

**TENNESSEE WATER SERVICE, INC.  
DOCKET NO. 23-00046  
FIRST DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>TENNESSEE WATER SERVICE, INC.</b>	)	
<b>PETITION TO ADOPT ANNUAL</b>	)	<b>DOCKET NO. 23-00046</b>
<b>REVIEW MECHANISM AND TARIFF</b>	)	
<b>PURSUANT TO TENN. CODE ANN. § 65-</b>	)	
<b>5-103(d)(6)</b>	)	
	)	

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**TENNESSEE WATER SERVICE, INC.’S RESPONSES TO CONSUMER ADVOCATE’S  
FIRST SET OF DISCOVERY REQUESTS**

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Tennessee Water Service, Inc. (“TWS” or the “Company”), by and through counsel, hereby submits its Responses to the First Set of Discovery Requests propounded by the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”).

**GENERAL OBJECTIONS**

1. TWS objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.
2. TWS objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission (“TPUC” or “Commission”).

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3. The specific responses set forth below are based on information now available to TWS, and TWS reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. TWS objects to each request to the extent that it is unreasonably cumulative or duplicative, speculative, unduly burdensome, irrelevant or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. TWS objects to each request to the extent it seeks information outside TWS' custody or control.

6. TWS' decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of TWS' General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. TWS objects to those requests that seek the identification of "any" or "all" documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome and exceed the scope of permissible discovery.

8. TWS objects to those requests that constitute a "fishing expedition," seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. TWS does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-1.** Admit or deny that the Company filed its petition<sup>1</sup> for its most recent base rate case (TPUC Docket No. 19-00028) a little over a year after the Commission's decision<sup>2</sup> in the Company's emergency rate case (TPUC Docket No. 17-00108). If denied, provide an explanation of the denial.

**RESPONSE: Admitted. Docket No. 17-00108 was initiated on September 25, 2017, and Docket No. 19-00028 was initiated on February 28, 2019.**

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<sup>1</sup> *Application of Tennessee Water Service Inc. for Adjustment of Rates and Charges, Approval of a Qualified Infrastructure Investment to Certain Terms and Conditions for the Provision of Water Service*, TPUC Docket No. 19-00028 (February 28, 2019).

<sup>2</sup> *Final Order*, TPUC Docket No. 17-00108 (February 21, 2018).

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**1-2.** Admit or deny that at the time of the Company's most recent base rate case (TPUC Docket No. 19-00028), Chalet Village, which is served by the Company, was still rebuilding from the destruction of the Great Smoky Mountains Wildfire that occurred in November 2016.  
If denied, provide an explanation of the denial.

**RESPONSE: Admitted. The Chalet Village community property owners continue rebuilding their properties at this time.**

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**1-3.** Admit or deny that in the Company's petition in TPUC Docket No. 17-00108, the Company stated it had 580 customers prior to the 2016 Great Smoky Mountains Wildfire and only 57 connections after the Wildfire.<sup>3</sup> If denied, provide an explanation of the denial.

**RESPONSE: Admitted that the Company stated in its Petition in Docket 17-00108 that "TWS is engaged in providing drinking water services to approximately 580 customers..."**

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<sup>3</sup> *Petition of Tennessee Water Service, Inc. for Approval of an Interim Emergency Wildfire Restoration Surcharge, Interim Emergency Water Service Availability Surcharge, Interim Emergency Make-Whole Surcharge, and Interim Emergency Operation Cost Pass Through Mechanism*, p. 2, ¶ 3, TPUC Docket No. 17-00108 (September 25, 2017).

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-4.** Admit or deny that in the Company's petition<sup>4</sup> in TPUC Docket No. 19-00028, the Company stated that it currently had 218 customers. If denied, provide an explanation of the denial.

**RESPONSE: Admitted.**

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<sup>4</sup> *Application of Tennessee Water Service Inc. for Adjustment of Rates and Charges, Approval of a Qualified Infrastructure Investment to Certain Terms and Conditions for the Provision of Water Service*, p. 1, ¶ 1, TPUC Docket No. 19-00028 (February 28, 2019).

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-5.** Admit or deny that the Company's most recent base rate case (TPUC Docket No. 19-00028) was determined in an environment that was highly unusual, as described in Consumer Advocate DR Nos. 1-1 – 1-4 above. If denied, provide an explanation of the denial.

**RESPONSE:** Admitted that the circumstances of TWS' customers due to the 2016 Wildfire were unique, along with its impact on the Company, such that it required the Company's filing of Docket No. 17-00108 ("Emergency Docket"). Admitted that the above description in the Consumer Advocate DR Nos. 1-1 – 1-4 correctly identify the number of customers at the time of each filing and the circumstances which led to the filing of the Emergency Docket. Denied to the extent that Docket No. 19-00028 ("2019 Rate Case") was not filed under the auspices of the same natural disaster that prompted the Emergency Docket. The 2019 Rate Case was filed in the normal course of business and at the request of the Commission in its Final Order in Emergency Docket.<sup>5</sup>

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<sup>5</sup> *Final Order*, TPUC Docket No. 17-00108 (February 21, 2018), page 11.

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**1-6.** Admit or deny that the highly unusual environment of the last base rate case (TPUC Docket No. 19-00028) resulted in the Commission decision that may have been resolved differently in a more normal operating environment.

**RESPONSE: Denied to the extent that the Company cannot reasonably determine that the resolution of the 2019 Rate Case would have been carried out differently under different circumstances. Moreover, every rate case requires an individual analysis of the petitions and documents submitted in support, meaning that the 2019 Rate Case was no more unique than any other rate case. Admitted to the extent that certain topics at issue in the 2019 Rate Case, such as insurance coverage of damaged assets, are not present in most rate cases.**



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**1-7.** Identify any Commission decisions in which the revenue requirement was determined in a manner similar to the methodology adopted in TPUC Docket No. 19-00028.

