest During Constr
5825	Other Misc Expense	1746	00304	Wip - Interest During Constr
5855	Answering Service	1746	00305	Wip - Interest During Constr
5855	Answering Service	1747	00306	Wip - Labor/Installation
5860	Cleaning Supplies	1747	00303	Wip - Labor/Installation
5865	Copy Machine	1747	00304	Wip - Labor/Installation
5870	Holiday Events/Picnics	1747	00305	Wip - Labor/Installation
5875	Kitchen Supplies	1748	00302	Wip - Equipment
5880	Office Supply Stores	1748	00303	Wip - Equipment
5885	Printing/Blueprints	1748	00304	Wip - Equipment
5890	Publ Subscriptions/Tapes	1748	00306	Wip - Equipment
5895	Shipping Charges	1749	00303	Wip - Material
5900	Other Office Expenses	1749	00301	Wip - Material
5930	Office Electric	1749	00302	Wip - Material
5935	Office Gas	1749	00303	Wip - Material
5940	Office Water	1749	00304	Wip - Material
5945	Office Telecom	1750	00305	Wip - Material
5950	Office Garbage Removal	1750	00306	Wip - Material
5955	Office Landscape / Mow / Plow	1751	00301	Wip - Electrical
5960	Office Alarm Sys Phone Exp	1752	00301	Wip - Site Work
5965	Office Maintenance	1752	00301	Wip - Contractor/Labor
5970	Office Cleaning Service	1752	00302	Wip - Contractor/Labor
5975	Office Machine/Heat&Cool	1753	00301	Wip - Architect/Designer
5980	Other Office Utilities	1753	00302	Wip - Architect/Designer
5985	Telemetering Phone Expense	1753	00303	Wip - Architect/Designer
6005	Accounting Studies	1754	00303	Wip - Building Addition
6010	Audit Fees	1755	00301	Wip - Furniture
6015	Employ Finder Fees	1755	00302	Wip - Furniture
6020	Engineering Fees	1756	00301	Wip - Heating/Air Condition
6025	Legal Fees	1756	00302	Wip - Heating/Air Condition
6030	Management Fees	1757	00301	Wip - Interior Finish
6035	Payroll Services	1757	00302	Wip - Interior Finish
6040	Tax Return Review	1758	00305	Wip - Modification/Convert
6045	Temp Employ - Cleri	1759	00304	Wip - Remodeling
6050	Other Outside Serv	1769	00301	Wip - Transfer To Fixed Assets
6075	Water Resource Conserve Exp	1769	00302	Wip - Transfer To Fixed Assets
6090	Rent	1769	00303	Wip - Transfer To Fixed Assets
6105	Salaries - System Project	1769	00304	Wip - Transfer To Fixed Assets
6110	Salaries - Acctg/Finance	1769	00305	Wip - Transfer To Fixed Assets
6115	Salaries - Admin	1771	00306	Wip - Transfer To Fixed Assets
6120	Salaries - Officers/Sikhdr	1771		Deferred Plant In Process History
6125	Salaries - HR	1775	00401	Wip-Cap Time Water Tower Paint
6130	Salaries - MIS	1775	00402	Wip-Cap Time W/S Plt Paint
			00403	Wip-Cap Time Water Tank Paint
			00404	Wip-Cap Time Clean Sewer Line

AFFILIATE AGREEMENT
APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies at a business unit level

JDE Object Number	Account Description
6135	Salaries - Leadership Ops
6140	Salaries - Regulatory
6145	Salaries - Customer Service
6185	Travel Lodging
6190	Travel Airfare
6195	Travel Transportation
6200	Travel Meals
6205	Travel Entertainment
6207	Travel Other
6355	Deferred Maint Expense
6360	Communication Expense
6365	Equipment Rentals
6385	Uniforms
6390	Weather/Hurricane Costs
6580	Deprec-Office Structure
6585	Deprec-Office Furn/Eqpt
6610	Deprec-Communication Eqpt
6615	Deprec-Misc Equipment
6820	Deprec-Office Structure
6825	Deprec-Office Furn/Eqpt
6850	Deprec-Communication Eqpt
6855	Deprec-Misc Equipment
6920	Deprec-Computer
7510	FICA Expense
7515	Federal Unemployment Tax
7520	State Unemployment Tax
7535	Franchise Tax
7540	Gross Receipts Tax
7545	Personal Property/ICT Tax
7550	Property/Other General Tax
7555	Real Estate Tax
7560	Sales/Use Tax Expense
7565	Special Assessments
7665	Extraordinary Gain/Loss
7670	Extraordinary Deductions
7680	Rental Income
7685	Interest Income
7690	Sale of Equipment

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies

JDE Object Number	Subsidiary Number	Account Description
1030		Land & Land Rights Pump
1775	00405	Wip-Cap Time Chng Filter Media
1775	00406	Wip-Cap Time Tv Sewer Main
1775	00407	Wip-Cap Time Sludge & Hauling
1775	00408	Wip-Cap Time W/S Plt Landscape
1776	00401	Wip - Interest During Constr
1776	00402	Wip - Interest During Constr
1776	00403	Wip - Interest During Constr
1776	00404	Wip - Interest During Constr
1776	00405	Wip - Interest During Constr
1776	00406	Wip - Interest During Constr
1776	00407	Wip - Interest During Constr
1776	00408	Wip - Interest During Constr
1777	00408	Wip - Engineering
1778	00401	Wip - Labor/Installation
1779	00401	Wip - Equipment
1779	00404	Wip - Equipment
1779	00406	Wip - Equipment
1780	00401	Wip - Material
1780	00402	Wip - Material
1780	00403	Wip - Material
1780	00404	Wip - Material
1780	00405	Wip - Material
1780	00406	Wip - Material
1780	00407	Wip - Material
1780	00408	Wip - Material
1781	00408	Wip - Site Work
1782	00401	Wip - Contractor/Labor
1782	00402	Wip - Contractor/Labor
1782	00403	Wip - Contractor/Labor
1782	00405	Wip - Contractor/Labor
1782	00406	Wip - Contractor/Labor
1783	00404	Wip - Grouting/Sealing
1784	00404	Wip - Jet Cleaning
1785	00407	Wip - Pump & Haul Sludge
1786	00404	Wip - Rental/Machine
1786	00405	Wip - Rental/Machine
1787	00402	Wip - Repair
1787	00403	Wip - Repair
1799	00401	Wip - Transfer To Fixed Assets
1799	00402	Wip - Transfer To Fixed Assets
1799	00403	Wip - Transfer To Fixed Assets
1799	00404	Wip - Transfer To Fixed Assets
1799	00405	Wip - Transfer To Fixed Assets
1799	00406	Wip - Transfer To Fixed Assets
1799	00407	Wip - Transfer To Fixed Assets
1799	00408	Wip - Transfer To Fixed Assets
1970		Acc Depr-Office Structure
1975		Acc Depr-Office Furn/Eqpt
1985		Acc Depr-Tool Shop & Misc Eqpt
2000		Acc Depr-Communication Eqpt
2215		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Eqpt
2230		Acc Depr-Tool Shop & Misc Eqpt
2245		Acc Depr-Communication Eqpt
2315		Acc Depr-Desktop Computer Wtr
2320		Acc Depr-Mainframe Comp Wtr
2325		Acc Depr-Mini Comp Wtr
2330		Comp Sys Amortization Wtr
2335		Micro Sys Amortization Wtr
2345		Acc Depr-Desktop Computer Swr
2350		Acc Depr-Mainframe Comp Swr
2355		Acc Depr-Mini Comp Swr
2360		Comp Sys Amortization Swr
2365		Micro Sys Amortization Swr
2950		Def Chgs-Landscaping
2955		Def Chgs-Customer Complaints
2960		Def Chgs-Tank Maint&Rep Wtr
2965		Def Chgs-Relocation Expenses
2970		Def Chgs-Attorney Fee
2975		Def Chgs-Hurricane/Storms Cost
2980		Def Chgs-Emp Fees
2985		Def Chgs-Other
3000		Def Chgs-Other Wtr & Swr
3005		Def Chgs-Voc Testing
3020		Def Chgs-Sludge Hauling
3025		Def Chgs-Pr Wash/Jet Swr Mains
3030		Def Chgs-Tv Sewer Mains
3040		Def Chgs-Tank Maint&Rep Swr
3080		Amort - Landscaping
3090		Amort - Customer Complaints

AFFILIATE AGREEMENT
 APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies at a business unit level:

JDE Object Number Account Description

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
3110		Amort - Tank Maint&Rep Wtr
3120		Amort - Relocation Exp
3125		Amort - Attorney Fee
3130		Amort - Hurricane/Storms
3135		Amort - Employee Fees
3140		Amort - Other
3155		Amort - Other Wtr & Swr
3160		Amort - Voc Testing
3175		Amort - Sludge Hauling
3180		Amort - Pr Wash/Jet Swr Mains
3185		Amort - Tv Sewer Mains
3195		Amort - Tank Maint&Rep Swr
4367		Accum Def Income Tax-Fed
4369		Def Fed Tax - Ciac Pre 1987
4371		Def Fed Tax - Tap Fee Post 2000
4373		Def Fed Tax - Idc
4375		Def Fed Tax - Rate Case
4377		Def Fed Tax - Def Maint
4379		Def Fed Tax - Other Operation
4381		Def Fed Tax - Sold Co
4383		Def Fed Tax - Orgn Exp
4385		Def Fed Tax - Bad Debt
4387		Def Fed Tax - Depreciation
4389		Def Fed Tax - Nol
4391		Def Fed Tax - Cont Prop
4393		Def Fed Tax - Amt
4395		Def Fed Tax - Pre Acers
4397		Def Fed Tax - Res Cap Fee
4417		Accum Def Income Tax - St
4419		Def St Tax - Ciac Pre 1987
4421		Def St Tax - Tap Fee Post 2000
4423		Def St Tax - Idc
4425		Def St Tax - Rate Case
4427		Def St Tax - Def Maint
4429		Def St Tax - Other Operation
4431		Def St Tax - Sold Co
4433		Def St Tax - Orgn Exp
4435		Def St Tax - Bad Debt
4437		Def St Tax - Depreciation
4439		Def St Tax - Nol
4441		Def St Tax - Cont Prop
4443		Def St Tax - Amt
4445		Def St Tax - Res Cap Fee

AFFILIATE AGREEMENT
 APPENDIX B

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies:

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
1035		Land & Land Rights Wtr Trt
1040		Land & Land Rights Trans Dist
1045		Land & Land Rights Gen Plt
1175		Office Struct & Imprv
1180		Office Furn & Eqpt
1190		Tool Shop & Misc Eqpt
1205		Communication Eqpt
1260		Land & Land Rights Intang Plt
1265		Land & Land Rights Coll Plt
1270		Land & Land Rights Trtmnt Plt
1275		Land & Land Rights Reclaim Wtp
1280		Land & Land Rights Rcl Dst Plt
1285		Land & Land Rights Gen Plt
1455		Office Struct & Imprv
1460		Office Furn & Eqpt
1470		Tool Shop & Misc Eqpt
1485		Communication Eqpt
1575		Desktop Computer Wtr
1580		Mainframe Computer Wtr
1585		Mini Computers Wtr
1590		Comp Sys Cost Wtr
1595		Micro Sys Cost Wtr
1605		Desktop Computer Swr
1610		Mainframe Computer Swr
1615		Mini Computers Swr
1620		Comp Sys Cost Swr
1625		Micro Sys Cost Swr
1741		Other Plant In Process History
1745	00301	Wip-Cap Time Office Renovation
1745	00302	Wip-Cap Time Electrical
1745	00303	Wip-Cap Time Lab Expansion
1745	00304	Wip-Cap Time Computer Equipmnt
1745	00305	Wip-Cap Time Computer Software
1745	00306	Wip-Cap Time Radio Equipment
1746	00301	Wip - Interest During Constr
1746	00302	Wip - Interest During Constr
1746	00303	Wip - Interest During Constr
1746	00304	Wip - Interest During Constr
1746	00305	Wip - Interest During Constr
1746	00306	Wip - Interest During Constr
1747	00303	Wip - Labor/Installation

1747	00304	Wip - Labor/Installation
1747	00305	Wip - Labor/Installation
1748	00302	Wip - Equipment
1748	00303	Wip - Equipment
1748	00304	Wip - Equipment
1748	00306	Wip - Equipment
1749	00301	Wip - Material
1749	00302	Wip - Material
1749	00303	Wip - Material
1749	00304	Wip - Material
1749	00305	Wip - Material
1749	00306	Wip - Material
1750	00301	Wip - Electrical
1751	00301	Wip - Site Work
1752	00301	Wip - Contractor/Labor
1752	00302	Wip - Contractor/Labor
1753	00301	Wip - Architect/Designer
1753	00302	Wip - Architect/Designer
1753	00303	Wip - Architect/Designer
1754	00303	Wip - Building Addition
1755	00301	Wip - Furniture
1755	00302	Wip - Furniture
1756	00301	Wip - Heating/Air Condition
1756	00302	Wip - Heating/Air Condition
1757	00301	Wip - Interior Finish
1757	00302	Wip - Interior Finish
1758	00305	Wip - Modification/Convert
1759	00304	Wip - Remodeling
1769	00301	Wip - Transfer To Fixed Assets
1769	00302	Wip - Transfer To Fixed Assets
1769	00303	Wip - Transfer To Fixed Assets
1769	00304	Wip - Transfer To Fixed Assets
1769	00305	Wip - Transfer To Fixed Assets
1769	00306	Wip - Transfer To Fixed Assets
1771		Deferred Plant In Process History
1775	00401	Wip-Cap Time Water Tower Paint
1775	00402	Wip-Cap Time W/S Plt Paint
1775	00403	Wip-Cap Time Water Tank Paint
1775	00404	Wip-Cap Time Clean Sewer Line
1775	00405	Wip-Cap Time Chng Filter Media
1775	00406	Wip-Cap Time Tv Sewer Main
1775	00407	Wip-Cap Time Sludge & Hauling
1775	00408	Wip-Cap Time W/S Plt Landscape
1776	00401	Wip - Interest During Constr
1776	00402	Wip - Interest During Constr
1776	00403	Wip - Interest During Constr
1776	00404	Wip - Interest During Constr
1776	00405	Wip - Interest During Constr
1776	00406	Wip - Interest During Constr
1776	00407	Wip - Interest During Constr
1776	00408	Wip - Interest During Constr
1777	00408	Wip - Engineering

1778	00401	Wip - Labor/Installation
1779	00401	Wip - Equipment
1779	00404	Wip - Equipment
1779	00406	Wip - Equipment
1780	00401	Wip - Material
1780	00402	Wip - Material
1780	00403	Wip - Material
1780	00404	Wip - Material
1780	00405	Wip - Material
1780	00406	Wip - Material
1780	00407	Wip - Material
1780	00408	Wip - Material
1781	00408	Wip - Site Work
1782	00401	Wip - Contractor/Labor
1782	00402	Wip - Contractor/Labor
1782	00403	Wip - Contractor/Labor
1782	00405	Wip - Contractor/Labor
1782	00406	Wip - Contractor/Labor
1783	00404	Wip - Grouting/Sealing
1784	00404	Wip - Jet Cleaning
1785	00407	Wip - Pump & Haul Sludge
1786	00404	Wip - Rental/Machine
1786	00405	Wip - Rental/Machine
1787	00402	Wip - Repair
1787	00403	Wip - Repair
1799	00401	Wip - Transfer To Fixed Assets
1799	00402	Wip - Transfer To Fixed Assets
1799	00403	Wip - Transfer To Fixed Assets
1799	00404	Wip - Transfer To Fixed Assets
1799	00405	Wip - Transfer To Fixed Assets
1799	00406	Wip - Transfer To Fixed Assets
1799	00407	Wip - Transfer To Fixed Assets
1799	00408	Wip - Transfer To Fixed Assets
1970		Acc Depr-Office Structure
1975		Acc Depr-Office Furn/Eqpt
1985		Acc Depr-Tool Shop & Misc Eqpt
2000		Acc Depr-Communication Eqpt
2215		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Eqpt
2230		Acc Depr-Tool Shop & Misc Eqpt
2245		Acc Depr-Communication Eqpt
2315		Acc Depr-Desktop Computer Wtr
2320		Acc Depr-Mainframe Comp Wtr
2325		Acc Depr-Mini Comp Wtr
2330		Comp Sys Amortization Wtr
2335		Micro Sys Amortization Wtr
2345		Acc Depr-Desktop Computer Swr
2350		Acc Depr-Mainframe Comp Swr
2355		Acc Depr-Mini Comp Swr
2360		Comp Sys Amortization Swr
2365		Micro Sys Amortization Swr
2950		Def Chgs-Landscaping

2955	Def Chgs-Customer Complaints
2960	Def Chgs-Tank Maint&Rep Wtr
2965	Def Chgs-Relocation Expenses
2970	Def Chgs-Attorney Fee
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3090	Amort - Customer Complaints
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4417	Accum Def Income Tax - St
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4435	Def St Tax - Bad Debt
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4439	Def St Tax - Nol
4441	Def St Tax - Cont Prop
4443	Def St Tax - Amt
4445	Def St Tax - Res Cap Fee

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk, and Seminole Counties by Utilities, Inc.)
of Florida.)
_____)

Docket No. 20200139-WS

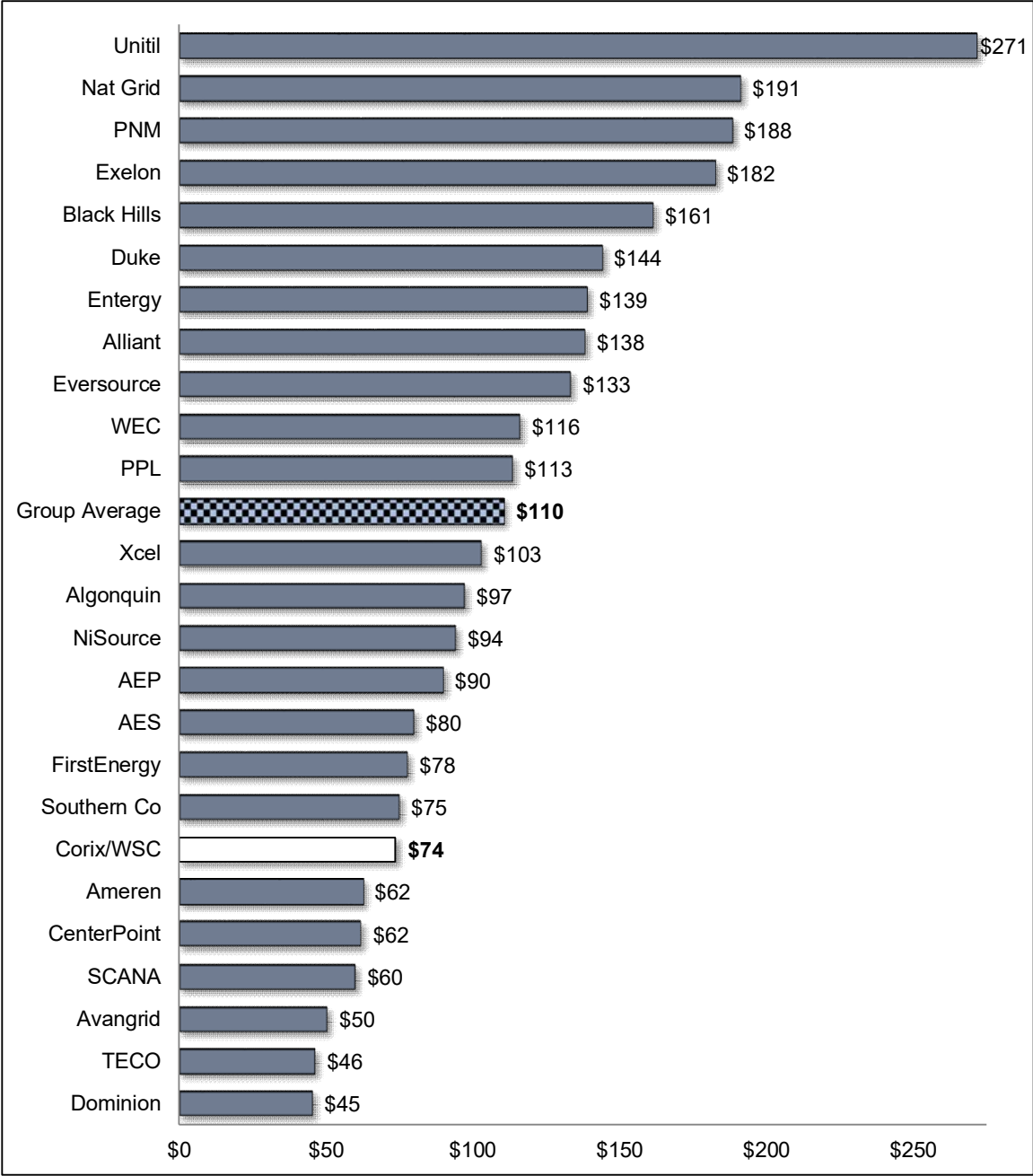
EXHIBIT (SME-4) _____

OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk, and Seminole Counties by Utilities, Inc.)
of Florida.)
_____)

Docket No. 20200139-WS

EXHIBIT (SME-5) _____

OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida

Service Provider	Cost Per Hour Difference		
	Corix/WSC	Outside Providers	Difference - Corix/WSC Greater(Less) Than Outside
Management Consultant	\$ 137	\$ 293	\$ (156)
Certified Public Accountant	\$ 95	\$ 164	\$ (69)
IT Consultant	\$ 73	\$ 196	\$ (123)

Source: Company information; Baryenbruch & Company, LLC, analysis

Service Provider	Total Cost Difference		
	Hourly Rate Difference - Corix/WSC Greater(Less) Than Outside	Corix/WSC Hours Charged	Dollar Difference
Management Consultant	\$ (156)	47,215	\$ (7,365,486)
Certified Public Accountant	\$ (69)	37,491	\$ (2,586,884)
IT Consultant	\$ (123)	20,328	\$ (2,500,303)
Net Corix/WSC Less Than Outside Providers			\$ (12,452,673)

Source: Company information; Baryenbruch & Company, LLC, analysis

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and)
wastewater rates in Charlotte, Highlands,)
Lake, Lee, Marion, Orange, Pasco, Pinellas,)
Polk, and Seminole Counties by Utilities, Inc.)
of Florida.)
_____)

Docket No. 20200139-WS

EXHIBIT (SME-6) _____

OF

SHAWN M. ELICEGUI

on behalf of

Utilities, Inc. of Florida

Corix Regulated Utilities (US) Inc.
Evaluation of Necessity of Services and
Reasonableness of Charges from
Water Services Corporation
During the 12 Months Ended December 31, 2019

April 2020

Corix Regulated Utilities (US) Inc.

