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March 30, 2023

Electronically Filed in TPUC Docket  
Room on March 30, 2023 at 3:16 p.m.

Chairman Herbert H. Hilliard  
c/o Ectory Lawless  
Tennessee Public Utility Commission  
502 Deadrick Street, Fourth Floor  
Nashville, Tennessee 37243

**Re: Docket No. 22-00114: Petition of Tennessee Water Service, Inc. and Corix Infrastructure (US) Inc., for Approval of Authority to Transfer Control Pursuant to Tenn. Code Ann. § 65-4-113**

Dear Chairman Hilliard:

This letter constitutes Tennessee Water Service, Inc. (“TWS”) and Corix Infrastructure (US) Inc.’s (“Corix US” and collectively “Petitioners”) response to the Tennessee Consumer Advocate Division of the Tennessee Attorney General’s Office’s (“Consumer Advocate”) March 15, 2023 letter filing in the above-referenced docket. Petitioners appreciate the Consumer Advocate’s analysis of the Petition and its willingness to waive the filing of its expert pre-filed testimony, opening and closing statements, and cross examination of Petitioners’ witnesses.

The Consumer Advocate intervened in this case to assess Petitioners’ claims regarding the impact of a proposed merger (the “Merger”) between Corix US and SW Merger Acquisition Corp. (“SWMAC”). Petitioners agree with the Consumer Advocate’s position that there are no outstanding procedural matters or contested issues in this matter. Furthermore, in light of the Consumer Advocate’s letter, Petitioners hereby agree to waive their right to file rebuttal testimony in this proceeding.

Though it concluded that there are no outstanding procedural matters or contested issues, the Consumer Advocate did note in its letter that it: (1) commented on the balance of SouthWest Water Company’s (“SWWC”) goodwill asset; and (2) believes it is not possible to accurately measure merger savings.

While the Consumer Advocate commented on goodwill recorded on SWWC’s balance, it also notes that it is relying on the testimony indicating that SWWC is well capitalized and willing

March 30, 2023

Page 2 of [2]

to provide capital needed to support operations. Essentially, the Consumer Advocate accepted SWWC's testimony; accordingly, no response from the Petitioners is necessary.

The Consumer Advocate declined to submit testimony regarding the measurement of Merger savings, noting that the Commission previously has deferred cost recovery decisions to future proceedings. The Petitioners acknowledge that recovery of integration costs will be addressed in future rate setting proceedings.

The Consumer Advocate has also requested additional information to be filed in TWS' Annual Report. Regarding transaction costs, Petitioners committed in Discovery response 1-14 that "Transaction costs are being recorded at a level above Corix Regulated Utilities (US) Inc., TWS's direct parent, and will not be allocated to TWS or its customers." Petitioners further committed to not seek recovery of transaction costs from customers. Therefore, Petitioners believe this condition is not relevant or necessary.

Regarding savings, in Discovery Response 1-9, Petitioners stated "It is anticipated that integration costs to achieve benefits will be incurred before the benefits are realized. The combined company expects to track the costs to achieve future benefits, to allow comparison to the impact of such benefits, as applicable, in future rate proceedings." Therefore, Petitioners are agreeable to providing, with the TWS Annual Report, a summary of the integration costs and benefits for the first five annual reports filed after the Proposed Transaction closes.

Petitioners appreciate the Commission's consideration of their Petition and respectfully request that it grant the procedural steps advocated by both the Petitioners and the Consumer Advocate, as well as the requested relief contained in Petitioners' Petition overall.

Thank you for your assistance in this matter. If you have any questions, please contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Freeman", written in a cursive style.

Ryan A. Freeman  
For the Firm

CC: Tiffany Van Horn