**RESPONSE: The Company is not aware of how other utilities regulated by the TPUC have their revenue requirements determined. However, as noted in our direct testimony, the Company believes the methodologies used to determine pro-forma revenue requirement components in the 2019 rate case can be leveraged for implementing an ARM for TWS.**

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**1-8.** How does the Company intend to account for both the internal and external costs associated with making the annual ARM filing?

**RESPONSE: The Company intends to account for internal costs associated with this Docket in the same manner as they would be posted in the normal course. External costs are expected to be expensed in 2023 and would be recovered in the 2024 ARM filing, assuming approval of this Petition.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-9.** Provide a monthly income statement of TWS for the period January 2023 through the most recent data available. This information should include data by account number and name of account.

**RESPONSE: See attached exhibits with monthly income statements for the periods for January 2023 to May 2023.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-10.** Provide a Trial Balance for TWS as of May 31, 2023.

**RESPONSE: See attached exhibit reflecting the Trial Balance for TWS as of May 31, 2023.**

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**RESPONSIBLE WITNESS: Tiffany Van Horn, President**

**1-11.** Refer to the Company's Petition, Appendix A, Direct Testimony of Tiffany Van Horn at 4:16. The statement is made that "Our dedicated field team is onsite [...]". Explain what specifically is meant by this phrase. Does TWS have either an employee or contractor physically on site during normal business hours? Additionally, provide the job titles of the dedicated field team and identify the number of field visits made in 2022.

**RESPONSE: TWS has a certified contractor on-site during normal business hours, managing the operations of the system. The contractor is also on-call during the rest of the day should any issues arise. The contractor is supervised by an Area Manager, employed by Water Service Corporation (an affiliate of TWS). The Area Manager targets making regular visits (at least monthly) to the system. The current Area Manager estimates his 2022 visits at 11, and typically stays for 1-4 days. The TWS President, Tiffany Van Horn, also visited 2 times in 2022.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-12.** Identify all contracts entered into with third-party contractors related to either the (a) physical operation or maintenance of the TWS system, or (b) billing and/or customer service related to the TWS system. Provide a copy of such contracts.

**RESPONSE: See attached exhibit with the Affiliate Interest Agreement between TWS and Water Service Corporation.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-13.** Refer to File <TWS ARM - NRW Rate.xlsx> (included in the Company's filing as

"Schedule B-3" of "Exhibit 2") and respond to the following:

- a. Regarding Note 1; will the result of this calculation permit TWS to impute an expense greater than its actual expense in this scenario since its NRW loss is less than the proposed 20% threshold? If not, describe in greater detail how the ratios in lines 9, 10 and 11 will be used in the Attrition Period.
- b. Confirm that ERC's refer to Equivalent Residential Customers. If so, how are the customer counts determined? If not, define the acronym ERC.

**RESPONSE:**

- a. In the TWS ARM - NRW Rate.xlsx file, if the result on Line 6 is negative, no adjustment will be made to the baseline calculation for the Attrition Period. That is, the expenses will not be grossed up to a higher level than the baseline calculation. If the result on Line 6 is positive, the resulting ratios in Lines 9, 10, and 11 are used to adjust (lower) the baseline Attrition Period calculations for applicable expenses. Please see ARM Filing Template.xlsx, Fusion TB Drop tab, column AD for where the results of the NRW Rate calculations are applied.
- b. ERC stands for Equivalent Residential Customers. The Company uses the AWWA meter equivalency ratios per the AWWA M-1 Manual to compute ERC's based on customer premise data.

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**1-14.** Refer to “Exhibit 1” included in the Company’s filing and respond to the following questions:

- a. The statement is made that if the Company earned less than its authorized return, the Company shall defer expenses (see “Annual Review Mechanism ‘ARM’ Process” on page 1). Confirm that instead, the Company intends to defer the revenue deficiency as a regulatory asset to preserve for future recovery. If this is not the intent of the regulatory asset, clarify.
- b. Refer to “Methodologies” Section C, “Water Revenues” on page 2. For purposes of setting the Attrition Period revenues, how does the Company plan to project the average monthly customer counts in the Attrition Period?
- c. Refer to “Methodologies” Section F, “Expenses” on page 2. Describe the benefits and rationale for the use of a three-year average methodology, increased for inflation to determine attrition period balances versus simply using a historic base period costs, annualized for any known and measurable changes occurring within the historic base period.
- d. Refer to “Methodologies” Section K, “Taxes Other than Income” on page 4. Describe the benefits and rationale for the use of a three-year average methodology, increased for inflation to determine attrition period balances versus simply using a historic base period costs, annualized for any known and measurable changes occurring within the historic base period.
- e. Identify the source of the “CPI Index – Water and Sewerage Maintenance”. Provide these annual values for 2020 through 2022.

**RESPONSE:**

- a. **Accounting Standards Codified (“ASC”) 980-605-25 provides guidance and restrictions on how revenue deferrals may be treated for regulated operations. As the excess or deficiencies arising from an ARM process do not appear to explicitly align with the Type A and B programs described by ASC 980, out of an abundance of caution and in order to maintain compliance with ASC 980, TWS recommends recording the Annual True Up Rate Adjustment as a Regulatory Asset with an offset**



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**in Miscellaneous Expense. The Regulatory Asset would amortize to O&M over the period covered by the recovery/refund of the Annual True Up Rate Adjustment.**

- b. The Company proposes to compute a growth rate based on comparing the average ERCs in the Historic Period to the average ERCs in the prior 12-month period. This annual growth rate is multiplied by 20/12ths (months from midpoint of Historic Period to midpoint of Attrition Period) to get a growth count and that count is added to the average ERCs for the Historic Period. Please see CONFIDENTIAL TWS ARM – Attrition Period Revenues.xlsx file, 2020 Pivot tab for the calculation.**
- c. The Company makes its recommendation for several reasons.**
  - i. First, the Company’s 2019 Rate Case final revenue requirement used the same methodology for these expenses, with the necessary variation that the three-year period selected was the years prior to the 2016 Wildfire. The ARM recommendation uses more recent data as it is more reliable as a basis for future expenses than was the case in the 2019 Rate Case and therefore requires less reliance on the CPI Index.**
  - ii. Second, because a major variable in the Company’s expenses is the materially changing number of customers, it is ideal to use a methodology that leverages an expense-per-customer process.**
  - iii. Third, a three-year average allows for a reasonable and common method of normalization, whereas Historic Period data may be more significantly compromised by non-recurring or volatile activity.**