**Evaluation of Necessity of Services and
Reasonableness of Charges from
Water Services Corporation
During the 12 Months Ended December 31, 2019**

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I – Executive Summary

Purpose of This Evaluation

This study was undertaken to determine the necessity and reasonableness of services provided by: (1) Water Services Corporation (“WSC”) directly in support of the regulated utility subsidiaries of Corix Regulated Utilities (US), Inc. (“CRU US”) and (2) parent holding company Corix Infrastructure, Inc, (“Corix”) in support of WSC. During 2019, approximately \$22.8 million was allocated to CRU US utilities by the two affiliates, as shown below.

	2019 Charges to CRU US Utilities
Corix Corporate Services (A)	\$ 5,841,745
WSC Shared Services (B)	\$ 16,925,098
Total	\$ 22,766,843

Note A: Excludes Corporate Development charges, which CRU US utilities have not included in revenue requirement

Total Corp Svcs Charges to WSC	\$ 6,630,587
Less: Business Dev Charges	\$ (788,842)
Net Corporate Services Charges	\$ 5,841,745

Note B: WSC 2019 Shared Service includes the following charges:

Accounting	\$ 2,157,804
Administrative Services	\$ 2,015,229
Communications/Engineering	\$ 246,616
Corporate Projects	\$ (93,833)
Customer Care & Billing	\$ 998,123
Customer Service	\$ 1,872,167
Executive Management	\$ 2,466,571
Health, Safety & Environmental	\$ 256,704
Human Resources	\$ 1,025,948
Information Technology	\$ 5,424,679
Water Service Corporation	\$ 555,089
Total Shared Services Charges	\$ 16,925,098

Source: Company information

Baryenbruch & Company, LLC, answered the following questions to determine the necessity and reasonableness of WSC costs and services:

Necessity of Corix/WSC Support Services

1. Are the services provided by WSC directly and as supported through Corix to CRU US regulated utilities comparable to services provided by other utility service companies?
2. Are the services provided by WSC directly and as supported through Corix beneficial to CRU US regulated utilities?
3. Are the services provided by WSC directly and as supported through Corix duplicative or overlapping with work performed by CRU US regulated utilities themselves?
4. Do governance structure and processes exist to ensure services provided by WSC directly and as supported by Corix are necessary to CRU US regulated utilities?

Reasonableness of Corix/WSC Support Services

5. Are 2019 charges for services provided by WSC directly and as supported through Corix to CRU US regulated utilities in line with charges of other utility service companies to their regulated utility affiliates?

I – Executive Summary

6. Are 2019 services provided by WSC directly and as supported through Corix to CRU US regulated utilities priced at the lower of cost or market?
7. Are CRU US utilities' total 2019 customer accounts expenses, including charges directly from WSC as supported through Corix, comparable to the costs of other utilities?
8. Are 2019 services provided by WSC directly and as supported through Corix comparably priced to all CRU US regulated utilities?

Evaluation Results

Based upon its evaluation, Baryenbruch & Company, LLC, is able to reach the following conclusions regarding the necessity of services provided by WSC directly and as supported through Corix to CRU US utilities and the reasonableness of the associated charges:

- Question 1: Services provided by WSC directly and as supported through Corix are comparable to those offered by other service companies among a comparison group of utility service companies.
- Question 2: Services provided by WSC directly and as supported through Corix are necessary and would be required even if CRU US utilities were stand-alone utilities. These services to CRU US utilities during 2019 can be associated with one or more benefit categories.
- Question 3: There is no redundancy or overlap in services provided by WSC directly and as supported through Corix to CRU US utilities based on an analysis of the responsibilities for utility functions.
- Question 4: The governance structure and processes applied to WSC charges contribute to ensuring that their services to CRU US utilities are necessary.
- Question 5: 2019 charges for services provided by WSC directly and as supported through Corix to CRU US utilities are below the comparison group average. CRU US utilities were charged \$74 per customer for A&G-related services. This is lower than the service company comparison group's average of \$110 per-customer cost for A&G-related charges to affiliates.
- Question 6: Services from WSC directly and as supported through Corix are provided at a cost lower than outside providers.
 - On average, the hourly rates for outside service providers are approximately 108% higher than comparable hourly rates charged by WSC and Corix
 - If all of the managerial and professional services now provided by WSC directly and as supported through Corix had been outsourced during 2019, CRU US utilities and their customers would have incurred more than \$12.4 million in additional expenses
 - WSC charges (for both its direct services and those supported through Corix) do not include any profit markup. Only their actual cost of the service is allocated to CRU US utilities.
- Question 7: The cost of customer accounts services provided directly by WSC and as supported through Corix, including those provided by the national call centers, is below the average of the utility comparison group. During 2019, the cost of customer accounts services for CRU US utilities customers was \$26.22 per customer, compared to the average of \$28.85 for comparison group utilities.

I – Executive Summary

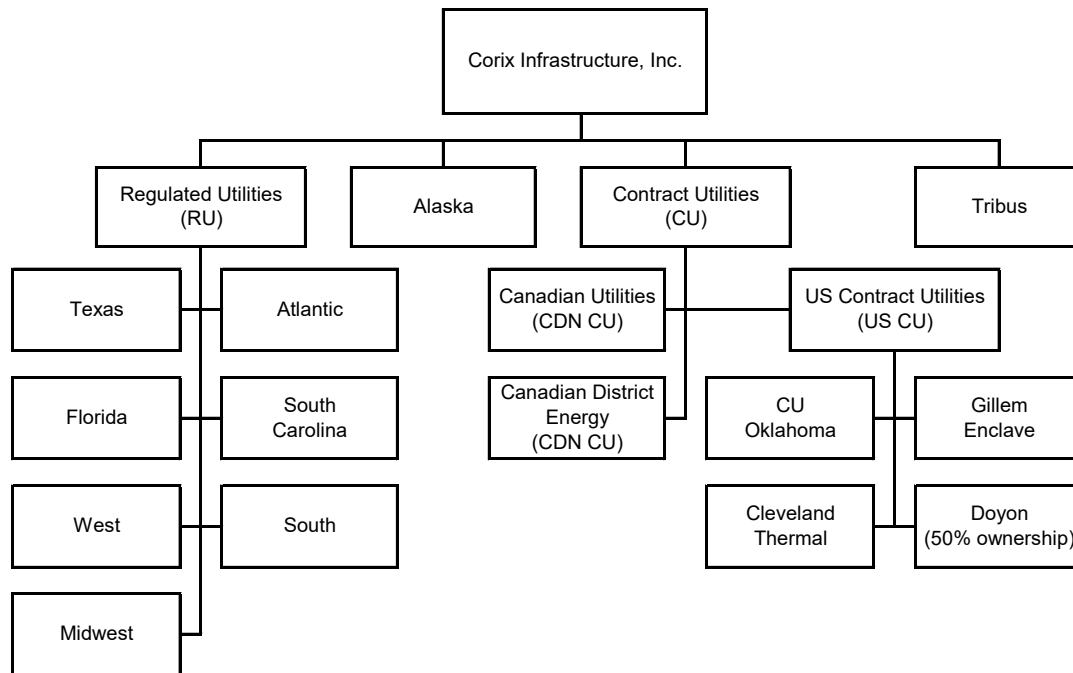
- Question 8: Services provided by WSC directly and as supported through Corix to all CRU US utilities are priced comparably, as evidenced by the following:
 - Separate books of accounts and records are maintained for WSC and Corix
 - WSC and Corix costs are allocated and assigned on a fully distributed cost basis
 - Allocation factors employed are commonly used by other utility service companies
 - Services are priced the same to all affiliates, that is, at WSC's and Corix's cost of providing service
 - Cross-subsidization is avoided.

Consideration of all of these factors supports the conclusion that services provided directly by WSC and as supported through Corix to CRU US utilities are necessary and reasonable.

II - Background

Description of Corix Infrastructure, Inc.

Corix is a privately held corporation that is owned by certain affiliates of British Columbia Investment Management Corporation. Corix affiliates provides water, wastewater and energy utility services. Its businesses are organized as of December 31, 2019, as shown below.



Source: Company Information

WSC is a subsidiary of CRU US and provides services directly to CRU US utilities. Corix provides services to WSC in support of the services WSC provides to CRU US utilities. Exhibit 1 (page 5) shows where these affiliates fall in the Corix legal entity structure. Corporate services provided by Corix to WSC and other affiliates include the following, which are described in Exhibit 2 (pages 6-10).

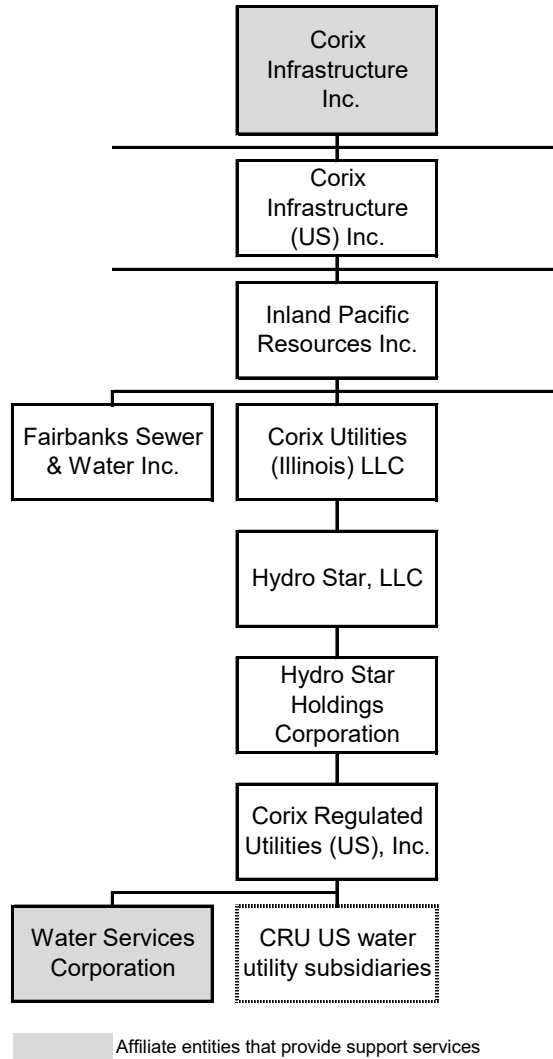
Corporate Office (CEO)	Health, Safety and Environmental
Finance	Corporate Communications
Human Resources	Corporate Development (these costs are currently not included in revenue requirement)
Information Technology	
Legal	Continuous Improvement

Corix is headquartered in Vancouver, British Columbia. As of December 31, 2019, the holding company maintained a staff of 39 in the following locations:

- British Columbia
- Alberta
- Ontario
- United States

Exhibit 1

Corix Regulates Utilities (US) Inc.
Corix Legal Entity Structure



Source: Company information

Corix Regulates Utilities (US) Inc.
Description of Corix Corporate Services

Service Category	Description	Types of Costs
Corporate Office	<p>This area represents the Corix Corporate CEO function. At the regulated operating unit there is a Divisional President who is charged with executing on the business plan for the regulated water and wastewater utilities to serve customers. A regulated utility chief operating officer who works closely with local leadership in evaluating capital investment plans and operating budgets, as well as providing expertise on and leadership in addressing customer concerns, industry best practices, and setting short and long-term operating strategies. The Corix Corporate CEO sets overall direction and corporate strategy, provides guidance to operational leadership to optimize Corix's lines of business and identify complementary aspects of Corix's businesses to achieve synergies where possible for the benefit of multiple stakeholders including the customers of the operating companies, interacts with shareholders to source capital, and at a high-level works with other members of the Corix Corporate Executive Management Team and the corporate debt holders to secure appropriate financing and rates. The Corix Corporate CEO reviews Corix's and its subsidiaries' activities to foster the corporate culture and values of honesty, integrity, transparency and accountability to our customers, our regulators and our shareholder. The Corix Corporate CEO is the main conduit to shareholders on all matters of governance and ensures an appropriate governance structure exists in each operating unit.</p>	<p>The costs in this group include direct employee labor and non-labor costs for CEO, support staff, etc. Also included are Board of Directors fees and third-party services.</p>
Finance	<p>Corix's head office finance group ("Finance") provides a comprehensive suite of services to the business units, including CFO oversight, accounting support, consolidations, treasury, taxation, internal audit, strategic planning, and full scope corporate reporting.</p> <p>The CFO function provides oversight of the financial affairs of the Corix business units, including long term strategic planning and financial analysis. This also includes full scope management reporting to the board of director and Corix's shareholder.</p> <p>Accounting support includes compliance with GAAP, reconciliation, ERP support and transactional support.</p> <p>Corporate consolidation and controllership provide review and preparation of reports to achieve the "full picture" lens required to access debt and equity financing. In addition, this group oversees all corporate holding companies, accounting for reorganizations and tax planning initiatives, and presents results and budgets to audit committee and the board. Financial reporting policy and research originates from this function.</p>	<p>The costs in this group include direct employee labor and non-labor costs for CFO oversight, accounting support, consolidations, treasury, taxation, internal audit, strategic planning, and full scope corporate reporting, etc. Also included are third party services such as audit and tax along with computer licenses for the corporate performance management tool, etc.</p>

Corix Regulates Utilities (US) Inc.
Description of Corix Corporate Services

Service Category	Description	Types of Costs
Internal Audit	<p>Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. They ensure compliance with laws and regulations, accurate and timely financial reporting and data collection. The business units and WSC and Contract Shared Services do not have an internal audit function. This group is resident in the Corporate Group and provides internal audit services based on annual risk analysis of key areas and also based on requests from business units who may require assessments of processes, fraud investigations or IT control assessments. Their assessment findings are generally available to all business units unless there is some issue of confidentiality or litigation.</p>	<p>The costs in this function include direct employee labor and non-labor costs.</p>
Taxes	<p>Tax compliance is a necessary function for any corporation to lawfully operate. Each of the businesses must file timely federal and state tax returns and other corporate filings. The Corix Corporate tax group coordinates the tax planning activities for all Corix business units and either undertakes tax compliance activities, directs tax compliance activities taking place in business units or oversees outside tax professionals who may be providing services to individual business units. This group also works with external auditors for annual audit tax provision and reviews of Corix's consolidated financial statements and tax returns.</p> <p>An example of the specific support services this group provides is the assistance across the enterprise in understanding, evaluating and implementing changes related to the Tax Cuts and Jobs Act of 2017 ("TCJA"). The Corporate Tax group also reviews tax provisions used in reporting for bank purposes and other tax regulations to ensure compliance across the enterprise, files the corporate tax return and engages in supervision and tax planning for the Corix group of companies including responding to inquiries, requests or audits that arise from the governing authorities. It also provides strategic tax perspectives into Corix's planning process, coordinates corporate tax audits, and develops and implements cross-border transfer pricing policies. To carry out these responsibilities, the Corix tax group assists the Corix business units in their annual planning and budget cycle and ensures that business unit forecasts are incorporated in corporate strategic planning – another function CRU US could not perform given the consolidated organizational structure of Corix. The Corix tax group also creates and maintains the framework for strong internal tax controls and procedures necessary for any responsibly run and reputable corporation.</p>	<p>The costs in this function include direct employee labor and non-labor costs.</p>
Human Resources Corporate	<p>Corporate HR is responsible for company-wide policies, programs and practices for all aspects of HR function and general overall guidance and direction. HR Shared Services Group (WSC) administers the day-to-day human resource programs and services that are aligned to corporate policies and practices for the business units that it services. Corporate HR sources company-wide vendors to</p>	<p>The costs in this group include direct employee labor and non-labor costs, recruitment expenses, and third-party services such as compensation studies, etc.</p>

Corix Regulates Utilities (US) Inc.
 Description of Corix Corporate Services

Service Category	Description	Types of Costs
Human Resources Corporate (cont.)	<p>get economies of scale for all aspects of HR function such as Total Rewards, Talent Management/Succession Planning, Learning Management and HCM systems. The corporate HR group also arranges benefit programs for employees across the entire Corix organization, which provides significant economies of scale and risk sharing benefits. The corporate group also undertakes activities such as comprehensive compensation reviews, recruitment and human resources administration of executive positions, reporting to the Board and company-wide talent management and leadership training program development, etc.</p>	<p>The costs in this group include direct employee labor and non-labor costs, recruitment expenses and third-party services such as compensation studies, etc.</p>
Treasury	<p>Corix Corporate treasury services include long- and short-term capital needs planning for both debt and equity. Corix Corporate staff interact with the shareholder and the capital markets to arrange, extend, or change terms of financing. This group analyzes the use of private placement versus floating rate versus the use of swaps to find the appropriate stable financing for the entity given its capital and operating needs over the short and long term.</p> <p>Corix Corporate Services also often arranges financing at the local level, but leverages its financing syndicate to optimize the financing rates for the Corix operations. This provides negotiation leverage to get optimal spreads from prime or LIBOR which are for the benefit of customers. Corix Corporate also monitor the use of revolvers and monitor covenant coverage and help ensure interest spreads relative to coverage ratios are optimized to minimize interest costs to the benefit of customers.</p>	<p>The costs in this function include direct employee labor and non-labor costs and banking fees.</p>
Information Technology Governance	<p>The regulated and contract units (through WSC and Contract Shared Services) primarily provisions and maintains their own IT infrastructure and applications, except for some enterprise applications. The IT Strategy group provides IT Strategy and planning services to enhance the overall application and technology services to the organization and identifies opportunities to leverage technology solutions across the group. It is also responsible for the enterprise cyber security program development, maintenance and monitoring, which is a critical function and requires specialist resources, which do not exist within the Regulated Utilities or Contract Utilities group.</p>	<p>The costs in this group include direct employee labor and non-labor costs for IT strategy and planning services such as enterprise cyber security program development, maintenance and monitoring and third-party services such as consulting. Corporate IT provides company-wide security breach protocol and response support and expertise on network, security strategy and data center management. For example, Corporate IT constantly monitors for changes in legislation related to data privacy, various security requirements for contracts and provides security awareness training. As part of its enterprise function, the corporate IT group works with business unit representatives to share best practices and trends in security management and to review organizational KPIs. All of these functions support cybersecurity and data protection that benefit the customer.</p>