- iv. Fourth, utilizing a CPI Index is a common pro-forma adjustment method that is objective, easily measurable, efficient to apply, and reasonably reflects changes in costs the Company can expect to incur.
- v. Fifth, requiring analysis for known and measurable changes would add significantly more granularity to the preparation and review of many Company Attrition Period expenses that are simply too small, therefore providing little value. Providing such analysis also would be more akin to developing forecasted or budgeted expense levels, which has been avoided in recently approved and modified ARMs.

e. Please see the link: <https://www.bls.gov/news.release/cpi.t02.htm> . On this site, the Company uses the Unadjusted Percentage Change section, 12-month column (ex., May 2022- May 2023, which is 4.9%). The year-end rates as requested are:

ii. December 2021: 3.0%,  
[https://www.bls.gov/news.release/archives/cpi\\_01122022.pdf](https://www.bls.gov/news.release/archives/cpi_01122022.pdf) , page 15  
of 38.

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iii. December 2022: 4.9%,  
[https://www.bls.gov/news.release/archives/cpi\\_01122023.pdf](https://www.bls.gov/news.release/archives/cpi_01122023.pdf) , page 14  
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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-15.** Provide a listing of the estimated \$35,000 in ARM filing expenditures and indicate whether such estimates assume a litigated proceeding.

**RESPONSE:** The estimated \$35,000 in ARM filing expenditures reflect legal and related filing processing costs and is based on a review of filing expenditures related to the Company's 2019 Rate Case, in which there were two contested hearings before the Commission and supplemental testimony filed by both the Company and the Consumer Advocate. The estimated filing expenditures in the present docket assumes a litigated proceeding before the Commission. However, these estimated fees reflect a reduction based on less Company witnesses and the assumption that there will not be subsequent hearings or testimony.

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**1-16.** Confirm that the Company is proposing to use the statutory excise tax rate in effect in Tennessee rather than a composite weighted average rate across the parent company's service territory.

**RESPONSE: Confirmed.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-17.** Identify the affiliates of TWS, the states in which Corix subsidiaries operate, and the approximate number of customers served by each.

**RESPONSE:** Please see below table of Corix subsidiaries delineated by State, and customer count as of 5/31/2023.

State	Entity	Total Customer Count
Alaska	Fairbanks Sewer and Water	27,728
Alabama	Community Utilities of AL	2,620
Arizona	Bermuda Water Company	9,652
Florida	Sunshine Water Services	60,779
Florida	ACME Water Supply and Management	667
Georgia	Utilities, Inc. of GA	14,882
Georgia	Water Service Co. of GA	2,461
Illinois	Prairie Path Water Company	16,231
Indiana	Community Utilities of IN	8,650
Kentucky	Water Service Corporation of KY	6,074
Louisiana	Utilities, Inc. of LA	26,121
Maryland	Maryland Water Service	4,335
Nevada	Great Basin Water Company	20,658
New Jersey	Montague Water Company	774
New Jersey	Montague Sewer Company	268
North Carolina	Carolina Water Service, Inc. of NC	56,988
Pennsylvania	Community Utilities of PA	7,142
South Carolina	Blue Granite Water Company	18,281
Tennessee	Tennessee Water Service	408
Texas	Corix Utilities (Texas)	6,470
Virginia	Massanutten Public Service Corporation	4,575
Virginia	Colchester Utilities	169

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-18.** Provide a copy of the Corix Cost Allocation Manual, or “CAM”.

**RESPONSE: See attached exhibit with the Corix CAM.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-19.** Identify the total O&M costs allocated by month to TWS for the period January 2021 through May 2023.

**RESPONSE:** Please see attached summary of cost allocations by month for TWS for the period requested. Note the allocations posting across various O&M accounts are generally for regional or state operations allocations, and corporate/shared services allocations are included in NARUC account 675 activity.



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**1-20.** Is the Company seeking authorization in this docket to lock in the balance of Deferred losses for the period October 2018 through December 2019 in the amount of \$122,568? Provide support for the claimed operating losses during this period.

**RESPONSE: The Company is not seeking authorization in this Docket for recovery of the remaining Deferred Loss balance that was not addressed in the 2019 Rate Case. Please see attached detailed calculation of the Deferred Operating Loss balance, in the same format as supplied in the 2019 Rate Case.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-21.** Provide a copy of “Exhibit 2” schedules in excel format with cell references intact.

**RESPONSE: See attached exhibit with the various Exhibit 2 schedules and supporting workpapers. Please note Schedule B-2 is submitted as CONFIDENTIAL.**

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-22.** What is the basis for the amortization rate applied to the regulatory liability?

**RESPONSE:** The Company assumes this question refers to the Regulatory Liability established in the 2019 Rate Case for Uninsured Property. Based on this assumption, the amortization period aligns with the depreciation rate of 1.5% used for the vast majority of TWS' assets, including those to which the Regulatory Liability relates. This rate is noted in page 21 of the 2019 Rate Case Final Order.

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**1-23.** Refer to “Exhibit 2” included in the Company’s filing. Specifically, refer to “Schedule A”.

Provide support for the Historic Period Adjustments to the following:

- a. Contributions in Aid of Construction, including the authorization for the Amortization Rate used;
- b. Accumulated Deferred Income Taxes;
- c. Non-Current Asset; and
- d. Excess Deferred Taxes.

**RESPONSE:** For CIAC and ADIT, please see the TBs.xlsx file attached for the 13-month averages. These averages were included in the ARM Filing Template TWS 2022.xlsx file, Fusion TB Drop tab, to adjust the Historic Period actual balances. The CIAC rates used match the Utility Plant depreciation rates for like assets. The Non-Current Asset was inadvertently adjusted to \$0, and should have a 13-month average of \$8,626. The EDIT amount has a formula error and should have a 13-month average of \$67,379 per the TWS ARM – Deferrals.xlsx file, Reg Liab-EDIT tab, cell I46.

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**RESPONSIBLE WITNESS: Dante DeStefano, Director of Regulatory Affairs**

**1-24.** Refer to “Exhibit 2” included in the Company’s filing. Specifically, refer to “Schedule B”.

Provide the analytical support for all Attrition Period Adjustments.

**RESPONSE:** Please see ARM Filing Template TWS 2022.xlsx file, Income Statement tab, columns K and M which provide formulas either directly calculating the adjustments or linking to other tabs within the file showing the calculations. Most adjustments are based on the Fusion TB Drop tab information. Certain adjustments derived from the Linked TB tab have cell comments citing the basis for the Attrition Period amount. Red highlighted cells in this tab indicate expenses not recoverable and thus set to \$0.

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RESPECTFULLY SUBMITTED,

  
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Ryan A. Freeman (BPR 033299)  
**Baker, Donelson, Bearman, Caldwell &  
Berkowitz, PC**  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Victoria B. Glover  
Mason Rush  
**Office of the Tennessee Attorney General**  
**Consumer Advocate Division**  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Phone: (615) 360-4219  
Fax: (615) 741-8151  
Email: [Victoria.Glover@ag.tn.gov](mailto:Victoria.Glover@ag.tn.gov)  
Email: [Mason.Rush@ag.tn.gov](mailto:Mason.Rush@ag.tn.gov)

This the 13th day of July, 2023.

A handwritten signature in blue ink that reads "Ryan Freeman". The signature is written in a cursive, flowing style.

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Ryan Freeman

## Tennessee Water Service Affiliate Agreement



## AGREEMENT

Agreement dated December 19, 2007 between Water Service Corp., a Delaware corporation (hereinafter called the "**Service Company**") and Tennessee Water Service, Inc. (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 Operating Company agrees to pay to the Service Company its share of the cost of 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.

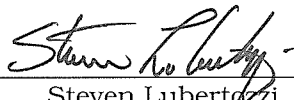
Secondly, these costs will be prorated on the basis of the proportion of active Equivalent Residential Customers ("ERCs") served by the Operating Company to the total number of active ERCs served by the Parent and its affiliates (including, without limitation, the Operating Company), determined as of 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.

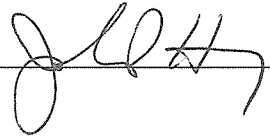
This Agreement shall be in full force and effect from the date as hereinabove mentioned and shall continue in full force and effect until termination by either of the parties hereto upon ninety days notice in writing.

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.

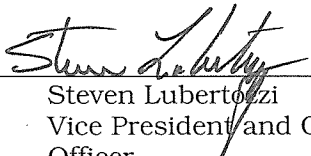
Water Service Corporation

BY   
Steven Lubertozi  
Vice President and Chief Financial  
Officer

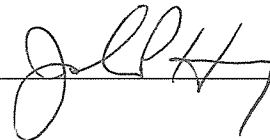
Attest



Tennessee Water Service, Inc.

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.

JDE Object Number	Account Description
5505	Agency Expense
5525	Bill Stock
5530	Billing Computer Supplies
5535	Billing Envelopes
5540	Billing Postage
5545	Customer Service Printing
5625	401K/ESOP Contributions
5630	Dental Premiums
5635	Dental Ins Reimbursements
5640	Emp Pensions & Benefits
5645	Employee Ins Deductions
5650	Health Costs & Other
5655	Health Ins Reimbursements
5660	Other Emp Pensions/Benefits
5665	Pension Contributions
5670	Term Life Ins
5675	Term Life Ins - Opt
5680	Depend Life Ins - Opt
5685	Supplemental Life Ins
5690	Tuition
5700	Insurance - Vehicle
5705	Insurance - Gen Liab
5710	Insurance - Workers Comp
5715	Insurance - Other
5735	Computer Maintenance
5740	Computer Supplies
5745	Computer Amort & Prog Cost
5750	Internet Supplier
5755	Microfilming
5760	Website Development
5785	Advertising/Marketing
5790	Bank Service Charges
5795	Contributions
5800	Letter of Credit Fee
5805	License Fees
5810	Memberships
5815	Penalties/Fines
5820	Training Expense
5825	Other Misc Expense
5855	Answering Service
5855	Answering Service
5860	Cleaning Supplies
5865	Copy Machine
5870	Holiday Events/Picnics
5875	Kitchen Supplies
5880	Office Supply Stores
5885	Printing/Blueprints
5890	Publ Subscriptions/Tapes
5895	Shipping Charges
5900	Other Office Expenses
5930	Office Electric
5935	Office Gas
5940	Office Water
5945	Office Telecom
5950	Office Garbage Removal
5955	Office Landscape / Mow / Plow
5960	Office Alarm Sys Phone Exp
5965	Office Maintenance
5970	Office Cleaning Service
5975	Office Machine/Heat&Cool
5980	Other Office Utilities
5985	Telemetering Phone Expense
6005	Accounting Studies
6010	Audit Fees
6015	Employ Finder Fees
6020	Engineering Fees
6025	Legal Fees
6030	Management Fees
6035	Payroll Services
6040	Tax Return Review
6045	Temp Employ - Cleri
6050	Other Outside Serv
6075	Water Resource Conserve Exp
6090	Rent
6105	Salaries - System Project
6110	Salaries - Acctg/Finance
6115	Salaries - Admin
6120	Salaries - Officers/Stkhldr
6125	Salaries - HR
6130	Salaries - MIS