Corix Regulates Utilities (US) Inc.
Description of Corix Corporate Services

Service Category	Description	Types of Costs
Corporate Legal	The regulated unit has certain embedded legal resources and utilizes some external legal services, but a significant portion of the legal compliance work is done corporately. This work includes company structuring and maintenance, capital and debt financing documentation, negotiation and management, insurance and risk oversight and corporate governance including board and committee coordination. This work is required to maintain corporate status, enable the corporate and debt and equity structure, and ensure legal compliance so the group of companies can exist and legally own and operate utility systems and provide service to customers. The corporate legal group also drafts and oversees required corporate policies and procedures and supports internal needs including corporate development, information technology, finance and tax, human resources, HSE, corporate communications and transformation project legal needs. Centralized management of legal advice and contract negotiation enables corporate operations and growth in alignment with corporate strategy and on a more efficient cost basis than would external legal service providers.	The costs in this group include direct employee labor and non-labor costs for legal compliance. Also included are third party services such as consulting for general corporate and enterprise matters.
Health, Safety and Environment Corporate	Corporate HSE planning includes the review for compliance with all national and federal government mandates, development and deployment of company-wide HSE policies, procedures and training manuals, forms and tools for standardized programs to be used across the business units, compliance programs, assessment programs, industry research, and incident investigation and audits. This group is also involved in developing preventative programs across the Corix group of companies to provide an environment of safety, safe operation and environmental stewardship. In fulfilling these activities this group works with individuals in the business units and engages consultants or commissions studies to facilitate these programs and best practices that benefit all units. It would be impractical and expensive for individual business units to develop their own HSE policies, procedures and training manuals. Corporate HSE also is responsible for reporting to the Board and monitoring compliance and interactions and the undertaking of all major compliance investigations. HSE Shared Services Group (WSC) and/or BU HSE staff administer the day-to-day HSE programs and services aligned to corporate policies and practices for the Business Units. Within the business units, there may be health and safety staff who focus on familiarity and compliance with local requirements, permits and regulators and undertake training delivery, monitor compliance, and interactions.	The costs in this group include direct employee labor and non-labor costs for health, safety and environmental oversight. Also included are costs for the safety incentive program, software licenses costs for health and safety programs and third-party services for safety assessments, surveys, training and audits.
Corporate Communications	This function provides overall policies guidance on both internal and external communications, monitors media, maintains the company-wide internet and intranet including the associated license and maintenance costs and provides overall employee communication support as required and as back up support to the business units. Communications Shared Services Group (WSC) and/or the business units may additionally have their own staff for local interface and leverage corporate expenditures for intranet and internet.	The costs in this group include direct employee labor and non-labor costs for overall policies guidance on communications, monitoring of media and third-party services for corporate internet site, video, advertising and media monitoring.

Corix Regulates Utilities (US) Inc.
Description of Corix Corporate Services

Service Category	Description	Types of Costs
Business Development	<p>Growing the overall business creates economies of scale for the entire organization, with the benefit being that fixed costs are shared over a broader base of assets, resulting in lower costs for each business unit compared to what they would otherwise have to pay if they were standalone businesses. The business development group's mandate is to generate corporate growth consistent with the goals and objectives of the company. Seeking and executing large and/or complex acquisitions and winning project bids that require substantial investments, the business development group facilitates the economies of scale required to share costs across the organization in a meaningful way. Business development helps with strategy and associated complex issues, lends resources to execute a transaction and provides general oversight. Because of the number of opportunities to grow the business with small as well as large opportunities, the business development team is a group of mobile resources with the time to meet prospective sellers. These business development opportunities will ultimately create a bigger customer base over which to spread the costs (thus mitigating the impact of rising costs).</p>	<p>The costs in this group include direct employee labor and non-labor costs for overall business development oversight and third-party services such as engineering, legal, and accounting to support the evaluation of potential acquisitions.</p>
Continuous Improvement	<p>In the interest of continually improving our processes and thereby always providing the best value for customers, we use best practice continuous improvement approaches to gain efficiencies within the organization and identify ways to serve our customers more effectively. Transformational and/or strategic change and management is done at a corporate level. We would expect to maintain a Project Management Office (PMO) to oversee projects and consulting expenses to help deliver on these objectives. PMO's primary objective are to 1) ensure alignment of projects with organizational strategy, 2) ensure delivery excellence following PPM best-practices and 3) support continued improvement across the company.</p>	<p>The costs in this group include direct employee labor and non-labor costs for the Project Management Office (PMO). Also included are costs for third party services such as consultants to support evaluation and implementation of initiatives.</p>

Source: Cost Allocation Manual

II - Background

Description of Corix Regulated Utilities (US), Inc. and Water Service Corporation

As shown in Exhibit 3 (page 12), CRU US owns regulated utility companies doing business in 17 US states. CRU US and WSC are headquartered in Chicago, Illinois. CRU US is a holding company with no employees of its own. All of the staff needed to operate CRU US utilities are employees of WSC which is organized into the WSC Shared Services group and regional units that serve individual operating utilities. As shown in the table below, WSC has 548 employees as of December 31, 2019.

Group	Department/Region	Staffing at 12/31/2019	
Shared Services	Accounting	16	
	Administrative Services	4	
	Communications	3	
	Customer Care & Billing	10	
	Customer Service	34	
	Executive	9	
	Health, Safety & Environmental	2	
	Human Resources	7	
	Information Technology	12	
	Utilities	Atlantic Region	Regional Staff Operations
		10 77	
Florida Region		Regional Staff Operations	
		3 78	
Mid Atlantic Region		Regional Staff Operations	
		2 26	
Midwest Region		Regional Staff Operations	
		10 50	
South Carolina Region		Regional Staff Operations	
		8 23	
South Region		Regional Staff Operations	
		15 65	
Texas Region		Regional Staff Operations	
		6 33	
West Region		Regional Staff Operations	
		11 34	
Total WSC Staffing		548	

Source: Company information

Exhibit 4 (pages 13-15) describes the services that the WSC Shared Services group may provide to CRU US utilities under affiliate service agreements. Service agreements formalize the service arrangements between WSC and individual CRU US utilities.

Exhibit 3

Corix Regulates Utilities (US) Inc.
 Corix Regulates Utilities (US) Inc. Operating Water Company Subsidiaries

UI Subsidiary	State	Status
ACME Water Supply and Management Company	Florida	Non-regulated
Bermuda Water Company	Arizona	Regulated
Blue Granite Water Company	South Carolina	Regulated
Carolina Water Service, Inc. of North Carolina	North Carolina	Regulated
Colchester Utilities, Inc.	Virginia	Non-regulated
Community Utilities of Alabama Inc.	Alabama	Regulated
Community Utilities of Florida Inc.	Florida	Non-regulated
Community Utilities of Georgia Inc.	Georgia	Non-regulated
Community Utilities of Indiana Inc.	Indiana	Regulated
Community Utilities of Maryland Inc.	Maryland	Non-regulated
Community Utilities of New York Inc.	New York	Non-regulated
Community Utilities of Pennsylvania Inc.	Pennsylvania	Regulated
Community Utilities of South Carolina, Inc.	South Carolina	Non-regulated
Corix Utilities (Texas) Inc.	Texas	Regulated
Great Basin Water Co.	Nevada	Regulated
Green Ridge Utilities, Incorporated	Maryland	Regulated
Maryland Water Service, Inc.	Maryland	Regulated
Massanutten Public Service Corporation	Virginia	Regulated
Montague Sewer Company, Inc.	New Jersey	Regulated
Montague Water Company, Inc.	New Jersey	Regulated
Perkins Mountain Utility Company	Arizona	Non-regulated
Perkins Mountain Water Company	Arizona	Non-regulated
Provinces Utilities, Inc.	Maryland	Regulated
Tennessee Water Service, Inc.	Tennessee	Regulated
UICN Real Estate Holdings, Inc.	Nevada	Non-regulated
Utilities, Inc. of Florida	Florida	Regulated
Utilities, Inc. of Georgia	Georgia	Regulated
Utilities, Inc. of Louisiana	Louisiana	Regulated
Utility Services of Illinois, Inc.	Illinois	Regulated
Water Service Company of Georgia, Inc.	Georgia	Regulated
Water Service Corporation of Kentucky	Kentucky	Regulated

Source: Company information

Corix Regulates Utilities (US) Inc.
 Description of Water Service Corporation Shared Services

Service Category	Description
Executive	The Service Company shall provide executive officer and director assistance, including but not limited to that of Presidents, Vice Presidents, Treasurers and Chief Financial and other Chief Officers who will assist and advise the Operating Company in respect to corporate, financial, risk management, strategy, operating, engineering, organization, tax, audit, governance, regulatory and other issues. They will keep themselves informed with respect to the operations, maintenance, financial condition of and other matters relating to, the Operating Company through contacts with the officers, directors and other representatives of the Operating Company. Such executive assistance will include visiting the property of the Operating Company when necessary to the proper furnishing of the services provided for in this Agreement. They will also supervise the personnel of the Service Company to the end that services under this Agreement shall be performed efficiently, economically and satisfactorily to the Operating Company.
Engineering	The Service Company may supply engineering services as requested by the Operating Company in areas including design, construction and management of the Operating Company.
Operating	The Service Company will furnish competent personnel to perform and/or control all usual operating functions, including pumping, treatment and distribution as well as maintenance of equipment and facilities. These responsibilities will include testing and record keeping for compliance with all state and local regulatory agency requirements.
Accounting	The Service Company will provide total accounting service, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, agency annual reports and similar agency support and filings. Periodic analysis will be made for purposes of planning and measurement of efficiency.
Centralized Cash Management	The Service Company may provide a centralized cash management system whereby cash receipts and payments are managed by one single central body, WSC, on behalf of all of the Operating Companies. Under this Centralized Cash Management Service bank accounts could be in the name of, and maintained by, the Service Company. Cash transactions would be recorded on the Service Company's books with a corresponding offset on the Operating Company's books. Balancing entries would be recorded in the intercompany accounts of each entity. The Service Company's provision of centralized cash management would offer more efficiently handled cash, increased

Corix Regulates Utilities (US) Inc.
 Description of Water Service Corporation Shared Services

Centralized Cash Management (cont.)	visibility and control, simplified bank account structure and reduced overall bank transaction costs and may provide access to financing or funds for capital projects as well as acquisitions.
Legal	The Service Company will employ general counsel and supporting in-house counsel as necessary to advise and assist in the performance of the services herein provided for and to aid the Operating Company in all matters where such assistance may be necessary and/or desired.
Billing and Customer Relations	The Service Company will handle all billing and collections. It will serve as the link between the customer and the Operating Company in all areas such as new accounts, deposits, meter reading, inquiries and complaints.
Construction	The Service Company may perform directly or may provide supervising services in construction including customer connections, meter installations, main extensions, plant expansions or capital additions of any nature as required by the Operating Company.
Continuing Improvement	The Service Company provides for continuing improvement of services to operating companies. These services include business transformation services (e.g., software maintenance and upgrades) and other activities that improve efficiency, reliability or the delivery of services to operating companies and ultimately improve service to operating company customers.
Information Technology	The Service Company shall provide day-to-day IT services such as general system operations and maintenance, software maintenance, workstation acquisition support and certain network administration, as well as design, implementation and replacement of enterprise resource planning, oversight of cybersecurity programs, data storage and management, communication networks and development of IT equipment strategies. The Service Company shall provide services to Operating Company to prepare and properly implement enterprise policies relevant to IT. The Service Company shall provide services to the Operating Company to conduct security analyses, monitor and investigate security alerts, conduct security awareness training and continuously work to improve security in the environment including identifying and implementing best practices to prevent incidents.
Human Resources	The Service Company shall provide the Operating Company human resource services for day-to-day personnel matters (such as recruiting, background checks, onboarding training, payroll, human resource complaints, investigations, reviews, assisting

Corix Regulates Utilities (US) Inc.
 Description of Water Service Corporation Shared Services

Human Resources (cont.)	employees with various benefit questions and elections, etc.), the creation, update and compliance framework for personnel policies, support for executives' and employees' compensation plan design, retirement savings, and benefits management. The Service Company shall provide the Operating Company with services for employee and labor relations issues.
Health, Safety and Environmental	The Service Company shall provide services to the Operating Company to ensure compliance and familiarity with local requirements, permits and regulators. The Service Company shall provide services of Health Safety and Environment planning including the review for compliance with all federal government mandates; development and deployment of company-wide HSE policies, procedures, training manuals, forms and tools for standardized programs to be used across the operating companies; compliance programs; assessment programs; industry research; and incident investigation and audits.
Business Development	The Service Company shall provide business development services to Operating Company in order to identify, evaluate and execute opportunities for acquisition of water and sewer systems.
Other Services	Services other than those described above that are necessary for utility operating companies to provide service to customers.

Source: Standard WSC Affiliate Interest Agreement

III – Evaluation Approach for Corix and WSC Services

Regulatory Requirements

In the course of this evaluation, consideration was given to regulatory requirements that apply to CRU US utilities' transactions with Corix and WSC. These requirements are illustrated below for some regulators and jurisdictions.

NARUC Guidelines

The National Association of Regulatory Commissioners (NARUC) published "Guidelines for Cost Allocation and Affiliate Transactions" that provide guidance on the treatment of utility transactions with affiliates. The guidelines are followed by many state regulators. The following are relevant excerpts from the NARUC guidelines:

The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority.

The general method for charging indirect costs should be on a fully allocated cost basis.

The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to regulated affiliate should be at the lower of fully allocated cost or prevailing market prices.

State Regulatory Commission Guidelines

Pennsylvania Public Utilities Commission – Pennsylvania Statutes Title 66 Pa.C.S. Section 2102(c) below prescribes that services provided by affiliates to regulated utilities be reasonable and necessary.

If the commission shall determine that the amounts paid or payable under a contract or arrangement filed in accordance with this section are in excess of the reasonable price for furnishing the services provided for in the contract, or that such services are not reasonably necessary and proper, it shall disallow such amounts, insofar as found excessive, in any proceeding involving the rates or practices of the public utility.

Kentucky Public Service Commission - Kentucky Revised Statute 278.2207(1)(b) requires that:

Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.

Texas Public Utilities Commission – The Public Utility Regulatory Act, Title II, Texas Utilities Code Section 36.058, sets out requirements for affiliate charges in rates for utilities regulated by the Texas Public Utilities Commission. The code specifies:

... the price to the electric utility is not higher than the prices charged by the supplying affiliate for the same item or class of items to:
(A) its other affiliates or divisions; or
(B) a nonaffiliated person within the same market area or having the same market conditions.

III – Evaluation Approach for Corix and WSC Services

Baryenbruch & Company, LLC, Evaluation Methodology

The necessity and reasonableness of services provided by Corix and WSC to CRU US utilities are evaluated by Baryenbruch & Company, LLC, as described below.

Necessity of Corix/WSC Support Services

- Question 1 – Prevalence of Services

Question 1 is answered by determining if the services provided by Corix and WSC are consistent with services provided by other utility service companies. Information on the comparison group comes from their 2018 Form 60, which is a report designed to collect financial information from service companies that are subject to the Federal Energy Regulatory Commission’s (FERC) regulation. Service company filers are those that belong to electric and combination electric/gas utility holding companies. The activities of energy-related services companies are relevant to Corix and WSC because they provide the same type of administrative and general (A&G) services such as legal, finance, accounting and information technology.

- Question 2 – Benefits from Services

Question 2 is answered by associating 2019 charges by entity/location with benefits to CRU US utilities. The following is a set of benefits that I use to associate with the entities/departments that charged CRU US utilities during 2019:

Governance – The department provides oversight and management control over functional or operating areas and processes. Among other things, governance activities involve planning and reporting of actual performance.
Compliance – The department helps ensure compliance with regulatory, legal, financial and other obligations of individual operating companies and the combined company.
Economies – The department facilitates cost savings from purchasing and operating economies of scale. The service company is able to employ greater bargaining power to realize better prices for common goods and services and pass those savings on to enterprise operating companies. It can also more efficiently utilize staff through workload balancing and specialization which allows operating companies to avoid the need to staff for less than a full-time workload.
Continuity of Service – The department helps assure on-going provision of service through the centralization of staff performing similar activities. Larger concentrations of these resources mean there is coverage of work during potential disruptions such as absences and departures.
Standards – The department plays a role in ensuring that standard policies, procedures and practices are established and followed across the enterprise.
Other – The department facilitates service company management, operations, business and accounting processes.

Many specific benefits were also identified during interviews conducted to validate the benefits of services provided by Corix and WSC to CRU US utilities.

- Question 3 - Redundancy of Services

Question 3 is answered through an analysis of the responsibilities of Corix and WSC in the delivery of services to CRU US regulated utilities. The end product is a responsibility matrix with a designation of the role played by CRU US regulated utilities, Corix and WSC in performing all the operational and A&G functions necessary to deliver service to customers.

III – Evaluation Approach for Corix and WSC Services

- Question 4 – Governance Structures and Processes

Question 4 involves identifying and documenting the principal management practices and controls that help ensure charges from Corix and WSC to CRU US regulated utilities are necessary and reasonable.

Reasonableness of Corix/WSC Support Services

- Question 5 – A&G Cost Comparison

Question 5 determined if Corix and WSC A&G-related charges are in line with similar charges from other service companies to their regulated utility affiliates. The metric used for this comparison is A&G-related charges per customer. Every utility service company provides A&G services to affiliates and these services are similar across utility types. This common pool of costs provides a valuable cost-comparison opportunity.

- Question 6 – Provision of Services at the Lower of Cost or Market

Question 6 determined if Corix and WSC services are provided to CRU US utilities at the lower of cost or market. This is accomplished by comparing the cost per hour for managerial and professional services provided by Corix and WSC personnel to hourly billing rates that would be charged by outside providers of similar services.

- Question 7 – Customer Accounts Cost Comparison

Question 7 determines if the cost of customer accounts services provided by WSC to CRU US utilities are comparable to other regulated utilities that do business in the states in which CRU US utilities operate. The comparison metric is customer accounts services cost per customer. Corix provides no such services to CRU US utilities so only the charges from WSC to CRU US utilities are in the scope of this question.

- Question 8 – Provision of Services at the Same Cost

Question 8 involved an evaluation of Corix and WSC financial systems, processes and data structure to determine if they are designed and configured to properly charge affiliates with Corix and WSC fully distributed costs of services. Also, the factors used to allocate Corix and WSC costs were evaluated to determine if they are reasonable, relate to cost causation and result in the same price for services to all affiliates.

III – Evaluation Approach for Corix and WSC Services

Interviews of Corix and WSC Personnel

An important part of this evaluation was interviews conducted with executives of each functional area of Corix and WSC. These interviews were particularly important in providing evidence necessary to draw conclusions on Question 2 – Benefits from Services and Question 3 - Redundancy of Services. The table below lists the executives who were interviewed.

Company	Position
Corix	Chairman, Emeritus and Executive Advisor
	Chief Executive Officer (Corix) and Chief Operating Officer (Utilities Inc.)
	Chief Financial Officer
	Corporate Controller
	Vice President Tax and Special Projects
	Vice President and Chief Information Officer
	Director, Transformation Program
	Vice President and General Counsel (Canada) and Corporate Secretary
	Chief Human Resources Officer
	Vice President, Financial Planning and Analysis
	Director, Compensation and Benefits
	Director, Audit Services
	Director, Health, Safety and Environmental
	WSC
Director, Services	
Controller	
Director, Strategy and Financial Planning	
Director, Information Technology	
Director, Human Resources	
Manager, Health, Safety and Environmental	

Benchmarking and Cost Comparison Groups

The benchmarking performed in this study involve the comparison of certain Corix and WSC charges to CRU US utilities with the costs of relevant groups of other utility companies. The purpose of these cost comparisons is to allow regulators and others to put Corix’s and WSC’s charges into perspective relative to what other service companies charge their utility affiliates.

Utility Holding Companies (service company A&G charges per customer)

Every centralized service company in a holding company system must file a Form 60 in accordance with Section 1270 of the Public Utility Holding Company Act of 2005, Section 390 of the Federal Power Act, and 18 C.F.R. §366.23. This report is designed to collect financial information from service companies that are subject to regulation by FERC.

For 2018 (the latest year for which data is available), 33 service companies associated with the following 24 utility holding companies filed a FERC Form 60.

III – Evaluation Approach for Corix and WSC Services

AES Corporation	Exelon Corporation
Algonquin Power & Utilities Corporation	FirstEnergy Corporation
Alliant Energy Corporation	National Grid PLC
Ameren Corporation	NiSource Inc.
American Electric Power Corporation	PNM Resources, Inc.
Avangrid, Inc.	PPL Corporation
Black Hills Corporation	SCANA Corporation
CenterPoint Energy, Inc.	Southern Company
Dominion Energy, Inc.	TECO Energy, Inc.
Duke Energy Corporation	Unitil Corporation
Entergy Corporation	WEC Energy Group, Inc.
Eversource Energy	Xcel Energy Inc.

Source: FERC Form 60

This is the comparison group against which Corix/WSC 2019 A&G charges to CRU US utilities are benchmarked.

Regulated Utilities (total customer accounts services cost per customer)

Each major electric utility, as classified in the FERC’s Uniform System of Accounts prescribed for public utilities and licensees subject to the provisions of the Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1. The FERC Form 1 is designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the FERC.

The selection criteria for the total customer accounts expenses comparison group are: (1) to be part of a utility holding company with a service company affiliate and (2) that a complete set of 2018 data is included in the FERC Form 1 (2018 is the latest year for which data is available). The table below shows the resulting 39 regulated utilities that comprise the group against which CRU US utilities is benchmarked for total customer accounts expenses per customer.

Company	Utility Holding Company	Company	Utility Holding Company
<u>Regulated Retail Utilities</u>		<u>Regulated Retail Utilities (cont.)</u>	
Ameren Illinois Company	Ameren	New York State Electric & Gas Corporation	Avangrid
Appalachian Power Company	AEP	Niagara Mohawk Power Corporation	Nat Grid
Atlantic City Electric Company	Exelon	NSTAR Electric Company	Eversource
Baltimore Gas and Electric Company	Exelon	Ohio Edison Company	FirstEnergy
CenterPoint Energy Houston Electric, LLC	Centerpoint	Ohio Power Company	AEP
Central Maine Power Company	Avangrid	PECO Energy Company	Exelon
Cleveland Electric Illuminating Company	FirstEnergy	Pennsylvania Electric Company	FirstEnergy
Commonwealth Edison Company	Exelon	Pennsylvania Power Company	FirstEnergy
Connecticut Light and Power Company	Eversource	Potomac Edison Company	FirstEnergy
Dayton Power and Light Company	AES	Potomac Electric Power Company	Exelon
Delmarva Power & Light Company	Exelon	PPL Electric Utilities Corporation	PPL
Duke Energy Ohio, Inc.	Duke	Public Service Company of New Hampshire	Eversource
Fitchburg Gas and Electric Light Company	Unitil	Rochester Gas and Electric Corporation	Avangrid
Indiana Michigan Power Company	AEP	Toledo Edison Company	FirstEnergy
Jersey Central Power & Light Company	FirstEnergy	United Illuminating Company	Avangrid
Liberty Utilities (Granite State Electric) Corp.	Algonquin	Unitil Energy Systems, Inc.	Unitil
Massachusetts Electric Company	Nat Grid	Virginia Electric and Power Company	Dominion
Metropolitan Edison Company	FirstEnergy	West Penn Power Company	FirstEnergy
Monongahela Power Company	FirstEnergy	Western Massachusetts Electric Company	Eversource
Narragansett Electric Company	Nat Grid		

Source: FERC Form 1; Baryenbruch & Company, LLC, analysis

IV – Necessity of Corix and WSC Services

Question 1 – Prevalence of Services

CRU US utilities’ need for Corix/WSC services was first evaluated by determining if those services are typically provided by other utility service companies. This determination was made with the use of information from the FERC Form 60. The analysis included the following 23 service companies associated with 20 utility holding companies.

Utility Holding Company	Service Company
AEP	American Electric Power Service Corporation
AES	AES US Services, LLC
Alliant	Alliant Energy Corporate Services, Inc.
Ameren	Ameren Services Company
Avangrid	Avangrid Service Company
Black Hills	Black Hills Service Company, LLC
Dominion	Dominion Resources Services, Inc.
Duke	Duke Energy Business Services, LLC
Entergy	Entergy Operations, Inc.
Entergy	Entergy Services, Inc.
Eversource	Eversource Energy Service Company
Exelon	Exelon Business Services Company
Exelon	PHI Service Company
FirstEnergy	FirstEnergy Service Company
NiSource	NiSource Corporate Services Company
PNM	PNMR Services Company
PPL	LG&E and KU Services Company
PPL	PPL Services Corporation
SCANA	SCANA Services, Inc.
Southern Co	Southern Company Services, Inc.
TECO	TECO Services, Inc.
WEC	WEC Business Services LLC
Xcel	Xcel Energy Services Inc.

Exhibit 5 (page 22) compares Corix/WSC’s services to those of the comparison group companies. Corix/WSC provides a similar set of services to the service companies of the comparison group holding companies.

Exhibit 5

Corix Regulates Utilities (US) Inc.
 Administrative and General Services Provided by Other Utility Service Companies

Administrative and General Service Categories	Corix/WSC	Other Utility Service Companies (B)																			
		AEP	AES	Alliant	Ameren	Avangrid	Black Hills	Dominion	Duke	Entergy	Eversource	Exelon	FirstEnergy	NiSource	PNM	PPL	SCANA	Southern Co	TECO	WEC	Xcel
Executive/Management	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Strategy	X	X		X	X	X		X	X	X	X	X	X	X	X	X		X			X
Legal	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Communications	X	X	X		X			X	X	X	X	X	X	X	X	X	X	X	X	X	X
Human Resources	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Customer Services	X	X	X	X		X	X		X	X	X	X	X	X	X	X	X				X
Financial Services																					
Finance	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Accounting	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Taxes	X	X	X	X	X	X	X	X	X	X		X	X	X	X			X	X	X	X
Investor Relations	X	X							X	X	X		X	X		X					X
Risk Management	X	X				X	X	X	X			X	X	X			X		X		X
Audit Services	X	X							X	X	X	X		X	X	X		X	X		X
Regulatory Services	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X
Information Technology	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X
Environment and Safety	X	X			X	X		X	X	X	X		X	X				X	X	X	X
Supply Chain	X	X			X	X			X	X	X	X	X					X	X		X
Other (A)	X	X	X		X	X	X	X	X	X	X	X	X					X	X		X
Total Services	17	17	11	8	13	14	11	13	17	16	15	16	15	17	13	13	10	15	13	9	17

Note A: Includes services such as transportation/fleet, aviation, real estate, facilities, security and rights of way.

Note B: These are service companies whose FERC Form 60s included detailed information on services provided to affiliates.

Source: FERC Form 60 (2018); Corix/WSC information; Baryenbruch & Company, LLC, analysis.

IV – Necessity of Corix and WSC Services

Question 2 – Benefits from Services

Corix and WSC follow a centralized model for the delivery of Corporate and Shared Services to CRU US's regulated utilities. By consolidating executive, professional and operational support services into a centralized service organization utility, the following benefits are realized for CRU US utilities and their customers:

- **Governance** – Corix and WSC departments provide oversight and management control over functional or operating areas and processes. These governance activities include, among other things, planning and reporting of actual performance. The centralization of Corporate and Shared Services facilitates effective collaboration among Corix and WSC staff in support of CRU US utilities.
- **Compliance** – Corix and WSC departments help ensure compliance with regulatory, legal, financial and other obligations of individual operating companies and the combined company.
- **Economies** – Corix and WSC departments facilitate cost savings from purchasing and operating economies of scale. Corix and WSC are able to employ greater bargaining power to realize better prices for common goods and services and pass those savings on to CRU US utilities. It can also more efficiently utilize staff through workload balancing and specialization which allows operating companies to avoid the need to staff for less than a full-time workload.
- **Continuity of Service** – Corix and WSC departments help ensure on-going provision of service through the centralization of staff performing similar activities. Larger concentrations of these resources mean there is coverage of work during potential disruptions such as absences and departures.
- **Standards** – Corix and WSC departments play a role in ensuring that standard policies, procedures and practices are established and followed across the enterprise.
- **Other** – Corix and WSC departments facilitate service company management, operations, business and accounting processes.

Exhibit 6 (page 25) presents an analysis of 2019 charges to CRU US utilities by Corix and WSC department. The six right-hand columns of this exhibit designate which of the above benefits are provided to CRU US utilities by each Corix and WSC department:

Exhibit 7 (pages 26-27) provides examples of specific benefits to CRU US utilities that were identified during interviews with Corix and WSC management.

Question 3 – Redundancy of Services

The need for Corix and WSC's services was also evaluated by determining if they would be required if CRU US utilities were stand-alone utilities. This evaluation began by determining in detail what Corix and WSC does for CRU US utilities. Based on discussions with Corix and WSC personnel, the matrix in Exhibit 8 (pages 28-30) was created showing which entity—Corix, WSC or CRU US utilities—is responsible for each function that must be performed for CRU US utilities to ultimately provide service to their customers. This matrix was reviewed to determine: (1) if there was redundancy or overlap in the services being provided by Corix and WSC and (2) if Corix and WSC services are typical of those needed by a stand-alone electric utility.

IV – Necessity of Corix and WSC Services

Upon review of Exhibit 8, the following conclusions can be drawn:

- The services that Corix and WSC provide are necessary and would be required even if CRU US utilities were stand-alone water utilities.
- There is no redundancy or overlap in the services provided by Corix and WSC to CRU US utilities.
- For all of the services listed in Exhibit 7, there was only one entity that was primarily responsible for the services provided by Corix and WSC to CRU US utilities.

**Corix Regulates Utilities (US) Inc.
 Necessity of Services Matrix**

Corix Corporate Services (A)	2019 Charges to CRU US Utilities	Services Pertinent to CRU US Utilities	Reasons Services Are Necessary to CRU US Utilities					
			Governance	Compliance	Economies	Continuity of Service	Enterprise Standards	Accounting Processes
Corporate Communications	\$ 147,039	Yes	X		X		X	
Continuous Improvement	\$ 722,017	Yes	X		X			
Executive Management	\$ 1,881,447	Yes	X	X	X	X	X	
Finance and Accounting	\$ 1,383,391	Yes	X	X	X		X	
Health, Safety & Environmental	\$ 157,084	Yes	X	X	X	X	X	
Human Resources	\$ 452,248	Yes	X	X	X		X	
Information Technology	\$ 628,835	Yes	X	X	X	X	X	
Legal	\$ 345,737	Yes	X	X	X	X	X	
Treasury	\$ 123,946	Yes	X	X	X		X	
Total Corix Corporate Services	\$ 5,841,745							

Note A: Excludes Business Development charges

WSC Shared Services

Accounting	\$ 2,157,804	Yes	X	X	X		X	
Administrative Services	\$ 2,015,229	Yes						X
Communications/Engineering	\$ 246,616	Yes	X		X		X	
Corporate Projects	\$ (93,833)	Yes						X
Customer Care & Billing	\$ 998,123	Yes			X	X	X	
Customer Service	\$ 1,872,167	Yes			X	X	X	
Executive Management	\$ 2,466,571	Yes	X	X	X	X	X	
Health, Safety & Environmental	\$ 256,704	Yes	X	X	X	X	X	
Human Resources	\$ 1,025,948	Yes	X	X	X		X	X
Information Technology	\$ 5,424,679	Yes	X	X	X	X	X	
Water Service Corporation	\$ 555,089	Yes						X
Total WSC Shared Services	\$ 16,925,098							

Source: Company information; Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc.
 Examples of Benefits to CRU US Utilities and Their Customers
 from WSC and Corix Services

Function/Service	Benefits to CRU (US) Utilities and Their Customers
Finance	<p>Financing - CRU US utilities benefit from Corix’s stakeholder relations program, which maintains communications with Corix equity and debt investors. This eliminates the need for WSC to maintain its own investor relations program.</p> <p>Also, the Corix and WSC finance teams provide support and arrange for debt financing issued by CRU US to fund capital work of the Corix utilities. Corix assists by identifying lower-cost sources of financing based on its experience in the debt market. Compared to individual CRU US utilities obtaining their own financing, this arrangement provides economies of scale (e.g., less record keeping and compliance) and lower financing costs (larger issuances backed by diversified collateral is viewed favorably by the investment community).</p> <p>Audit Fees – Both Corix and CRU US are required to have an annual financial audit. This combined purchasing power results in lower audit fees compared to what CRU US utilities would pay for a standalone audit.</p> <p>Internal Audit – The Corix Internal Audit function regularly conducts audits of CRU US operations. Examples include the following:</p> <ul style="list-style-type: none"> • Design of the health, safety and environmental programs throughout Corix, including CRU US operations and evaluation of their adequacy from the standpoint of compliance with legal and regulatory requirements. (2019) • Corix’s whistle-blower program (2019) • CRU US’s Westgate, South Carolina, plant operations policies and procedures and monitoring processes (2019) • Internal controls review of Corix procurement practices (2019) • Asset management program design (2018) • Integration of Corix-wide IT systems (2018) • SCADA system controls review of policies and procedures and access controls (2018) • Management retention program (2018) • Enterprise risk management program (2018) <p>Tax Expertise - Tax expertise is available to CRU US utilities that CRU US utilities would otherwise have to obtain from outside service providers. Corix Corporate Services’ tax unit monitors federal and state legislation that could impact CRU US utilities. In the past few years, Corix corporate has brought tax work back in house, thus allowing it to reduce tax-related fees to outside tax service providers.</p>
Information Technology	<p>IT Security – The Corix enterprise is moving to a single IT security platform, with security policies and procedures, testing, incident investigation and resolution process; cloud reduces the number of access points that need to be secured and monitored.</p> <p>Standard Applications – The Corix enterprise is implementing standard systems—financial, billing, customer service, human capital management and other back-end platforms—that will be used by all Corix businesses. Common systems will improve operational efficiency. This will result in lower operating and support costs and lower application maintenance fees for the same functionality.</p> <p>Standard Network and Computing Infrastructure – The Corix enterprise is migrating to a single cloud-based IT infrastructure. This will facilitate standardized access across all Corix companies, improved access to data (facilitates improved operating efficiencies and customer service) and fewer connections to secure. The transition to cloud computing will result in more predictable IT costs because there will no longer be a need to periodic upgrade the computing infrastructure.</p>

**Corix Regulates Utilities (US) Inc.
 Examples of Benefits to CRU US Utilities and Their Customers
 from WSC and Corix Services**

Function/Service	Benefits to CRU (US) Utilities and Their Customers
Insurance	<p>Corix undertook an insurance consolidation initiative in 2019, with Corporate Services arranging for insurance coverage for the Corix utilities for general liability, workers compensation, automobile and excess liability risks. The consolidation of coverage has generally improved coverage terms and resulted in lower overall costs based on scale.</p>
Human Resources	<p>Wage and Salary Design and Administration – Corix designed and administered the enterprise wage and salary programs and provides support to CRU US utilities in matters of compensation. Corix Human Resources also engaged outside providers to perform compensation surveys for all Corix positions, including those occupied by WSC and CRU US personnel.</p> <p>Benefit Plan Design and Administration – Benefit plans for all Corix companies were designed by Corix Human Resources with input from WSC Human Resources. WSC Human Resources was responsible for administering the programs that are offered to WSC and CRU US operations employees.</p> <p>Services for CRU US Utilities – WSC’s Human Resources department provided a complete set of services to management and staff of the CRU US utilities operations organization. These services include employee relations and communications, recruiting, training, on boarding, off boarding, payroll administration, benefits administration, employment information administration, workers compensation administration and succession planning.</p> <p>Medical Plan and 401k Administrative Fees – Administration of these plans has been consolidated for US employee medical and 401K plans under single outside administrators. This has resulted in fewer outside contractors to deal with and lower administrative costs due to the larger pool of employees now being served (from 500 to 700 employees).</p>
Customer Service	<p>Call Centers – CRU US customers can contact call centers with all requests for service. Calls are directed to a call queue which facilitates service quality and balanced workloads of call center representatives. WSC’s call centers achieve economies of scale and efficiency across the business and time zones to optimize for peak call volume and eliminate the need for local staffing to handle customer requests.</p> <p>Customer Billing – Bills for all CRU US customers are prepared by WSC’s Billing and Collection department. Billing is performed in cycles so workloads are leveled and staffing levels are optimized. Billing is accomplished without the need for local utility staff involvement.</p> <p>Customer System – WSC operates and maintains a single customer system for all CRU US utilities. The system is supported by WSC’s Information Technology department.</p>
Asset Management Framework	<p>Asset Management – At the request of CRU US utilities staff, WSC established a standard asset management framework that is now followed by all CRU US utilities. Among other things, it covers asset registries, maintenance and replacement practices for CRU US utilities’ fixed assets in order to maintain high service levels with an efficient use of resources.</p>
Fleet Management	<p>Fleet Services – Many aspects of vehicle management are administered by WSC for CRU US utilities, using the latest technology and outsourced solutions that help automate the following aspects of fleet management:</p> <ul style="list-style-type: none"> • Vehicle acquisition • Fuel and maintenance procurement and tracking • Vehicle tracking • Vehicle divestiture

Corix Regulates Utilities (US) Inc. Responsibility Matrix

Primarily Responsible P			
Provides Support S			
Water and Waste Water Function	CRU US utilities	Water Service Corporation	Corporate
Engineering and Construction Management			
Long Term System Planning	P	S	
Project Design			
Major Projects (e.g., new treatment plant)	P	S	
Minor Projects (e.g., pipelines)	P	S	
Construction Project Management			
Major Projects	P	S	
Minor Projects	P	S	
Hydraulics Review	P		
Developers Extensions	P	S	
Tank Painting	P	S	
Water Quality and Purification			
Water Quality Standards Development	S	P	S
Research Studies	S	P	S
Water Quality Program Implementation	P	S	
Water Treatment Operations & Maintenance	P		
Compliance Sampling	P		
Testing/Other Sampling	P		
Transmission and Distribution			
Preventive Maintenance Program Development	S	P	S
System Maintenance	P		
Leak Detection	P		
Customer Service			
Community Relations	P	S	
Customer Contact	S	P	
Call Processing	S	P	
Service Order Creation	P	P	
Service Order Processing	P	S	
Customer Credit	S	P	
Meter Reading	P		
Customer Bill Preparation	S	P	
Bill Collection	S	P	
Customer Payment Processing		P	
Meter Standards Development	P	S	
Meter Testing, Maintenance & Replacement	P	S	
Purchasing and Materials Management			
Specification Development	P		
Bid Solicitation	P		
Contract Administration	P	S	
Ordering	P		
Inventory Management	P		

Source: Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc. Responsibility Matrix

Primarily Responsible P			
Provides Support S			
Water and Waste Water Function	CRU US utilities	Water Service Corporation	Corporate
Financial Management			
Financial Planning - Enterprise-Wide	S	S	P
Financial Planning - UI-Wide	S	P	
Financial Planning - UI Utility Specific	P	S	
Financings—Equity		S	P
Financings--Long Term Debt		S	P
Short Term Lines of Credit Arrangements		S	P
Insurance Program Administration	S	P	S
Cash Management/Disbursements		P	S
Budgeting and Variance Reporting			
Overall Guidance	S	S	P
Operating Budget Preparation			
Revenue	P	S	S
O&M	P	S	S
Service Company Charges	S	P	P
Depreciation and Interest Expense	P	S	S
Capital Budget Preparation			
Project Work	P	S	
Non-Project Work	P	S	
Financial Planning and Analysis - Enterprise		S	P
Financial Planning and Analysis - UI	P	S	S
Year-End Projections	P	S	S
Accounting			
Accounts Payable Accounting		P	
Payroll Accounting	S	P	
Work Order Accounting	P		
Fixed Asset Accounting	S	P	
General Accounting - Corix Corporate		S	P
General Accounting - Business Unit	P	S	
State Commission Reporting	P		
Audit Services - Corp		S	P
Audit Services - UI	S	P	S
Taxes			
Tax Strategy and Planning	S	S	P
State and Federal Taxes		S	P
Property Taxes	S	S	P
Gross Receipts Taxes	S	S	P
Rates			
Rate Studies & Tariff Change Administration	P	S	
Rate Case Planning and Preparation	P	S	
Rate Case Administration	P	S	
Commission Inquiry Response	P	S	S

Source: Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc. Responsibility Matrix

Primarily Responsible P			
Provides Support S			
Water and Waste Water Function	CRU US utilities	Water Service Corporation	Corporate
Legal			
Legal - Enterprise		S	P
Legal - Regulatory		P	S
Information Technology Services			
IT Governance			P
IT Security			P
IT Operations - Enterprise Infrastructure			P
IT Operations - UI Infrastructure		P	
Application Services - Enterprise Applications			P
Application Services - UI Applications		P	
Local IT Support		P	
Human Resources Management			
Employee Communications Corix-Wide			P
Employee Communications UI Employees		P	
Recruiting, On Boarding, Off Boarding, Leave, Unemployment Admin UI Employees	S	P	
Benefit Plan Design		S	P
Benefit Plan Administration UI Employees		P	
Management Compensation Admin		S	P
Wage & Salary Plan Design		S	P
Wage & Salary Plan Admin UI Employees	S	P	
Training - Corix-Wide		S	P
Training - UI-Wide	S	P	
Compliance with HR-Related Laws & Regs		P	S
Affirmative Action Program Admin		S	P
Employee Information Admin - UI Employees		P	
Employee Relations UI Employees	P	S	
Workers Compensation Admin UI Employees		P	
Succession Planning UI Employees	P	S	
Health, Safety and Environmental			
Governance (Policies, Standards, Tools)		S	P
Compliance with Corporate Requirements	S	P	
Compliance with Local Requirements	P	S	
Communications		S	P
Traning Development		S	P
Training Delivery	S	P	
Program Implementation & Support	P	S	
Communications			
Corix/Enterprise-Wide Communications			P
UI-Wide Communications		P	
UI Utility-Specific Communications	P	S	
Fleet Management	S	P	

Source: Baryenbruch & Company, LLC, analysis

IV – Necessity of Corix and WSC Services

Question 4 – Governance Structures and Processes

A number of management oversight practices and controls exist to ensure that Corix and WSC charges to CRU US operating subsidiaries are necessary and reasonable. The most important of these review, approval and monitoring mechanisms are described below.