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
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 Trtmt Plt
1275		Land & Land Rights Reclaim Wtp
1280		Land & Land Rights Rel 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

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:

<u>JDE Object Number</u>	<u>Account Description</u>
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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 Acrs
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 formula used to calculate all allocations is as follows:

Expenses:

Active ERC count for business unit/Active ERC count for all UI operating business units

Assets/Liabilities:

Active ERC count for company/Active ERC count for all UI operating companies

Corix Group of Companies

# Cost Allocation Manual

For Fiscal Year: 2022

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*Approved by:*

*Corix Executive Leadership Team*

*on February 8, 2023*

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## Introduction

Corix Infrastructure Inc. (CII) is a leader in the implementation of sustainable water, wastewater, and district energy utility infrastructure solutions for small to medium-sized communities across North America. CII is a privately held company wholly owned by affiliates of the British Columbia Investment Management Corporation. CII owns business that operate in Canada and the United States.

CII – through its Board of Directors and the Executive Leadership Team (ELT) – generally is responsible for providing strategic direction, business oversight, and corporate governance for the business activities of the operating subsidiaries directly and indirectly owned by CII.

The ELT consists of six positions: Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Growth Officer (CGO), Chief Support Services Officer (CSSO), and Chief Legal Officer (CLO). Each ELT member is accountable for an organization with employees in Canada and the United States who are aligned to deliver operational services and support necessary to provide water, sewer and district energy services to the communities served by CII's operating subsidiaries.

CII's Board of Directors has nine members, five of whom are independent directors. Three directors are employees of CII's owner, the British Columbia Investment Management Corporation. One director is the Company's CEO. The Board of Directors ultimately is responsible for governing the business and affairs of CII and its operating subsidiaries. The Board of Director's oversight responsibilities include:

- Reviewing and approving corporate strategy
- Measuring progress towards achieving corporate strategic goals
- Reviewing, approving, and monitoring all major capital projects
- Monitoring actual spending in comparison to budgeted expenditures
- Monitoring and ensuring that CII and its operating subsidiaries deliver high quality service in compliance with all applicable laws, rules, and regulations

Corporate support services are necessary for the operation of any business, including the safe and efficient operation of water, sewer, and district energy utilities. CII uses a centralized corporate support service organization to provide these services to operating units. Some corporate support services focus on corporate governance, legal mandates, regulatory compliance, and risk mitigation. Other corporate support services focus on management control, strategic planning, and execution. In addition, the services include legal, human resources, payroll, billing, accounts payable and other services that are necessary for the operation of any business.

This manual explains the corporate support services provided by CII's centralized corporate support service organization using employees of Water Service Corporation in the US and CII in Canada, and the methods used to allocate costs to the operating businesses. This Cost Allocation Manual (CAM) has been prepared consistent with the NARUC Guidelines for Cost Allocations and Affiliate Transactions (NARUC Guidelines). The manual is updated annually with any organizational changes and approved by the ELT.

Direct costs are identified up-front in the following ways and are discussed in this CAM as they are directly assigned to a business unit:<sup>1</sup>

- If an individual spends greater than 85% of their time on an activity/service for a business unit, that individual is directly assigned to that business unit receiving the activity/service.
- “Shared Operating Costs” are costs that are managed centrally for administrative efficiency, cost savings and have vendor management by dedicated resources. These costs are directly assigned to the business units before the cost allocation process. Some examples of the largest of these costs are employee benefits and business insurance.

After assignment of direct costs, the indirect costs are the subject of discussion of this CAM.<sup>2</sup>

## Definitions

- **Corix Infrastructure Inc. or CII** is the ultimate corporate parent and as a pure play utility business enjoys a wide spectrum of technical and industry expertise in all facets of sustainable water, wastewater, and energy systems, including innovative technologies, operating tools, and regulatory resources required to develop sustainable multi—utility services.
- **Corporate Support Services**<sup>3</sup> refer to the administrative and general support services and functions provided in Canada and the US to the whole organization. The corporate support services focus on corporate governance, legal mandates, regulatory compliance, and risk mitigation. Other corporate support services focus on management control, strategic planning, and execution. In addition, the services include legal, human resources, payroll, billing, accounts payable and other services that are necessary for the operation of any business.
- **Investments** refers to business in which CII has a non-controlling interest, which includes Doyon Utilities LLC, Oakridge Energy Limited Partnership and Entegrus Inc. Because CII does not control these businesses, the Investment business do not receive the complete suite of corporate support services. These businesses receive a notional allocation of costs based on the support service functions necessary to support their operation.

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<sup>1</sup> Direct charges are costs incurred by one company for the exclusive benefit of, or specifically identified with, one or more companies, and which are directly charged to the company or companies that specifically benefited. Under the NARUC Guidelines, “Direct Costs” are defined as “costs which can be specifically identified with a specific service or product.”

<sup>2</sup> Indirect charges (or allocated costs) are costs incurred by one company that are for the benefit of either (i) all of the Corix companies; or (ii) all of the regulated companies, and which are charged to the benefited companies using a methodology and allocation factors that link cost causation and cost recovery. Under the NARUC Guidelines, “Indirect Costs” are defined as “costs that cannot be identified with a particular service or product. This includes but is not limited to overhead costs, administrative, general, and taxes.”

<sup>3</sup> Note that these corporate support services are allocated using the legal entity named Water Service Corporation in the Affiliate Interest Agreement (AIA).

- **Lower 48 Business Units** refers to the businesses that provide water and sewer services in the contiguous United States, all of which are direct or indirect operating subsidiaries of Corix Regulated Utilities (US) Inc. (formerly known as Utilities, Inc.). There are certain resources which are dedicated to the Lower 48 business units and described in the Appendix B titled “Cost Distribution at the Senior Vice-President, Regional, State and Operating Company Cost Centers”.
- **Other Business Units** refers to the other Canadian and US utility operations and businesses within the Corix Group of Companies.