Management Oversight

The following are the principal enterprise-level governance bodies whose scope includes Corix corporate-wide planning, budgeting and cost management:

- Corix Board of Directors – Corix is governed by Board of Directors, currently with eight members. Four members of the Board are outside directors, three are employees of the British Columbia Investment Management Corporation and one is the President & CEO of Corix. Certain of the Board’s overall responsibilities cover Corix Corporate Services and WSC Shared Services, including the following:
 - Review and approve corporate strategy, including how Corporate and Shared Services are structured.
 - Oversee risk management, including security-related risks associated with the information technology systems used by Corix Corporate Services and WSC Shared Services.
 - Review and approve Corix Corporate Services and WSC Shared Services O&M and capital spending plans and monitor budget versus actual spending against those plans.
 - Review and approve major individual O&M and capital projects proposed by Corix Corporate Services and WSC Shared Services as part of the authorization process.
 - Monitor actual versus planned performance for Key Performance Indicators, some of which pertain to Corix Corporate Services and WSC Shared Services.
 - Monitor compliance with laws and regulations, including those of the states in which CRU US utilities do business.
- Corix Executive Team (Corix EMT) – For most of 2019, the Corix EMT was composed of Corix Chief Executive Officer, Chief Financial Officer, Vice President and General Counsel, Chief Operating Officer Regulated Utilities, Chief Operating Officer Contract Utilities, Chief Shared Services Officer, Chief Human Resources Officer and Chief Information Officer. Corix EMT oversees the quality and cost of Corix Corporate Services provided to affiliates, including CRU US utilities. Among other things, the Corix EMT reviews and approves the Corporate Services annual 3-year budget and monitors actual spending against that budget.
- CRU US EMT – For most of 2019, the CRU US EMT included CRU US’ President and CEO, seven region Presidents and CRU US Chief Shared Services Officer. Concerning WSC Shared Services, the CRU US EMT oversees the quality and cost of Shared Services delivered to CRU US utilities. Among other things, the CRU US EMT reviews and approves the Shared Services 3-year budget and monitors actual spending against that budget.

Audit Review

The Corix Audit Committee is responsible for overseeing financial reporting, the system of internal controls, the enterprise risk management framework, ethics and compliance with laws and regulations. It oversees the work of the internal and independent auditors. Ernst & Young LLP performs annual audits of both Corix and CRU US.

IV – Necessity of Corix and WSC Services

Corix's Internal Audit function works with Corix management to identify, assess and monitor risk to the organization. Internal Audit develops an audit to examine higher-risk areas and reports results to the Corix Audit Committee.

Budgeting

O&M Budgeting – It is Corix's corporate practice to prepare an annual 3-year budget. The O&M portion for Corix Corporate Services and WSC Shared Services are prepared, reviewed and approved in the following steps:

- Guidance instructions are provided by Corix Corporate Services to all business groups and by WSC to the CRU US utility regions.
- Initial budgets for Corix Corporate Services and WSC Shared Services are compiled by the respective finance groups of both organizations after discussions and input from the management teams of CRU US and other Corix business groups. Budgets identify the amounts that will be assigned to each Corix business group, including CRU US.
- The Corix Corporate Services budget is presented to the Corix EMT and, in turn, to the management teams of the all Corix business units including the CRU US utilities. The WSC Shared Services budget is formally presented by WSC department heads to the CRU US EMT and the business unit management.
- After receiving feedback and making adjustments, the Corix Corporate Services and WSC Shared Services budgets are combined with those of the other Corix business groups and presented in sequence to:
 - Corix's CEO and EMT
 - Corix Audit Committee
 - Corix Board of Directors

Capital Budgeting – Budgets are prepared for the following two categories of capital spending:

- Non-Project Capital Spending (e.g., vehicle purchases, on-going replacement of IT hardware and software) – An annual budget is prepared for these capital expenditures and approved by the Corix EMT and the Corix Board of Directors. This capital spending is included in the annual budget package described above under O&M budgeting.
- Project Capital Spending (e.g., Shared Services Transition Initiative) – Estimates are initially developed for each project included in the annual budget. Estimates are later updated and included in the business case that is required as part of the authorization process that occurs before any expenditures can be made. Project budgets must be approved by its executive sponsors, the Corix EMT, and the Corix Board of Directors (for larger projects).

Variance Analysis

Actual O&M and capital spending for Corix Corporate Services and WSC Shared Services are monitored in the following manner:

- Finance personnel in Corix Corporate Services and WSC Shared Services research material budget versus actual spending variances by department and account. Finance personnel also develop a year-end forecast.
- A standard monthly variance report package is prepared for the Corix EMT and business unit management that explains budget versus actual variances for the month, year to date and year-end forecast.

IV – Necessity of Corix and WSC Services

- Every quarter, the Corix EMT business unit management each meet to review actual performance against Key Performance Indicators (KPI), one of which relates to budget versus actual spending.

Corix Corporate Services charges are invoiced to WSC. The invoice is reviewed by WSC's Director of Services and explanations for variances from budget are obtained from the Corix Finance organization. When necessary, the Corix Controller participates in the WSC quarterly performance reviews to answer questions from the presidents of CRU US divisions.

Actual versus budget variances for WSC Shared Services charges to CRU US utilities are analyzed and explained in the standard monthly variance report package. During the quarterly performance reviews, WSC department heads present the status of their organizations to CRU US division presidents. Among the topics each department head must cover are any differences between actual and budgeted WSC Shared Services charges.

Accounting Controls/Transaction Validation

Internal controls incorporated into accounting processes ensure that transactions are validated at the point of origination and that they receive proper levels of review and approval. Corix and WSC financial systems automate these controls and facilitate their consistent application and effectiveness. Controls are scrutinized and tested in connection with the annual financial audits performed by EY.

Cost Allocation Manual

A Cost Allocation Manual (CAM) that documents the process by which Corix Corporate Services expenses and WSC Shared Services expenses are allocated to affiliates. Baryenbruch & Company, LLC's, review of the CAM found it to be a complete reference document that provides thorough directions to Corix and WSC personnel responsible for assigning expenses to CRU US utilities.

The practices described above support the conclusion that the governance structure and practices applied to Corix and WSC charges directly contribute to ensuring that Corix and WSC services are necessary to CRU US utilities. Furthermore, these governance arrangements ensure Corix and WSC charges to CRU US utilities are accurate and reasonable.

V – Reasonableness Charges for Corix and WSC Services

Question 5 – Reasonableness of Charges

A&G expenses include salaries, benefits and other costs associated with staff who provide Corporate and Shared Services to operating companies. These services include the following.

Executive management	Human resources
Accounting	Information technology
Audit	Legal
Budgeting and performance analysis	Rates and regulatory
Communications	Supply chain
Customer service	Taxes
Finance	

The comparison group service companies record A&G expenses in the FERC accounts shown in the table below.

901 - Supervision
903 - Customer records and collection expenses
905 - Miscellaneous customer accounts expenses
910 - Miscellaneous Customer Service And Informational Expenses
920 - Administrative and General Salaries
921 - Office Supplies and Expenses
923 - Outside Services Employed
924 - Property Insurance
930.2 - Miscellaneous General Expenses
931 - Rents
935 - Maintenance of Structures and Equipment

Corix/WSC Administrative and General Charges per Customer

As calculated in the table below, Corix and WSC charged CRU US utilities \$74 per customer during 2019 for A&G-related services.

	2019
	A&G Charges
	to UI Utilities
Corix Corporate Services	\$ 5,841,745
WSC Shared Services (A)	\$ 14,009,182
Total Corix/WSC A&G Charges	\$ 19,850,927
Number of CRU US Customers	269,714
2019 A&G Charges per CRU US Customer	\$ 74

Note A: Certain WSC charges are excluded from the calculation. Some charges are not related to A&G services (e.g., extraordinary gain/loss). Other charges are for services services (e.g., telecom, internet) procured by WSC for the entire CRU US enterprise and used by the individual water subsidiaries. These are essentially pass-through charges that are actually the expense of the operating companies.

Total 2019 WSC Charges	\$ 16,925,098
Less: Non-A&G Exp and Pass-Through Exp	\$ (2,915,916)
Net WSC A&G Service-Related Charges	\$ 14,009,182

Source: Company information; Baryenbruch & Company, LLC, analysis

V – Reasonableness Charges for Corix and WSC Services

Comparison Group Administrative and General Charges per Customer

The table below shows the calculation for 2018 A&G expenses per customer charged by service companies owned by the 24 utility holding companies in the comparison group. The charges are to the same FERC accounts used to calculate Corix/WSC's A&G charges to CRU US utilities during 2019. Charges to comparison group service companies were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (pages 303 to 306) of each entity's FERC Form 60. This schedule shows charges by FERC Account. Number of customers were obtained from company information (e.g., annual report, 10K).

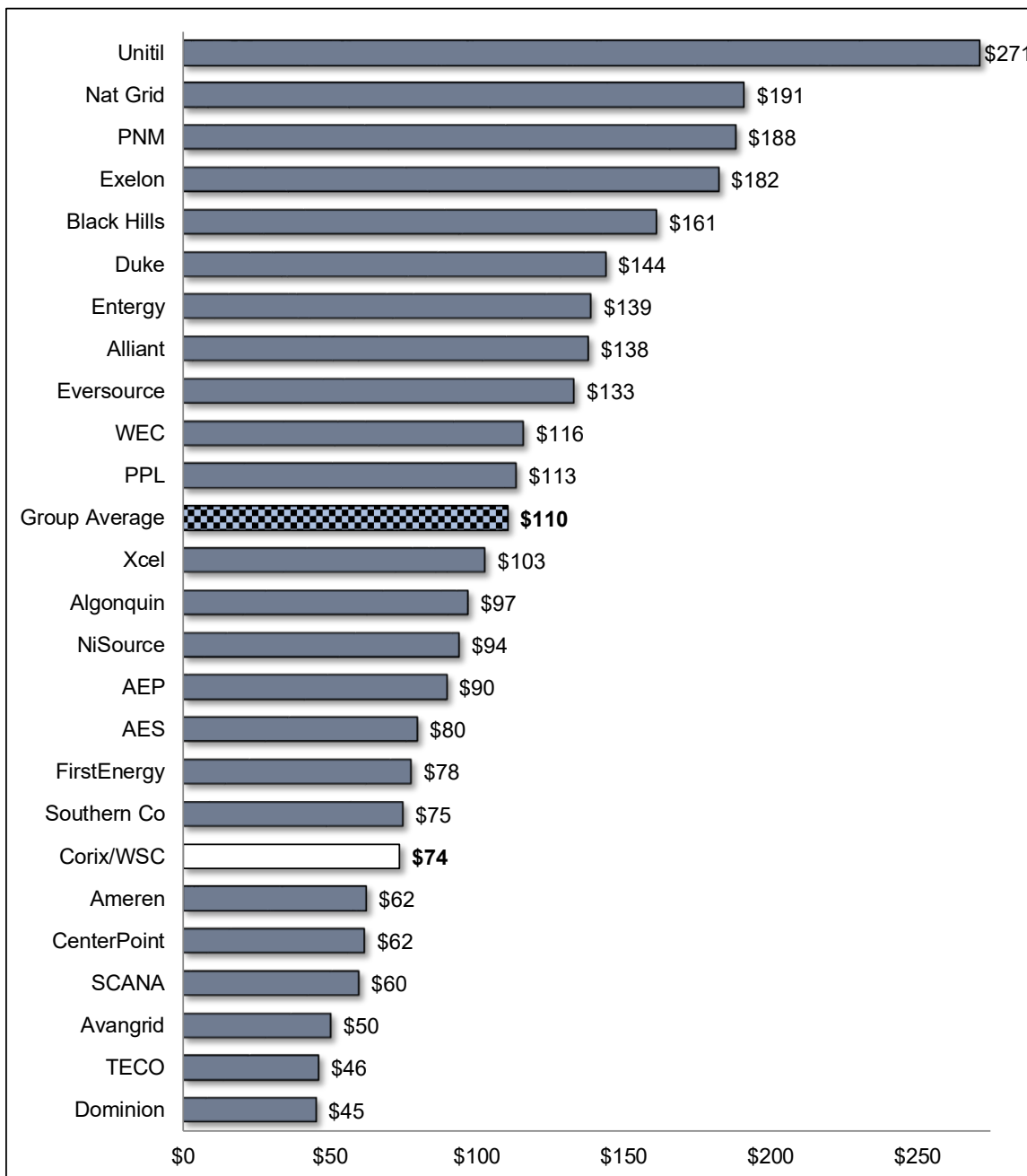
Utility Company	2018 Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Customer
AEP	\$484,049,781	5,400,000	\$ 90
AES	\$60,595,090	760,363	\$ 80
Algonquin	\$58,060,459	599,000	\$ 97
Alliant	\$190,233,088	1,380,688	\$ 138
Ameren	\$205,559,876	3,300,000	\$ 62
Avangrid	\$160,829,920	3,200,000	\$ 50
Black Hills	\$193,265,896	1,200,000	\$ 161
CenterPoint	\$365,837,151	5,923,429	\$ 62
Dominion	\$225,914,181	5,000,000	\$ 45
Duke	\$1,336,101,135	9,300,000	\$ 144
Entergy	\$430,086,378	3,100,000	\$ 139
Eversource	\$484,549,188	3,643,000	\$ 133
Exelon	\$1,821,608,837	10,000,000	\$ 182
FirstEnergy	\$465,651,717	6,000,000	\$ 78
Nat Grid	\$1,316,939,956	6,900,000	\$ 191
NiSource	\$365,027,769	3,886,000	\$ 94
PNM	\$99,240,311	528,000	\$ 188
PPL	\$305,600,670	2,700,000	\$ 113
SCANA	\$134,903,853	2,258,300	\$ 60
Southern Co	\$672,479,493	9,000,000	\$ 75
TECO	\$76,917,009	1,670,000	\$ 46
Unitil	\$51,070,829	188,300	\$ 271
WEC	\$356,626,220	3,081,300	\$ 116
Xcel	\$575,049,933	5,600,000	\$ 103
Total/Average	\$10,436,198,740	94,618,380	\$ 110

Source: FERC Form 60; Baryenbruch & Company, LLC, analysis

Exhibit 9 (page 36) shows Corix/WSC's 2019 A&G charges per CRU US utilities customer of \$74 are lower than the comparison group's average of \$110 per customer. CRU US utilities' cost is lower than 18 comparison group companies and higher than 6. Based on this comparison, it is possible to say the cost of Corix/WSC A&G-related services are reasonable.

Exhibit 9

Corix Regulates Utilities (US) Inc.
 2019 Service Company A&G Charges Per Customer



V – Reasonableness Charges for Corix and WSC Services

Question 6 – Lower of Cost or Market Pricing

During 2019, Corix and WSC billed CRU US regulated utilities approximately \$22.8 million for Corporate and Shared Services. These billings are market-tested by comparing Corix/WSC's cost per hour for their services to those of outside service providers to whom the services could be outsourced. The following outside providers were selected for comparison:

- Management Consultants – executive management, external affairs, human resources, communications, health, safety and environmental
- Certified Public Accountants – accounting, tax, finance, treasury, audit and regulatory
- Information Technology Consultants – information technology

Corix/WSC Hourly Rates

This study assigns Corix's charges to one of the three outside provider categories (described above) based on the specific nature of the service provided to CRU US utilities. The following adjustments were made to ensure that Corix/WSC-related cost pools reflect the costs recovered by outside providers in their hourly billing rates:

- Corix charges excluded from cost pools include the following items:
 - Travel Expenses – Client-related travel expenses are typically not recovered by outside service providers through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, these charges were removed from the hourly rate calculation.
 - Outside Services – These expenses are not associated with the cost of Corix personnel performing services for CRU US utilities (outside firms perform the work under the direction of Corix). Charges from outside professional firms to perform certain corporate-wide services (e.g., audit, consulting) represent services that have, in effect, already been outsourced by Corix. Thus, these charges are also removed from the hourly rate calculation.
 - Non-Service Expenses – Some Corix charges are not directly associated with Corix personnel providing professional services to CRU US utilities and other affiliates. Examples of these items include directors' fees and promotions expenses. An outside provider would not be expected to recover these Corix costs in their hourly billing rates. Here too, these charges are excluded from the hourly rate calculation.
 - Corix Enterprise It Expenses – Corix pays for the licenses for several applications used by the entire enterprise. The portion of these expenses that pertain to Corix employees providing Corporate Services are included in the cost pool. The remainder represents costs of other Corix enterprise employees and is excluded from the hourly rate calculation since outside providers of professional services would not be expected to recover these in their hourly billing rates.
 - Other Costs Excluded from Scope – Corix Business Development-related charges are eliminated because CRU US utilities do not attempt to recover them from their customers.
- WSC charges excluded from cost pools include the following items:
 - Corix Corporate Services Allocation – 2019 Corporate Services charges are recorded on the books of WSC and then allocated to CRU US utilities. These expenses are

V – Reasonableness Charges for Corix and WSC Services

eliminated for purposes of the hourly rate calculation so as not to double count the cost of Corix’s Corporate Services.

- Travel Expenses – Client-related travel expenses are typically not recovered by outside service providers through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, these charges were removed from the hourly rate calculation.
- Outside Services – These expenses are not associated with the cost of WSC personnel performing services for CRU US utilities (outside firms perform the work under the direction of WSC). Charges from outside professional firms to perform certain corporate-wide services (e.g., audit, legal) represent services that have, in effect, already been outsourced by Corix/WSC. Thus, these charges are also removed from the hourly rate calculation.
- Non-Service Expenses – Some WSC charges are not directly associated with the personnel providing professional services to CRU US utilities and other affiliates. Examples of these items include card stock, envelopes and postage for customer bills, gains(losses) on the sale of assets and interest during construction. An outside provider would not be expected to recover these WSC costs in their hourly billing rates. Here too, these charges are excluded from the hourly rate calculation.
- Enterprise IT Expenses – WSC pays for the maintenance fees for IT hardware and software used throughout CRU US. The portion of these expenses that pertain to WSC employees providing Shared Services are included in the cost pool. The remainder represents costs of other CRU US employees and is excluded from the hourly rate calculation since outside providers of professional services would not be expected to recover these in their hourly billing rates.
- Other Costs Excluded from Scope – WSC’s Shared Services organization includes 6 accounts payable clerks. The work of these positions would typically not be outsourced to any of the three professional services providers. For this reason, the salaries and benefits of these positions were excluded from the hourly rate calculation.

Also excluded from the hourly rate calculation are expenses of WSC’s Customer Services and Customer Care and Billing units. Here too, these services typically are not outsourced to the professional service providers.

Exhibit 10 (page 39) presents the reconciliation of the total 2019 total charges from Corix and WSC to testable charges for purposes of developing hourly rates that can be compared to those of outside service providers.

Based on the nature of the services provided by each Corix and WSC department, their testable charges are assigned to the three outside provider categories, as shown in Exhibit 11 (page 40). The hours associated with Corix and WSC testable charges are assigned to the three outside provider categories in Exhibit 12 (page 41).

Based on the cost and hour pools, the average 2019 hourly rate for Corix and WSC services are calculated in the table below.

	2019 Combined Hourly Rates			Total
	Mgmt Consultant	Certified Public Acct	IT Professional	
Service-Related Charges	\$ 6,485,917	\$ 3,557,523	\$ 1,482,642	\$ 11,526,082
Hours	47,215	37,491	20,328	105,033
Consolidated Hourly Rates	\$ 137	\$ 95	\$ 73	

Source: Company information; Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc.
 Calculation of 2019 Net Testable Corix Charges

Corix Corporate Services			WSC Shared Services		
2019 Corp Services Charges From Corix		\$ 6,630,587	2019 Shared Services Charges From WSC		\$ 16,925,098
Less: Cost Items Eliminated from Market Test			Less: Cost Items Eliminated from Market Test		
<u>Travel Expenses</u>			<u>Travel Expenses</u>		
Employee Mileage Claim	\$	1,260	6185 Travel Lodging	\$	106,294
Fuel	\$	299	6190 Travel Airfare	\$	114,127
Meals & Entertainment	\$	57,504	6195 Travel Transportation	\$	24,536
Travel	\$	165,255	6200 Travel Meals	\$	57,468
Vehicle Insurance	\$	650	6207 Travel Other	\$	67,894
			6215 Fuel	\$	777
			6220 Auto Repair/Tires	\$	2,484
			6230 Other Trans Expenses	\$	2,798
Total Travel Expenses	\$	224,968	Total Travel Expenses	\$	376,377
	\$	(224,968)		\$	(376,377)
<u>Outside Services</u>			<u>Outside Services</u>		
Accounting	\$	197,044	6010 Audit Fees	\$	432,000
Computer Consultant Services	\$	2,909	6015 Employ Finder Fees	\$	1,939
Consulting	\$	469,204	6025 Legal Fees	\$	24,376
Other Outside Services	\$	90,585	6035 Payroll Services	\$	165,159
			6040 Tax Return Review	\$	225,926
			6050 Other Outside Services	\$	373,533
			6045 Temp Employ - Clerical	\$	31,732
Total Outside Services	\$	759,742	Total Outside Services	\$	1,254,665
	\$	(759,742)		\$	(1,254,665)
<u>Other Non-Service Expenses</u>			<u>Other Non-Service Expenses</u>		
Director's Fees	\$	25,909	5505 Agency Expense	\$	13,609
Gain/Loss-Sale of Fixed Assets	\$	165	5530 Billing Computer Supplies	\$	300
Interest Income - General	\$	(500)	5540 Billing Postage	\$	(12,815)
Miscellaneous Revenue	\$	(12,207)	5545 Customer Service Printing	\$	9,945
Promotion	\$	12,410	5790 Bank Service Charge	\$	122,717
Other	\$	2	7665 Extraordinary Gain/Loss	\$	708,000
Trade Shows	\$	708	7735 S/T Int Exp Bank One	\$	(12,044)
			7750 Interest During Construction	\$	(122,861)
			6445 Deprec-Organization	\$	1,653
Total Non-Services Expenses	\$	26,486	Total Non-Services Expenses	\$	708,503
	\$	(26,486)		\$	(708,503)
<u>Corix Enterprise IT Expenses</u>	\$	463,391	<u>Enterprise IT Expenses</u>	\$	3,622,766
	\$	(463,391)		\$	(3,622,766)
<u>Normalize Non-Recurring Expenses</u>	\$	247,916			
	\$	(247,916)			
<u>Functions Excluded from Scope</u>			<u>Functions Excluded from Scope</u>		
Business Development	\$	788,842	980433.1553	\$	980,433
	\$	(788,842)	2283166.487	\$	2,283,166
			294000	\$	294,000
			Total Excluded From Scope	\$	3,557,600
				\$	(3,557,600)
Net Testable 2019 Corix Corporate Services Charges	\$	4,119,242	Net Testable 2019 WSC Shared Services Charges	\$	7,405,187
Total Net Testable 2019 Testable Charges			Total Net Testable 2019 Testable Charges		
\$ 11,524,429			\$ 11,524,429		

Source: Company information; Baryenbruch & Company, LLC, analysis

Exhibit 11

Corix Regulates Utilities (US) Inc.
 2019 Market Testable Charges by Outside Service Provider Category

Department		Outside Provider Category			Total
		Consultant	CPA	IT Professional	
Corix	Corporate Administration	\$ 134,116			\$ 134,116
	Corporate Communications	\$ 1,017,179			\$ 1,017,179
	Finance		\$ 1,100,934		\$ 1,100,934
	Health, Safety & Environmental	\$ 134,082			\$ 134,082
	Human Resources	\$ 443,200			\$ 443,200
	Information Technology			\$ 338,674	\$ 338,674
	Legal	\$ 260,656			\$ 260,656
	Transformation	\$ 205,173			\$ 205,173
	Transition	\$ 289,114			\$ 289,114
	Treasury		\$ 196,112		\$ 196,112
	Total Corix	\$ 2,483,521	\$ 1,297,047	\$ 338,674	\$ 4,119,242

Department		Outside Provider Category			Total
		Consultant	CPA	Professional	
WSC	Administrative Services		\$ 819,481		\$ 819,481
	Communications/Engineering	\$ 299,104			\$ 299,104
	Executive	\$ 2,896,036			\$ 2,896,036
	Finance		\$ 1,440,996		\$ 1,440,996
	Health, Safety & Environment	\$ 316,555			\$ 316,555
	Human Resources	\$ 490,701			\$ 490,701
	Information Technology			\$ 1,143,967	\$ 1,143,967
	Total WSC	\$ 4,002,396	\$ 2,260,476	\$ 1,143,967	\$ 7,406,840

Total 2019 Testable Charges	\$ 6,485,917	\$ 3,557,523	\$ 1,482,642	\$ 11,526,082
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Source: Company Information; Baryenbruch & Company, LLC, analysis

Exhibit 12

Corix Regulates Utilities (US) Inc.
 2019 Market Testable Hours by Outside Service Provider Category

Department		Outside Provider Category			Total
		Consultant	CPA	IT Professional	
Corix	Corporate Administration	960			960
	Corporate Communications	2,154			2,154
	Finance		11,324		11,324
	Health, Safety & Environmental	2,936			2,936
	Human Resources	3,721			3,721
	Information Technology			2,938	2,938
	Legal	2,742			2,742
	Transformation	2,742			2,742
	Treasury		1,727		1,727
	Total Corix	15,255	13,051	2,938	31,243

Department		Outside Provider Category			Total
		Consultant	CPA	IT Professional	
WSC	Administrative Services		18,800		18,800
	Communications/Engineering		5,640		5,640
	Executive	5,640			5,640
	Finance	11,593			11,593
	Health, Safety & Environment	2,977			2,977
	Human Resources	11,750			11,750
	Information Technology			17,390	17,390
	Total WSC	31,960	24,440	17,390	73,790

Total 2019 Hours	47,215	37,491	20,328	105,033
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Source: Company Information; Baryenbruch & Company, LLC, analysis

V – Reasonableness Charges for Corix and WSC Services

Outside Service Provider Hourly Rates

The next step in the cost comparison is to calculate the average billing rates for each type of outside service provider. The source of this information and the determination of the average rates are described below.

It should be noted that professionals working for three of the five outside provider categories may be licensed to practice by state regulatory bodies. However, not every professional working for these firms is licensed. For instance, among US certified public accounting firms, only more experienced staff are predominantly CPAs, as shown in the table below. Some Corix and WSC employees also have professional licenses. Thus, it is valid to compare the Corix and WSC hourly rates to those of the outside professional service providers included in this study.

Position	% Who Are CPAs
Partners/Owners	98%
Directors (over 10 years experience)	87%
Managers (6-10 years experience)	79%
Sr Associates (4-5 years experience)	50%
Associates (1-3 years experience)	22%
New Professionals	10%

Source: AICPA's National PCPS/TSCPA Management of an Accounting Practice Survey (2010)

Management Consultants

The cost per hour for management consultants was developed from 2018 survey information from ALM Intelligence, a research firm that follows the consulting industry. The survey includes rates that were in effect during 2018 for firms throughout the United States. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, in this case the U.S. national average is appropriate for comparison.

The first step in the hourly rate calculation, presented in Exhibit 13 (page 44), is to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percent of time that is typically applied to a consulting assignment by each consultant position level. Since the survey includes hourly rates that were in effect during 2018, the calculated average rate was escalated to June 30, 2019—the midpoint of 2019.

Certified Public Accountants

The average hourly rate for Illinois CPAs was developed from a 2018 survey performed by the American Institute of Certified Public Accountants (AICPA). The Virginia version of this survey was used to develop hourly rates for member firms in Illinois.

As shown in Exhibit 14 (page 45), a weighted average hourly rate was developed based on a set of accountant positions and a percent of time that is typically applied to an accounting assignment, based on Baryenbruch & Company, LLC's, experience. Since the survey includes hourly rates that were in effect at December 31, 2017, the calculated average rate was escalated to June 30, 2019—the midpoint of 2019.

V – Reasonableness Charges for Corix and WSC Services

Information Technology Consultants

The average hourly rate for information technology consultants and contractors was developed from survey information from ALM Intelligence and Baryenbruch & Company, LLC. As shown in Exhibit 15 (page 46), that data was compiled and a weighted average was calculated based on the composition of IT departments of Corix and WSC.

Exhibit 13

Corix Regulates Utilities (US) Inc.
 2019 Billing Rates for Management Consultants

Survey billing rates in effect in 2018 (Note A)

A. Calculation of Average Hourly Billing Rate by Consultant Position

Average Hourly Rates (Note A)				
Analyst Consultant	Associate	Sr. Assoc/ Manager	Principal	Partner
\$ 217	\$ 244	\$ 303	\$ 461	\$ 540

Average

B. Calculation of Overall Average Hourly Billing Rate Based on a Typical Distribution of Time on an Engagement

Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
\$ 217	\$ 244	\$ 303	\$ 461	\$ 540	
30%	30%	25%	10%	5%	Weighted Average
\$ 65	\$ 73	\$ 76	\$ 46	\$ 27	\$ 287

Average Hourly Billing Rate (from above)

Percent of Consulting Assignment

Escalation to 2019 Midpoint (June 30, 2019)

CPI at December 31, 2018	251.2
CPI at June 30, 2019	256.1
Inflation/Escalation (Note B)	2.0%
Average Hourly Billing Rate for Management Consultants at June 30, 2019	\$ 293

Note A: Source is ALM Intelligence

Note B: Source is U.S. Bureau of Labor Statistics (<http://data.bls.gov/cgi-bin/surveymost>)

Exhibit 14

Corix Regulates Utilities (US) Inc.
 2019 Billing Rates for Certified Public Accountants

A. Calculation of Average Hourly Billing Rate by Public Accounting Position
 Survey billing rates were those in effect in 2017 (Note A)

Average Hourly Billing Rate (Note A)					
	Staff Accountant	Senior Accountant	Director/ Manager	Partner	
Average Hourly Billing Rate by CPA Firm Position	\$ 112	\$ 132	\$ 185	\$ 235	
Percent of Accounting Assignment	30%	30%	20%	20%	Weighted Average
	\$ 34	\$ 40	\$ 37	\$ 47	\$ 157
<u>Escalation to 2019 Midpoint (June 30, 2019)</u>					
					CPI at December 31, 2017 246.5
					CPI at June 30, 2019 256.1
					Inflation/Escalation (Note B) 3.9%
Average Hourly Billing Rate for Certified Public Accountants at June 30, 2019					\$ 164

Note A: Source is AICPA's 2018 National PCPS/TSCPA Management of an Accounting Practice Survey (Illinois edition)

Note B: Source is U.S. Bureau of Labor Statistics (<http://data.bls.gov/cgi-bin/surveymost>)

Exhibit 15

Corix Regulates Utilities (US) Inc.
 2019 Billing Rates for IT Consultants

A. Calculation of Average Hourly Billing Rate by Information Technology Position
 Survey billing rates were those in effect in 2019 (Note A)

		Average Hourly Billing Rate (Note A)				
		Contractor Positions		Consultant Positions		
		Contractor	Senior Contractor	Associate	Manager	Partner
Average Hourly Billing Rate by IT Position Category		\$ 85	\$ 173	\$ 231	\$ 341	\$ 423
Percent of IT Assignment		13%	58%	17%	8%	4%
		\$ 11	\$ 101	\$ 38	\$ 28	\$ 18
						Weighted Average
						\$ 196

Note A: Source is Company information; ALM Intelligence and Baryenbruch & Company, LLC

V – Reasonableness of Corix and WSC Services

Comparison of Hourly Rates

As shown in the table below, Corix’s and WSC’s costs per hour in 2019 are significantly lower than those of outside providers.

Service Provider	Cost Per Hour Difference		
	Corix/WSC	Outside Providers	Difference - Corix/WSC Greater(Less) Than Outside
Management Consultant	\$ 137	\$ 293	\$ (156)
Certified Public Accountant	\$ 95	\$ 164	\$ (69)
IT Consultant	\$ 73	\$ 196	\$ (123)

Source: Company information; Baryenbruch & Company, LLC, analysis

Based on the cost per hour differentials and the number of hours Corix and WSC billed CRU US utilities during 2019, Corix’s and WSC’s services would have cost approximately \$12.1 million more from outside providers, as calculated below. This is nearly 108% more than Corix’s and WSC’s testable charges to CRU US utilities during 2019 ($\$12,452,673 / \$11,526,082 = 108\%$).

Service Provider	Total Cost Difference		
	Hourly Rate Difference - Corix/WSC Greater(Less) Than Outside	Corix/WSC Hours Charged	Dollar Difference
Management Consultant	\$ (156)	47,215	\$ (7,365,486)
Certified Public Accountant	\$ (69)	37,491	\$ (2,586,884)
IT Consultant	\$ (123)	20,328	\$ (2,500,303)
Net Corix/WSC Less Than Outside Providers			\$ (12,452,673)

Source: Company information; Baryenbruch & Company, LLC, analysis

As a final step in this lower of cost or market pricing analysis, the 2019 income statements of Corix and WSC were reviewed. That of WSC was found to have no net income and Corix’s had a net loss. This provides further evidence that CRU US utilities received services from Corix and WSC at cost, which is below market, and that these charges are reasonable.

V – Reasonableness of Charges for Corix and WSC Services

Question 7 – Customer Accounts Services Cost Comparison

Customer Accounts Services involve the processes that occur from the time meter-read data is recorded in the customer information system through the printing and mailing of bills, concluding with the collection and processing of customer payments. Customer Accounts Services are accomplished by the following utility functions:

- Customer Call Center Operations – customer calls/contact, credit, order taking/disposition, bill collection efforts and outage calls
- Customer Call Center Maintenance – support of phone banks, voice recognition units, call center software applications and telecommunications
- Customer billing – bill printing, stuffing and mailing
- Remittance processing – processing customer payments received in the mail
- Bill payment centers – processing customer payments at locations where customers can pay their bills in person

Comparison group electric utility cost information comes from the FERC Form 1 that each utility subject to FERC regulation must file. FERC’s chart of accounts is defined in Chapter 18, Part 101, of the Code of Federal Regulations. FERC accounts that contain expenses related to customer accounts services are Account 903 Customer Accounts Expense – Records and Collection Expense and Account 905 Customer Accounts Expense – Miscellaneous Customer Accounts Expense. Exhibit 16 (page 45) provides FERC’s definition of the type of expenses that should be recorded in these accounts.

In addition to the charges in these FERC accounts, labor-related overhead charged to the following FERC accounts must be added to the labor components of Accounts 903 and 905:

- Account 926 Employee Pension and Benefits
- Account 408 Taxes Other Than Income (employer’s portion of FICA)

Comparison Group

The comparison group includes utilities that provide service in the same states as CRU US utilities and that filed a Form 1 for 2018 with the FERC. The following 51 utilities make up this group:

Utility	State	Utility	State
Alabama Power	Alabama	Kentucky Power	Kentucky
Ameren Illinois	Illinois	Kentucky Utilities	Kentucky
Appalachian Power	Virginia	Kingsport Power	Tennessee
Arizona Public Service	Arizona	Louisville Gas & Electric	Kentucky
Atlantic City Electric	New Jersey	Metropolitan Edison	Pennsylvania
Baltimore Gas & Electric	Maryland	MidAmerica Energy	Illinois
CenterPoint Electric	Texas	Nevada Power	Nevada
CLECO	Louisiana	NIPSCO	Indiana
Com Edison	Illinois	Oncor Electric	Texas
Delmarva Power & Light	Maryland	PECO Energy	Pennsylvania
Duke Energy Carolinas	North & South Carolina	Pennsylvania Electric	Pennsylvania
Duke Energy Florida	Florida	Pennsylvania Power	Pennsylvania
Duke Energy Indiana	Indiana	Potomac Edison	Maryland
Duke Energy Kentucky	Kentucky	Potomac Electric	Maryland
Duke Energy Progress	North & South Carolina	PPL Electric Utilities	Pennsylvania
Duquesne Light	Pennsylvania	Public Service Electric & Gas	New Jersey
El Paso Electric	Texas	Rockland Electric	New Jersey
Entergy Louisiana	Louisiana	Sierra Pacific Power	Nevada
Entergy New Orleans	Louisiana	South Carolina Electric & Gas	South Carolina
Entergy Texas	Texas	Southwest Public Service	Texas
Florida Power & Light	Florida	Southwestern Electric Power	Texas & Louisiana
Georgia Power	Georgia	Tampa Electric	Florida
Gulf Power	Florida	Tucson Electric	Arizona
Indiana Michigan Power	Indiana	Vectren	Indiana
Indianapolis Pwr & Light	Indiana	Virginia Elect Power	Virginia
Jersey Central Power	New Jersey	West Penn Power	Pennsylvania

Corix Regulates Utilities (US) Inc. FERC Account Descriptions

903 – Customer Records and Collection Expenses

This account shall include the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

Labor

1. Receiving, preparing, recording and handling routine orders for service, disconnections, transfers or meter tests initiated by the customer, excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
2. Investigations of customers' credit and keeping of records pertaining thereto, including records of uncollectible accounts written off.
3. Receiving, refunding or applying customer deposits and maintaining customer deposit, line extension, and other miscellaneous records.
4. Checking consumption shown by meter readers' reports where incidental to preparation of billing data.
5. Preparing address plates and addressing bills and delinquent notices.
6. Preparing billing data.
7. Operating billing and bookkeeping machines.
8. Verifying billing records with contracts or rate schedules.
9. Preparing bills for delivery, and mailing or delivering bills.
10. Collecting revenues, including collection from prepayment meters unless incidental to meter reading operations.
11. Balancing collections, preparing collections for deposit, and preparing cash reports.
12. Posting collections and other credits or charges to customer accounts and extending unpaid balances.
13. Balancing customer accounts and controls.
14. Preparing, mailing, or delivering delinquent notices and preparing reports of delinquent accounts.
15. Final meter reading of delinquent accounts when done by collectors incidental to regular activities.
16. Disconnecting and reconnecting services because of nonpayment of bills.
17. Receiving, recording, and handling of inquiries, complaints, and requests for investigations from customers, including preparation of necessary orders, but excluding the cost of carrying out such orders, which is chargeable to the account appropriate for the work called for by such orders.
18. Statistical and tabulating work on customer accounts and revenues, but not including special analyses for sales department, rate department, or other general purposes, unless incidental to regular customer accounting routines.
19. Preparing and periodically rewriting meter reading sheets.
20. Determining consumption and computing estimated or average consumption when performed by employees other than those engaged in reading meters.