Costs for the services provided by the corporate support services organization are combined into one common cost pool for allocation. This cost pool is then allocated to the CII business units. Members of the ELT are accountable for expenses incurred within their budget. The importance of controlling costs is key, with the CFO setting targets for business units, and a portion of employee compensation is linked to responsible cost management. Headcount planning is conducted in the annual budgeting process; any headcount addition must be supported with a demonstration of need. The process takes several months with budgets undergoing rigorous analysis by the budget owners and multiple levels of review. Budgets are presented and subject to questions and answer sessions to test proposed costs including headcount addition requests. After thorough review by the business units and corporate support service teams, the budgets are then carefully reviewed by the ELT, the CII Budget Planning & Growth Committee and, ultimately, the CII Board of Directors. At each level, costs are heavily scrutinized to evaluate efficiency of operations, including, when appropriate, benchmarking exercises to compare costs, including labor costs, to members of relevant peer groups.

## Allocation of Costs

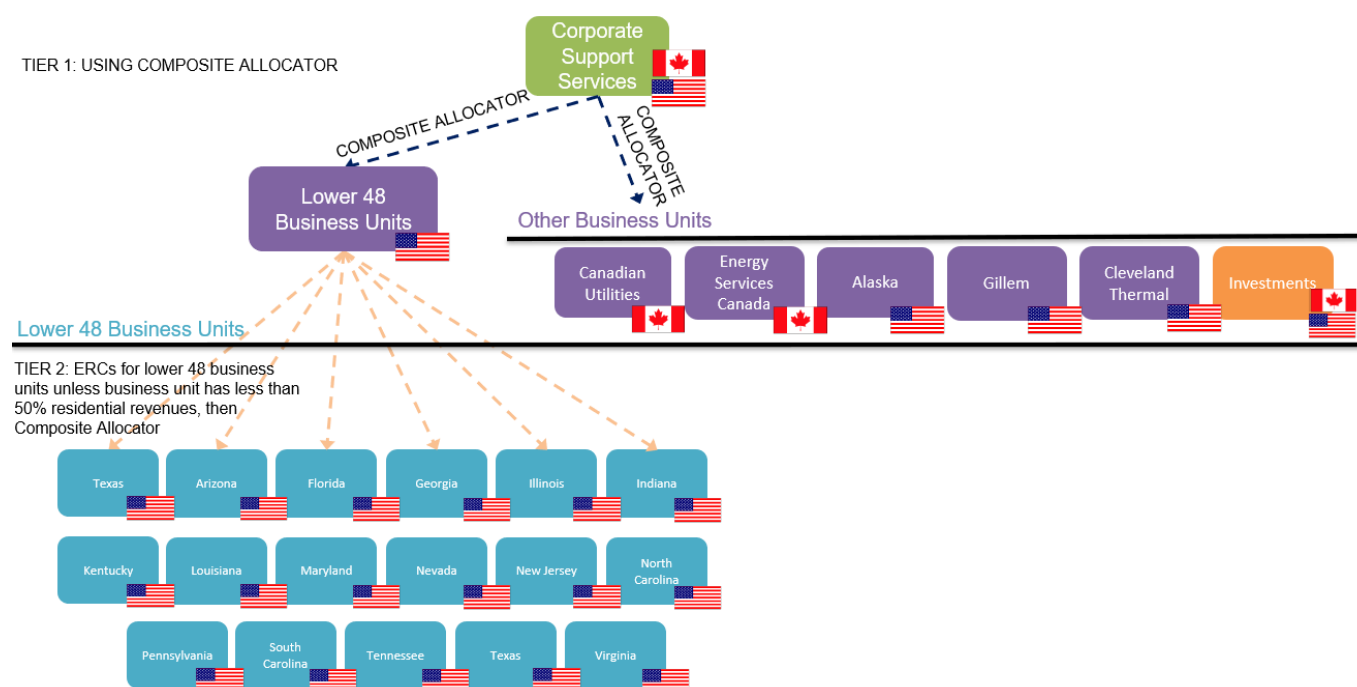
### Allocation of Costs from Corporate Support Services

Corporate support service costs are allocated to business units using a two-tiered approach for the Lower 48 Business Units.

- First, the Tier 1 allocation distributes total support service costs among the Lower 48 Business Units and Other Business Units (after costs are allocated to Investments)
- Second, the Tier 2 allocation distributes the allocation of the Lower 48 Business Units' portion of corporate support service costs to individual operating companies

Figure 1 below outlines the cost flows from corporate support services to the various affiliate groups and entities. The narrative that follows Figure 1 explains the diagram of the various cost flows.

**Figure 1 – Corporate Support Services Cost Flows<sup>4</sup>**



The Tier 1 allocation for corporate support services costs is based on the composite allocator shown in Table 1 since it best represents the size, scope, and complexity of operating business units. The goal is to put businesses on a level standing for comparison purposes.

<sup>4</sup> This structure reflects the grouping of the affiliates for cost distribution and does not indicate the corporate structure. Corporate holding intermediaries have been removed. In addition, while Investments are included, corporate support services are not provided to non-controlled businesses which are managed as investments and therefore received a notional allocation of costs from corporate support services to represent the organizational complexity arising from asset management.

**Table 1 – Composite Allocator**

<b>Factor</b>	<b>Weight</b>
Gross Revenue	33.33%
Headcount	33.33%
Gross Property, Plant & Equipment	33.33%
<b>Total</b>	<b>100%</b>

Corporate support service costs allocated to the Lower 48 Business Units are then allocated operating subsidiaries using the Tier 2 Equivalent Residential Connections (ERCs) allocator. This allocation factor is appropriate because these businesses largely service residential customers. The Tier 2 ERC allocation methodology conforms to existing affiliate interest agreements (AIAs) and is consistent with historical practices. The Tier 2 allocation among the Lower 48 Business Units operating subsidiaries is performed after the Tier 1 allocation and is performed separately from the Tier 1 allocation.

### **Updating Allocation Inputs**

CII uses a point-in-time approach to calculate the forecast allocation percentages for the following year. This provides stability for budgeting and actual allocations as well as a reference point for year-over-year comparisons. Tier 1 Allocation percentages are updated annually as outlined in Table 2 below.

**Table 2 – Tier 1 Allocation Time Periods**

<b>Inputs</b>	<b>Reference</b>
Gross Revenue <sup>5</sup>	<b>Trailing Twelve Months as of June 30<sup>th</sup> of prior year</b> (i.e., 2022 allocation is based on gross revenue from July 1, 2020 – June 30, 2021)
Headcount	<b>As of June 30<sup>th</sup> of prior year</b> (i.e., 2022 allocation is based on June 30, 2021 value)
Gross Property, Plant & Equipment <sup>6</sup>	<b>As of June 30<sup>th</sup> of prior year</b> (i.e., 2022 allocation is based on June 30, 2021 value)

June 30<sup>th</sup> was chosen as the most appropriate point-in-time to allow for the allocation percentages to be determined, and the forecast corporate support service costs to be allocated to each operating utility/business prior to the completion of the annual budgets. If an event is identified that is deemed probable to occur and would materially impact the setting of the following year's Tier 1 allocation, management may use its judgement to adjust the allocation inputs to account for the event. Such adjustment would serve to mitigate material over/under allocation of costs across the business units for the following year.

The Tier 2 allocation percentages are updated as per the current allocation methodology approved by the regulator and/or defined in the AIA.

<sup>5</sup> Gross Revenue is defined as recorded gross revenue.

<sup>6</sup> Gross Property, Plant & Equipment is defined as gross property, plant, and equipment independent of the way it has been financed.



## Scope of Corporate Support Services

CII, through its Board of Directors and the ELT generally is responsible for providing strategic direction, business oversight, and corporate governance for the business activities of the operating subsidiaries directly and indirectly owned by CII. Corporate support services maintain enterprise-wide standards and support for many functions such as IT, cybersecurity, safety, human resources, financial and strategic management, legal and regulatory compliance oversight, corporate governance, and administrative oversight, asset management and maintenance. These services are necessary for all the affiliates to have access to capital for projects and operations providing efficiencies and expertise across the business units. The use of shared expertise provides each of the affiliates with benefits it could not economically achieve on a stand-alone basis, including strategic management advice and access to capital at competitive rates.

The following are some of the benefits of consolidating executive, professional and operational support services into a centralized support service organization:

- Governance – centralized support service departments provide oversight and management control that improves operations and processes; for instance, monthly financial reporting and analysis comparing actual expenditures to budgeted expenditures ensures accountability and can improve operational efficiency
- Compliance – support services departments help improve compliance with regulatory, legal, financial, and other obligations of each individual operating company and holding companies
- Economies – one of the primary benefits of the centralized support service model is that it helps the customers of smaller companies realize the benefits of scale enjoyed by much larger companies; among other things, the centralized service model allows Corix to leverage the buying power of the combined group of companies and more efficiently utilize staff through workload balancing and specialization
- Continuity of service – centralized support organizations mitigate the risk of disruptions in service caused by absences and departures
- Standards – centralized support service models play an important role in improving the quality of service by ensuring that standard policies, procedures, and practices are established and followed; in addition, centralized support service models also facilitate the sharing and adoption of best practices

Table 3 below designates the benefits each corporate support service team provides, which demonstrates that the support services are necessary for the safe and efficient delivery of utility operations and businesses:

**Table 3 – Oversight Area by Executive Leadership Team Member**

Executive Leadership Team (ELT)		Governance	Compliance	Economies	Continuity of Service	Enterprise Standards
CEO	Executive Management	X	X	X	X	X
COO	Customer Experience			X	X	X
	Regulatory Services	X	X	X		X
	Operational Technology		X	X	X	
CFO	Finance	X	X	X	X	
	Accounting	X	X	X		
	Financial Planning & Analysis	X		X		X
	Treasury		X	X		
	Taxes		X	X		X
	Insurance			X	X	
CSSO	Human Resources	X	X	X		X
	Corporate Communications	X		X		X
	Information Technology	X	X	X	X	X
	Billing			X	X	X
	Continuous Improvement	X		X		X
	Fleet			X	X	X
CLO/Risk	Health, Safety & Environment	X	X	X	X	X
	Legal	X	X	X	X	X
	Risk Management	X	X	X	X	X
	Internal Audit	X	X	X	X	X

The following table shows the scope of corporate support services and the Tier 1 allocation method applied to each category of corporate support service costs. The services and categories are as of approval date and are subject to change based on potential changes in the needs of the operating businesses. Notwithstanding these allocation methodologies, if an expense is related solely to a specific business segment, those costs are directly charged to the business for which they are incurred. If organizational

restructuring or realignments are implemented, any allocations would be completed based on the composite allocator identified in Table 1 until they are expressly incorporated in an update of the CAM.