Materials and expenses

21. Address plates and supplies.
22. Cash overages and shortages.
23. Commissions or fees to others for collecting.
24. Payments to credit organizations for investigations and reports.
25. Postage.
26. Transportation expenses, including transportation of customer bills and meter books under centralized billing procedure.
27. Transportation, meals, and incidental expenses.
28. Bank charges, exchange, and other fees for cashing and depositing customers' checks.
29. Forms for recording orders for services, removals, etc.
30. Rent of mechanical equipment.

905 – Miscellaneous Customer Accounts Expenses

This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

Labor

1. General clerical and stenographic work.
2. Miscellaneous labor.

Materials and expenses

3. Communication service.
4. Miscellaneous office supplies and expenses and stationery and printing other than those specifically provided for in accounts 902 and 903.

V – Reasonableness of Charges for Corix and WSC Services

WSC's Cost per Customer

As calculated below, WSC's customer accounts services expense per customer was \$26.22 for 2019. The cost pool used to calculate this average includes charges for WSC services (e.g., call center, billing, payment processing) and lock box payment processing charges, which are incurred directly by CRU US utilities. It is necessary to adjust the WSC's charges because electric utilities experience an average of 2.50 calls per customer compared to CRU US utilities' 1.07 calls per customer during 2019. Thus, WSC's expenses had to be increased, for comparison purposes, to reflect its costs if it had had 2.50 calls per customer.

Utilities Inc. Customer Account Services Expenses per Customer (2019)			Adjustment Fewer Calls For	
Cost Component	Service Co Charges	Water Cos. (A)	Adjusted	
WSC Expenses				
Customer Care & Billing	Order processing, billing & collection	\$1,190,446		\$ 1,190,446
Customer Service	Customer contact	\$2,326,481	\$ 2,224,659	\$ 4,551,140
CRU US Utilities Expenses				
Postage and Forms				\$ 1,160,287
Lock Box Charges	Payment processing bank charges			\$ 168,779
			Cost Pool Total	\$ 7,070,652
			Total Customers	269,714
			2019 Customer Account Services Cost Per CRU US Utility Customer	<u>\$ 26.22</u>
Note A: Adjustment for CRU US utilities fewer calls per customer (this adjustment is necessary because water utilities experience fewer calls per customer than do electric utilities)				
			2019 Customer Service customer contact expenses	\$ 1,654,387
		2.50		
		Electric utility industry's average calls/customer		
		CRU US utilities 2019 average calls/customer		
	Number of Total Calls	287,578		
	Number of Customers	269,714		
	WSC's average calls/customer	1.07		
	Percent different	134%		134%
	Total Adjustment			\$ 2,224,659

Source: Company information; Baryenbruch & Company, LLC, analysis

Electric Utility Group Cost per Customer

Exhibit 17 (pages 51) shows the calculation of customer accounts expense per customer for 2018 for the electric utility comparison group. All of the underlying data was taken from the utilities' FERC Form 1.

Summary of Results

As shown in the Exhibit 18 (page 52), CRU US utilities' 2019 cost of \$26.22 per customer is lower than the 2018 average cost of \$28.49 for the electric utility comparison group. It can be concluded that 2019 customer accounts services charges from WSC are comparable to those of other utilities and, thus, reasonable.

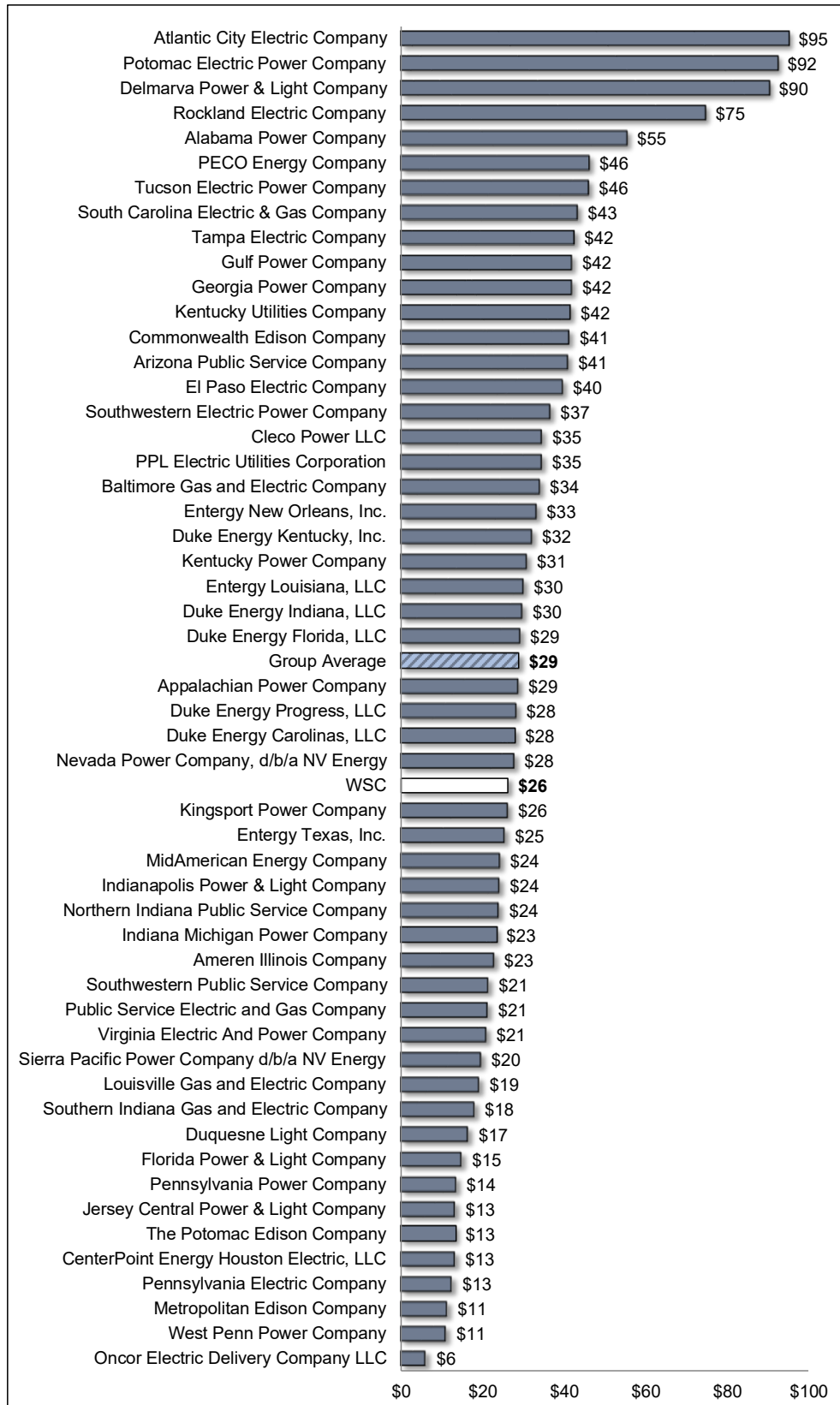
Exhibit 17

Corix Regulates Utilities (US) Inc.
Comparison Group 2018 Customer Accounts Expense Per Customer

Comparison Group	Customer Accounts Services Cost Pool				Total Customers	Customer Account Services Expenses per Customer
	Employee Benefits			Total Cost Pool		
	Account 903 and 905	Pension and Benefits	Payroll Taxes			
Alabama Power Company	\$ 71,684,001	\$ 5,977,539	\$ 4,149,746	\$ 81,811,286	1,477,326	\$ 55.38
Ameren Illinois Company	\$ 26,642,131	\$ 402,335	\$ 791,285	\$ 27,835,750	1,220,681	\$ 22.80
Appalachian Power Company	\$ 26,681,491	\$ 220,129	\$ 560,231	\$ 27,461,851	955,578	\$ 28.74
Arizona Public Service Company	\$ 47,657,381	\$ 1,102,312	\$ 1,849,483	\$ 50,609,176	1,235,451	\$ 40.96
Atlantic City Electric Company	\$ 52,141,740	\$ 374,231	\$ 194,968	\$ 52,710,939	554,881	\$ 95.00
Baltimore Gas and Electric Company	\$ 38,962,195	\$ 2,834,312	\$ 1,820,648	\$ 43,617,155	1,282,599	\$ 34.01
CenterPoint Energy Houston Electric, LLC	\$ 31,249,862	\$ 1,225,828	\$ 444,481	\$ 32,920,172	2,484,085	\$ 13.25
Cleco Power LLC	\$ 8,619,537	\$ 1,213,072	\$ 227,612	\$ 10,060,220	290,740	\$ 34.60
Commonwealth Edison Company	\$ 147,299,368	\$ 13,398,443	\$ 6,059,948	\$ 166,757,759	4,036,731	\$ 41.31
Delmarva Power & Light Company	\$ 46,768,268	\$ 266,164	\$ 223,588	\$ 47,258,020	523,856	\$ 90.21
Duke Energy Carolinas, LLC	\$ 67,343,085	\$ 2,438,798	\$ 2,315,472	\$ 72,097,355	3,357,953	\$ 21.47
Duke Energy Florida, LLC	\$ 48,461,677	\$ 2,089,413	\$ 2,016,215	\$ 52,567,304	1,801,551	\$ 29.18
Duke Energy Indiana, LLC	\$ 23,216,514	\$ 900,596	\$ 613,120	\$ 24,730,230	830,270	\$ 29.79
Duke Energy Kentucky, Inc.	\$ 4,196,046	\$ 205,172	\$ 164,741	\$ 4,565,959	142,393	\$ 32.07
Duke Energy Progress, LLC	\$ 40,490,147	\$ 2,480,873	\$ 1,415,170	\$ 44,386,191	1,571,011	\$ 28.25
Duquesne Light Company	\$ 7,905,392	\$ 1,375,514	\$ 612,076	\$ 9,892,982	597,498	\$ 16.56
El Paso Electric Company	\$ 14,561,836	\$ 1,602,074	\$ 583,563	\$ 16,747,473	422,281	\$ 39.66
Entergy Louisiana, LLC	\$ 30,913,209	\$ 1,507,743	\$ 162,334	\$ 32,583,286	1,083,560	\$ 30.07
Entergy New Orleans, Inc.	\$ 6,447,727	\$ 223,654	\$ 60,093	\$ 6,731,475	202,634	\$ 33.22
Entergy Texas, Inc.	\$ 11,238,956	\$ 220,490	\$ 74,447	\$ 11,533,893	453,260	\$ 25.45
Florida Power & Light Company	\$ 69,159,485	\$ 2,002,921	\$ 3,020,379	\$ 74,182,785	4,961,313	\$ 14.95
Georgia Power Company	\$ 98,802,006	\$ 4,068,713	\$ 3,524,172	\$ 106,394,890	2,536,685	\$ 41.94
Gulf Power Company	\$ 17,833,216	\$ 1,005,672	\$ 655,273	\$ 19,494,161	464,682	\$ 41.95
Indiana Michigan Power Company	\$ 13,455,803	\$ 198,378	\$ 242,798	\$ 13,896,979	595,192	\$ 23.35
Indianapolis Power & Light Company	\$ 9,863,257	\$ 1,695,895	\$ 432,863	\$ 11,992,015	495,419	\$ 24.21
Jersey Central Power & Light Company	\$ 15,842,348	\$ (1,339,799)	\$ 607,205	\$ 15,109,754	1,131,190	\$ 13.36
Kentucky Power Company	\$ 5,004,514	\$ 40,382	\$ 94,675	\$ 5,139,571	166,603	\$ 30.85
Kentucky Utilities Company	\$ 20,050,146	\$ 2,143,791	\$ 790,759	\$ 22,984,696	552,923	\$ 41.57
Kingsport Power Company	\$ 1,241,189	\$ (6,956)	\$ 23,389	\$ 1,257,622	48,032	\$ 26.18
Louisville Gas and Electric Company	\$ 7,082,557	\$ 573,850	\$ 251,611	\$ 7,908,018	411,711	\$ 19.21
Metropolitan Edison Company	\$ 7,194,586	\$ (910,781)	\$ 189,967	\$ 6,473,772	569,982	\$ 11.36
MidAmerican Energy Company	\$ 17,031,939	\$ 542,765	\$ 983,659	\$ 18,558,363	765,804	\$ 24.23
Nevada Power Company, d/b/a NV Energy	\$ 22,812,822	\$ 2,213,568	\$ 932,242	\$ 25,958,632	934,534	\$ 27.78
Northern Indiana Public Service Company	\$ 10,406,903	\$ 401,192	\$ 488,657	\$ 11,296,753	469,917	\$ 24.04
Oncor Electric Delivery Company LLC	\$ 19,597,001	\$ 1,737,845	\$ 463,638	\$ 21,798,484	3,592,113	\$ 6.07
PECO Energy Company	\$ 70,806,731	\$ 2,574,072	\$ 2,426,698	\$ 75,807,501	1,642,854	\$ 46.14
Pennsylvania Electric Company	\$ 7,571,326	\$ (358,038)	\$ 154,953	\$ 7,368,242	586,891	\$ 12.55
Pennsylvania Power Company	\$ 2,094,621	\$ 131,943	\$ 26,375	\$ 2,252,939	166,182	\$ 13.56
Potomac Electric Power Company	\$ 77,888,559	\$ 1,931,112	\$ 989,434	\$ 80,809,105	875,876	\$ 92.26
PPL Electric Utilities Corporation	\$ 45,238,473	\$ 3,020,454	\$ 1,549,697	\$ 49,808,624	1,440,560	\$ 34.58
Public Service Electric and Gas Company	\$ 160,042,249	\$ 1,196,400	\$ 3,890,437	\$ 165,129,086	7,761,647	\$ 21.28
Rockland Electric Company	\$ 4,203,507	\$ 1,115,504	\$ 170,209	\$ 5,489,220	73,526	\$ 74.66
Sierra Pacific Power Company d/b/a NV Energy	\$ 6,249,058	\$ 313,984	\$ 259,656	\$ 6,822,698	347,196	\$ 19.65
South Carolina Electric & Gas Company	\$ 37,022,654	\$ 3,174,642	\$ 1,307,150	\$ 41,504,446	958,319	\$ 43.31
Southern Indiana Gas and Electric Company	\$ 2,607,410	\$ 6,810	\$ 90,255	\$ 2,704,475	150,157	\$ 18.01
Southwestern Electric Power Company	\$ 35,580,936	\$ 630,473	\$ 329,426	\$ 36,540,836	998,408	\$ 36.60
Southwestern Public Service Company	\$ 7,247,079	\$ 851,588	\$ 304,164	\$ 8,402,832	391,714	\$ 21.45
Tampa Electric Company	\$ 26,890,676	\$ 3,978,571	\$ 1,235,254	\$ 32,104,501	756,254	\$ 42.45
The Potomac Edison Company	\$ 5,122,434	\$ 185,605	\$ 183,277	\$ 5,491,317	411,623	\$ 13.34
Tucson Electric Power Company	\$ 18,123,432	\$ 970,829	\$ 476,130	\$ 19,570,391	425,044	\$ 46.04
Virginia Electric And Power Company	\$ 48,098,120	\$ 3,986,097	\$ 2,256,584	\$ 54,340,801	2,601,179	\$ 20.89
West Penn Power Company	\$ 7,589,502	\$ 260,559	\$ 201,838	\$ 8,051,899	726,159	\$ 11.09
Total	\$ 1,650,235,102	\$ 78,396,733	\$ 52,892,048	\$ 1,781,523,883	62,534,028	\$ 28.49

Source: FERC Form 1; Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc.
Comparison Group Customer Accounts Services Expense Per Customer



V – Reasonableness of Charges for Corix and WSC Services

Question 8 – Provision of Services at the Same Cost

Financial Systems Descriptions - Corix

The following are systems of Corix that provide the capability to account for its corporate costs and assign them to the affiliates it serves:

- General Ledger System (Microsoft Dynamics Navision or “MS NAV”) – Maintains the official financial records for CORIX. MS NAV has been customized to include the trade and non-trade inter-company billing module that automates accounting for transactions among all Canadian and US affiliates except for certain US subsidiaries on a different ERP system (e.g. Corix Regulates Utilities (US) Inc., Fairbanks Sewer and Water Inc., Doyon Utilities, LLC, Tribus Services, Inc., Cleveland Thermal, LLC). There is also a job-costing module that is used for job/project cost tracking.
- Asset Accounting System (MS NAV) – Maintains fixed asset records relating to acquisitions, depreciation, disposal, etc. This is included in the fixed asset module.
- Asset Work Management System (MS NAV) – Work management systems used by generation, transmission and distribution functions. Among other things, work orders can be set up in these systems.
- Time Reporting System (MS NAV) – Employee time reporting and resource accounting to jobs.
- Accounts Receivable System (MS NAV) – Customer sale and payment accounting.
- Accounts Payable System (MS NAV) – Vendor purchase and payment accounting.
- Materials and Supplies (MS NAV) – Materials and supplies inventory accounting; however, this is not applicable for Corix corporate companies with only head office costs.
- Employee & Travel Expense System (Nexonia) – A 3rd party platform that provides business travel expense management and credit card transactions. The platform is integrated with MS NAV.

Corix transactions recorded in the MS NAV System are assigned a standard set of information. One of the key data elements is Department which identifies the Corix department or business unit responsible for the charge. This element facilitates the compilation of Corporate Services expenses and their allocation to affiliates.

Financial Systems Descriptions – WSC

The following systems of CRU US provide the capability to account for its WSC costs and assign them to the affiliates it serves:

- General Ledger System (Oracle JD Edwards EnterpriseOne or JDE) – Maintains the official financial records for CRU US and its subsidiaries, including WSC.
- Asset Accounting System (JDE) – Maintains fixed asset records, acquisition, depreciation, disposal, etc. This is included in the fixed asset module.
- Asset Work Management System (JDE) – Maintains fixed asset records relating to acquisition, depreciation, disposal, etc.
- Time Reporting System (JDE/Paychex) – Employee time is entered into JDE, which transfers it to Paychex, a third-party provider of payroll services. Once the payroll has been processed, Paychex transfers the relevant data back to JDE.
- Accounts Receivable System (JDE) – Revenues and payment accounting.
- Accounts Payable System (JDE) – Vendor purchase and payment accounting.
- Materials and Supplies (JDE) – Materials and supplies inventory accounting (this module is not currently utilized by CRU US, since inventoried items are not significant).

V – Reasonableness of Charges for Corix and WSC Services

- Employee & Travel Expense Reporting (manual) – Employee and travel-related expenses are documented on a manual expense report from which relevant information is entered into JDE.

WSC transactions are also assigned a set of data elements of which Business Unit (e.g., WSC department, CRU US utility business unit) is key to the allocation of WSC Shared Services expenses to CRU US utilities. The table below shows examples of Business Unit values in the JDE system.

WSC Business Units	CRU US Utilities Business Units
102101 Accounting	182106 Sugar Mountain – Water
102103 Human Resources	182107 Sugar Mountain – Sewer
102104 Information Technology	182108 Sugar Mountain – Common

Cost Allocation

CORIX assigns the cost of Corporate Services to affiliates based on its methodology as described in the Corix Cost Allocation Manual. The cost assignment process is illustrated in Exhibit 19 (page 55). Based upon the Department data element, Corix Corporate Services expenses are compiled into cost pools: (1) direct assigned, (2) allocated to affiliates and (3) retained (i.e., not assigned to Corix affiliates). The portion that is allocated is assigned to affiliates based on the following two steps:

- Tier 1 Allocation – The first step allocates expenses among CRU US and other Corix entities based on a Modified Massachusetts Formula composite average with the following components:

Factor	Weighting
Gross Revenue	33.33%
Headcount	33.33%
Gross Property, Plant and Equipment	33.33%

- Tier 2 Allocation – The second step allocates expenses among individual CRU US utilities. The basis for this allocation is Equivalent Residential Connections (ERC).

2019 Tier 1 and Tier 2 allocations were tested by Baryenbruch & Company, LLC, in the following ways:

- Tier 1 Corix Allocation – Exhibit 20 (page 56) shows the recalculation of the 2019 Corix Tier 1 allocation of recoverable Corporate Services expenses to WSC (\$5,841,745, which excludes Business Development charges from Corix).
- Tier 2 WSC Allocation – Exhibit 21 (page 57) shows the recalculation of the 2019 Tier 2 allocation of WSC’s total charges to individual CRU US utilities. The recalculation showed an average of only 1.3% difference between the Tier 2 allocation and the amounts charged to and recorded on the books of individual utilities during 2019. This is very close given the nature of the recalculation as a reasonableness test.

Exhibit 19

Corix Regulates Utilities (US) Inc.
Overview of Corix Corporate Services Allocation

Corix Total Corporate Services Expenses	\$ XXX
Less: Direct-Charge Expenses (A)	<u>\$ (XXX)</u>
Remainder: Corix Indirect Expenses	\$ XXX ←

Tier 1 Allocation of Corix Indirect Expenses (B)

Regulated Utilities:			
CRU US	XX%	\$ XXX	
Fairbanks Sewer & Water, Inc.	XX%	\$ XXX	
Canadian Utilities	XX%	\$ XXX	
Canadian District Energy	XX%	\$ XXX	
Gillem Enclave	XX%	\$ XXX	
CU Oklahoma	XX%	\$ XXX	
Cleveland Thermal	XX%	\$ XXX	
Doyon	XX%	\$ XXX	
Total Corix Indirect Expenses	100%	<u>\$ XXX</u>	\$ XXX ←

Tier 2 Allocation to Regulated Utilities of Corix Indirect Expenses (C)

UI Utilities			
ACME Water Supply & Mgmt	XX%	\$ XXX	
Apple Canyon Utility Co	XX%	\$ XXX	
Bermuda Water Co	XX%	\$ XXX	
etc.	XX%	\$ XXX	
CRU US Portion of Corix Indirect Expenses	100%	<u>\$ XXX</u>	

Note A: Direct charges are only made to Tribus, Contract Utilities and Shareholders

Note B: Allocation based on composite allocation with the following factors:

Gross Revenue	33.33%
Headcount	33.33%
Gross Plant, Property & Equipment	33.33%

Note C: Allocation based on Equivalent Residential Units (ERC)

attributed to it for purposes of calculating its composite allocator.

Source: Company information; Baryenbruch & Company, LLC, analysis

Corix Regulated Utilities (US) Inc.
Test of 2019 Tier 1 Corix Corporate Services to WSC

Calculation of 2019 Composite Allocation for Tier 1 Allocation

(USD)

Allocation Factors	Amount/Units	% of Total	1/3 Weighting	Weighted Average
Gross Revenue (\$000)				
Regulated Utilities	\$ ██████████	██████████	██████████	██████████
Contract Utilities	\$ ██████████	██████████	██████████	██████████
Total Gross Revenue	\$ ██████████	██████████		
Headcount				
Regulated Utilities	██████████	██████████	██████████	██████████
Contract Utilities	██████████	██████████	██████████	██████████
Total Headcount	██████████	██████████		
Gross PP&E (\$000)				
Regulated Utilities	\$ ██████████	██████████	██████████	██████████
Contract Utilities	\$ ██████████	██████████	██████████	██████████
Total PP&E	\$ ██████████	██████████		

Overall Weighted Average

Regulated Utilities	██████████
Contract Utilities	██████████
Total	100.0%

Tier 1 Allocation of 2019 Corix Corporate Services Charges

Total Corix Corporate Services Charges	\$ ██████████	
Direct Charges		
Regulated Utilities	\$ -	
Tribus	\$ ██████████	
Contract Utilities	\$ ██████████	
Total Direct Charges	\$ ██████████	
Allocated Charges		
Regulated Utilities	\$ ██████████	██████████
Contract Utilities	\$ ██████████	██████████
Total Allocated Charges	\$ ██████████	100.0%
Total Charges	\$ ██████████	

Calculation of 2019 Recoverable Charges to CRU US Utilities

Total Charges - Regulated Utilities	\$ ██████████
Less: Alaska	\$ ██████████
Less: Business Development	\$ ██████████
Recoverable Charges to CRU (US) Utilities	\$ ██████████

Source: Company information; Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc. Test of 2019 Tier 2 Allocation of WSC Charges to CRU US Utilities

2019 ERCs			2019 WSC Charges			Difference		Absolute
Company	Average ERCs	% Total ERCs	Company	Amount	% Total Charges	Amount	% Different	% Different
110 Apple Canyon Utility Co	962.33	0.32%	110 Apple Canyon Utility Co	\$ 71,348	0.33%	0.00%	-0.9%	0.9%
111 Camelot Utilities Inc	439.50	0.15%	111 Camelot Utilities Inc	\$ 32,345	0.15%	0.00%	-0.1%	0.1%
112 Charmar Water Co	51.33	0.02%	112 Charmar Water Co	\$ 3,805	0.02%	0.00%	-0.9%	0.9%
113 Cherry Hill Water Co	257.85	0.09%	113 Cherry Hill Water Co	\$ 19,117	0.09%	0.00%	-0.9%	0.9%
114 Clarendon Water Co	304.33	0.10%	114 Clarendon Water Co	\$ 22,562	0.10%	0.00%	-0.9%	0.9%
117 Del Mar Water Co	81.83	0.03%	117 Del Mar Water Co	\$ 6,068	0.03%	0.00%	-0.9%	0.9%
118 Ferson Creek Utilities Co	761.92	0.26%	118 Ferson Creek Utilities Co	\$ 56,068	0.26%	0.00%	-0.1%	0.1%
119 Galena Territory Utilities	3,104.81	1.04%	119 Galena Territory Utilities	\$ 229,272	1.05%	0.00%	-0.5%	0.5%
120 Killarney Water Co	354.00	0.12%	120 Killarney Water Co	\$ 26,242	0.12%	0.00%	-0.9%	0.9%
121 Lake Holiday Utilities	1,880.17	0.63%	121 Lake Holiday Utilities	\$ 139,410	0.64%	-0.01%	-0.9%	0.9%
122 Lake Wildwood Utilities Co	508.67	0.17%	122 Lake Wildwood Utilities Co	\$ 37,716	0.17%	0.00%	-0.9%	0.9%
123 Northern Hills W & S Co	351.67	0.12%	123 Northern Hills W & S Co	\$ 25,871	0.12%	0.00%	-0.1%	0.1%
124 Lake Marian Water Corp	295.00	0.10%	124 Lake Marian Water Corp	\$ 21,871	0.10%	0.00%	-0.9%	0.9%
125 Wildwood Water Service Co	194.17	0.07%	125 Wildwood Water Service Co	\$ 14,398	0.07%	0.00%	-0.9%	0.9%
126 Valentine Water Service	71.92	0.02%	126 Valentine Water Service	\$ 5,332	0.02%	0.00%	-0.9%	0.9%
127 Walk Up Woods Water Co	220.75	0.07%	127 Walk Up Woods Water Co	\$ 16,367	0.07%	0.00%	-0.9%	0.9%
128 Whispering Hills Water Co	2,354.42	0.79%	128 Whispering Hills Water Co	\$ 174,567	0.80%	-0.01%	-0.9%	0.9%
129 Holiday Hills Util Inc	246.08	0.08%	129 Holiday Hills Util Inc	\$ 18,246	0.08%	0.00%	-0.9%	0.9%
130 Medina Utilities Corp	438.95	0.15%	130 Medina Utilities Corp	\$ 32,051	0.15%	0.00%	0.6%	0.6%
131 Westlake Utilities Inc	1,027.95	0.34%	131 Westlake Utilities Inc	\$ 75,641	0.34%	0.00%	-0.1%	0.1%
132 Cedar Bluff Utilities Inc	102.33	0.03%	132 Cedar Bluff Utilities Inc	\$ 7,472	0.03%	0.00%	0.6%	0.6%
133 Harbor Ridge Utilities Inc	644.50	0.22%	133 Harbor Ridge Utilities Inc	\$ 47,429	0.22%	0.00%	-0.1%	0.1%
134 Great Northern Utilities	358.00	0.12%	134 Great Northern Utilities	\$ 26,543	0.12%	0.00%	-0.9%	0.9%
136 Galena Territory-Oakwood	1,457.58	0.49%	136 Galena Territory-Oakwood	\$ 107,283	0.49%	0.00%	-0.2%	0.2%
150 Twin Lakes Utilities Inc	6,332.62	2.12%	150 Twin Lakes Utilities Inc	\$ 466,014	2.12%	0.00%	-0.1%	0.1%
151 WSC Indiana	429.07	0.14%	151 WSC Indiana	\$ 31,489	0.14%	0.00%	0.1%	0.1%
152 Indiana Water Service Inc	1,862.62	0.62%	152 Indiana Water Service Inc	\$ 138,110	0.63%	-0.01%	-0.9%	0.9%
180 Hardscrabble	99.92	0.03%	180 Hardscrabble	\$ 7,296	0.03%	0.00%	0.6%	0.6%
181 Elk River Utilities Inc	464.85	0.16%	181 Elk River Utilities Inc	\$ 34,340	0.16%	0.00%	-0.5%	0.5%
182 Carolina Water Service NC	33,554.75	11.24%	182 Carolina Water Service NC	\$ 2,473,507	11.28%	-0.03%	-0.3%	0.3%
183 CWS Systems	13,280.43	4.45%	183 CWS Systems	\$ 958,931	4.37%	0.08%	1.7%	1.7%
187 Carolina Trace Util Inc	3,251.95	1.09%	187 Carolina Trace Util Inc	\$ 239,315	1.09%	0.00%	-0.1%	0.1%
188 Transylvania Utilities Inc	3,042.65	1.02%	188 Transylvania Utilities Inc	\$ 224,221	1.02%	0.00%	-0.3%	0.3%
191 Bradfield Farms Water Co	2,852.77	0.96%	191 Bradfield Farms Water Co	\$ 203,684	0.93%	0.03%	2.8%	2.8%
195 Cross State	168.50	0.06%	195 Cross State	\$ 12,495	0.06%	0.00%	-0.9%	0.9%
196 Riverbend Estates Water System	141.08	0.05%	196 Riverbend Estates Water System	\$ 10,459	0.05%	0.00%	-0.9%	0.9%
220 Tennessee Water Service	240.33	0.08%	220 Tennessee Water Service	\$ 17,842	0.08%	0.00%	-1.0%	1.0%
241 Tierra Verde Utilities Inc	2,094.20	0.70%	241 Tierra Verde Utilities Inc	\$ 152,933	0.70%	0.00%	0.6%	0.6%
242 Lake Placid Utilities Inc	268.32	0.09%	242 Lake Placid Utilities Inc	\$ 19,744	0.09%	0.00%	-0.1%	0.1%
246 Utilities Inc of Longwood	1,667.71	0.56%	246 Utilities Inc of Longwood	\$ 121,785	0.56%	0.00%	0.6%	0.6%
248 Cypress Lakes Util Inc	2,647.87	0.89%	248 Cypress Lakes Util Inc	\$ 194,922	0.89%	0.00%	-0.2%	0.2%
249 Utilities Inc Eagle Ridge	2,515.10	0.84%	249 Utilities Inc Eagle Ridge	\$ 183,667	0.84%	0.01%	0.6%	0.6%
250 Mid-County Services Inc	3,355.00	1.12%	250 Mid-County Services Inc	\$ 245,006	1.12%	0.01%	0.6%	0.6%
251 Lake Utility Services Inc	16,880.33	5.66%	251 Lake Utility Services Inc	\$ 1,244,876	5.68%	-0.02%	-0.3%	0.3%
252 Utilities Inc of Florida	9,649.90	3.23%	252 Utilities Inc of Florida	\$ 712,425	3.25%	-0.01%	-0.5%	0.5%
254 ACME Water Supply & Mgmt	828.58	0.28%	254 ACME Water Supply & Mgmt	\$ 60,505	0.28%	0.00%	0.6%	0.6%
255 Sanlando Utilities Corp	22,102.52	7.41%	255 Sanlando Utilities Corp	\$ 1,627,847	7.42%	-0.02%	-0.2%	0.2%
256 Utilities Inc Sandalhaven	1,252.72	0.42%	256 Utilities Inc Sandalhaven	\$ 91,471	0.42%	0.00%	0.6%	0.6%
259 Labrador Utilities Inc	1,526.87	0.51%	259 Labrador Utilities Inc	\$ 112,368	0.51%	0.00%	-0.1%	0.1%
260 Utilities Inc Pennbrooke	2,741.75	0.92%	260 Utilities Inc Pennbrooke	\$ 201,895	0.92%	0.00%	-0.2%	0.2%
286 Green Ridge Utilities Inc	934.00	0.31%	286 Green Ridge Utilities Inc	\$ 69,250	0.32%	0.00%	-0.9%	0.9%
287 Provinces Utilities Inc	1,496.83	0.50%	287 Provinces Utilities Inc	\$ 110,970	0.51%	0.00%	-0.9%	0.9%
288 Maryland Water Serv Inc	2,200.80	0.74%	288 Maryland Water Serv Inc	\$ 161,986	0.74%	0.00%	-0.2%	0.2%
300 Montague Water & Sewer Co	1,070.18	0.36%	300 Montague Water & Sewer Co	\$ 79,044	0.36%	0.00%	-0.5%	0.5%
315 Utilities Inc of Westgate	997.33	0.33%	315 Utilities Inc of Westgate	\$ 73,947	0.34%	0.00%	-0.9%	0.9%
316 Util Inc of Pennsylvania	1,479.62	0.50%	316 Util Inc of Pennsylvania	\$ 108,108	0.49%	0.00%	0.6%	0.6%
317 Penn Estates Utilities Inc	3,456.92	1.16%	317 Penn Estates Utilities Inc	\$ 254,398	1.16%	0.00%	-0.1%	0.1%
319 Tamiment	898.80	0.30%	319 Tamiment	\$ 28,850	0.13%	0.17%	56.3%	56.3%
332 Colchester Utilities Inc	169.00	0.06%	332 Colchester Utilities Inc	\$ 12,342	0.06%	0.00%	0.6%	0.6%
333 Massanutten Public Serv	6,095.68	2.04%	333 Massanutten Public Serv	\$ 448,508	2.05%	0.00%	-0.1%	0.1%
345 Water Serv Corp Kentucky	7,108.94	2.38%	345 Water Serv Corp Kentucky	\$ 527,098	2.40%	-0.02%	-0.9%	0.9%
356 Louisiana Water Serv Inc	10,532.26	3.53%	356 Louisiana Water Serv Inc	\$ 775,175	3.53%	-0.01%	-0.1%	0.1%
357 Utilities Inc of Louisiana	16,919.60	5.67%	357 Utilities Inc of Louisiana	\$ 1,245,175	5.68%	-0.01%	-0.1%	0.1%
358 Density Utilities of LA	2,345.98	0.79%	358 Density Utilities of LA	\$ 171,323	0.78%	0.00%	0.6%	0.6%
359 WTSO	2,379.00	0.80%	359 WTSO	\$ 174,246	0.79%	0.00%	0.3%	0.3%
385 Utilities Inc of Georgia	14,503.22	4.86%	385 Utilities Inc of Georgia	\$ 1,068,734	4.87%	-0.01%	-0.3%	0.3%
386 Water Service Co Georgia	2,371.25	0.79%	386 Water Service Co Georgia	\$ 175,523	0.80%	-0.01%	-0.7%	0.7%
390 Utility Management of AL	893.42	0.30%	390 Utility Management of AL	\$ 65,241	0.30%	0.00%	0.6%	0.6%
391 Canaan Systems of AL	1,240.17	0.42%	391 Canaan Systems of AL	\$ 90,578	0.41%	0.00%	0.6%	0.6%
400 Carolina Water Service Inc	22,354.99	7.49%	400 Carolina Water Service Inc	\$ 1,644,903	7.50%	-0.01%	-0.1%	0.1%
401 Util Serv South Carolina	6,920.33	2.32%	401 Util Serv South Carolina	\$ 512,725	2.34%	-0.02%	-0.8%	0.8%
402 Southland Utilities Inc	172.67	0.06%	402 Southland Utilities Inc	\$ 12,800	0.06%	0.00%	-0.9%	0.9%
403 United Utility Companies, Inc	1,032.08	0.35%	403 United Utility Companies, Inc	\$ 75,457	0.34%	0.00%	0.5%	0.5%
425 Bermuda Water Co	9,700.98	3.25%	425 Bermuda Water Co	\$ 719,358	3.28%	-0.03%	-0.9%	0.9%
450 Utilities Inc of Nevada	3,995.79	1.34%	450 Utilities Inc of Nevada	\$ 296,332	1.35%	-0.01%	-0.9%	0.9%
451 Spring Creek Utilities Co	5,612.03	1.88%	451 Spring Creek Utilities Co	\$ 415,897	1.90%	-0.02%	-0.8%	0.8%
452 Sky Ranch Water Service	602.75	0.20%	452 Sky Ranch Water Service	\$ 44,690	0.20%	0.00%	-0.9%	0.9%
453 Util Inc of Central Nevada	13,624.23	4.57%	453 Util Inc of Central Nevada	\$ 1,004,180	4.58%	-0.01%	-0.9%	0.9%
500 Corix Utilities Texas	6,465.17	2.17%	500 Corix Utilities Texas	\$ 477,325	2.18%	-0.01%	-0.5%	0.5%
501 Mitchell County Utility Co	1,130.54	0.38%	501 Mitchell County Utility Co	\$ 83,569	0.38%	0.00%	-0.6%	0.6%
Total	298,427.00	100.00%	Total	\$ 21,931,904	100.00%	Avg Percent Difference	1.3%	
						Number <1% Different	76	
						Total Companies	80	
						Percent <1%	95%	

Source: Company information; Baryenbruch & Company, LLC, analysis

V – Reasonableness of Charges for Corix and WSC Services

Baryenbruch & Company, LLC, Evaluation

Baryenbruch & Company, LLC, evaluated the design and implementation of Corix and WSC's allocation methodology. The following criteria was considered in this examination:

1. Separate books of accounts and records are maintained for Corix and WSC
2. Costs are allocated and assigned on a fully distributed cost basis
3. Allocation factors are reasonable
4. Services are priced the same for all affiliates
5. Cross-subsidization is avoided

Based on Baryenbruch & Company, LLC's, evaluation, the following conclusions were reached:

1. Separate books of accounts and records are maintained for both Corix Corporate Services and WSC Shared Services. The financial systems provide the capability to separately account for Corix Corporate Services and WSC Shared Services expenses.
2. Corix Corporate Services and WSC Shared Services costs are allocated and assigned on a fully distributed cost basis. Charges to affiliates include labor overheads (e.g., non-productive time, payroll taxes, benefit plan expenses) and indirect expenses (e.g., office rent, office expenses).
3. The allocation factors employed are commonly used by other utility service companies. Other service-providing affiliates in a utility holding company structure also have a two-tiered allocation process with the first allocating between regulated and non-regulated businesses and the second among regulated operating company affiliates. The allocation bases—modified Massachusetts formula and ERCs—are commonly used in the utility industry.
4. Services are priced the same to all affiliates; that is, at Corix's and WSC's cost of providing the service. The Tier 2 allocation method, based on ERCs, results in the assignment of a uniform cost to CRU US utilities and their customers.
5. Cross subsidization is avoided. The previously discussed analysis of WSC's 2019 allocation shows a fair distribution of common support costs to CRU US utilities.

The evidence presented above supports the conclusion that Corix Corporate Services and WSC Shared Services are priced at fully distributed costs and that the factors used to allocate Corix and WSC's expenses are reasonable and are comparably priced to all affiliates, including CRU US utilities.

CERTIFICATE OF SERVICE

HEREBY CERTIFY that on the 30th day of June 2020, a true and correct copy of the foregoing Prefiled Direct Testimony has been served via email to:

Walter Trierweiler, Esquire
Office of General Counsel
wtrierwe@psc.state.fl.us

Stephanie Morse, Esquire
Office of Public Counsel
morse.stephanie@leg.state.fl.us

/s/ Martin S. Friedman

MARTIN S. FRIEDMAN