**Table 4 – Summary of Corporate Support Services and Tier 1 Allocation Method<sup>7</sup>**

ELT Member	Type of Cost	Functions	Tier 1 Allocation Methodology
CEO	Executive Management	Set overall direction and enterprise strategy; provide guidance to operational leadership; ensure the organization is acting with honesty, integrity, transparency, and accountability to customers.	Composite Allocator (See Table 1)
CFO	Finance Accounting Financial Planning & Analysis Corporate Development Tax Insurance	Ensure financial integrity and secure debt and equity financing; perform all accounting activities, prepare external and internal financial reports; oversee the preparation of the budget and analysis of plan/actual spending; perform tax accounting and compliance.	Composite Allocator (See Table 1)
COO	Regulatory Support Customer Experience Capital Project Review/Oversight Operational Technology	Oversee state and provincial regulatory policies and compliance; manage all aspects of the customer care; capital project review, approval and implementation oversight.	Composite Allocator (See Table 1)
CSSO	Human Resources Information Technology Accounts Payable/Purchasing Customer Billing Fleet Corporate Communication Continuous Improvement Support Services Management	Deliver human resources services including payroll, wage and salary administration, benefit plan administration and performance management; operate the enterprise business applications and IT network and computing infrastructure; manage payment of outside contractors and service providers; manage customer billing and collection; provide fleet management services; provide enterprise-wide internal and external communications; manage the enterprise-wide continuous improvement program to enhance service quality and realize cost efficiencies.	Composite Allocator (See Table 1)
CLO	Risk Management Internal Audit Legal Health, Safety & Environment	Identify, report on and develop plans for managing/mitigating significant risks to the enterprise; conduct audits to identify compliance with corporate policies and procedures; provide legal advice and services to the enterprise; ensure compliance with HSE requirements.	Composite Allocator (See Table 1)

<sup>7</sup> A more detailed description of the corporate support services is included in Appendix A.

CGO	Business Development	Pursue opportunities to grow the enterprise through acquisitions and internal growth and safety programs; Third party services for safety assessments, surveys, training, and audits	Composite Allocator (See Table 1)
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# Appendices

## **Appendix A – Description of Corporate Support Services**

This Appendix A describes the corporate support services that provided by CII's centralized corporate support service team. This description examines each of the service areas, provides a narrative of the services provided and explains the nature of the associated costs.

### **CEO Office**

The CEO Office includes direct employee labor and non-labor costs for CEO, support staff, as well as Board of Directors fees and third-party services.

This area represents the CEO function. The CEO sets overall direction and corporate strategy, provides guidance to operational leadership to optimize CII's lines of business and identify complementary aspects of CII'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 ELT and the debt holders to secure appropriate financing and rates. The CEO reviews CII's and its subsidiaries' activities to foster an enterprise-wide culture of honesty, integrity, transparency and accountability to customers, regulators, and CII's shareholder. The CEO is the main conduit to shareholders on all matters of governance and ensures an appropriate governance structure exists in each operating unit.

### **COO Office**

In addition to ultimately being responsible for day-to-day operations, the COO office is responsible for delivering corporate support services to each operating unit. These services include coordination of the overall operations of the utility businesses, including operational safety and efficiency, capital projects, operational technology, the customer experience, and regulatory support. In addition, the COO's organization is responsible for ensuring that each operating unit strives to engage with, satisfy, and build trust with customers through identification and execution on utility capital opportunities to drive safety and reliability for customers and other stakeholders. In furtherance of this objective, for instance, the COO's organization conducts customer feedback surveys that operating units use to assess and improve customer satisfaction.

Regulatory Support is responsible for supporting CII regulatory operations activities within its business units by providing leadership and oversight of the regulatory performance of the company by developing and implementing strategies, procedures and controls related to regulatory processes. The Regulatory Support staff is responsible for the Regulatory Review Committee, which provides guidance to business units on filings and policy matters, as well as coordinates a consolidated corporate strategy on key industry topics. Support may be provided by assisting in research, testimony, workpaper preparation, resource management, modeling, and other business unit assistance. Regulatory Support also leads and provides guidance on operational initiatives and process improvement strategies to enhance resource optimization and leverage best practices across the organization.

The Customer Experience team works to enhance relationships with internal and external customers while delivering on CII's overall strategy of increased customer intimacy through ongoing and continuously improving customer care.<sup>8</sup> Customer Experience is also responsible for informal and formal issue resolution for customer inquiries to include research and creating work orders and activities for field operations. The team resolves customer inquiries through multiple contact channels (phone, email and web support):

- Phone Support: respond to 80% of customer calls within 60 seconds or less
- Email Response: respond to email/webmail notifications within 24 hours
- Proactive Collections: perform outbound calls to past due customers
- Workforce Management/Reporting: manage staff schedules, plan and forecast resource requirements, monitor service levels and Key Performance Indicators

In addition, The Customer Experience Operations Department is responsible for providing website and technical support for customers to include assistance with passwords, billing inquiries and general inquiries.

The Operational Technology Team works on a set of technologies to optimize the operation of assets safely, securely, and efficiently. Examples include SCADA (Secure Control and Data Acquisition), EAMS (Enterprise Asset Management Software) and AMI (Automated Meter Infrastructure) among others. Across the enterprise, the Operational Technology team supports front line operations and the business in the following areas:

- Provide governance and solution standards
- Drive consistency in technology selection and vendor management
- Designing fit-for-purpose and scalable OT solutions from the site to the enterprise level
- Deliver and operationalize best-practices
- Support business units and shared services capital deployments
- Support business development on acquisitions and divestments

Under the COO's supervision, the capital project review team provides a common framework for identifying and treating risk inherent in infrastructure construction projects.

Finally, the COO's organization is responsible for ensuring that each operating unit strives to engage with and satisfy customers. In furtherance of this objective, for instance, the COO's organization conducts customer feedback surveys that operating units use to assess and improve customer satisfaction.

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<sup>8</sup> While the COO provides oversight for this team, its actual operational costs are not in scope of the CAM and distributed using regional allocations. This is due to the nature of the team providing services only for the benefit of the U.S. or Canada and not crossing borders.

## **CFO Office**

The finance services provided by the CFO's organization include accounting, capital market engagement, financial planning and analysis, insurance, taxation, and treasury services. Specifically, these services include:

- Securing debt and equity financing for CII and all of its operating subsidiaries
- Management of capital structure
- Ensuring compliance with both affirmative, negative and financial covenants contained in short- and long-term debt securities issued by CII and its operating subsidiaries
- Managing liquidity
- Monitoring the financial markets that impact CII and its operating subsidiaries
- Supervising the preparation and consolidation of financial statements
- Supervising the preparation and consolidation of CII's annual business plan, which includes annual operation and maintenance and capital budgets for a three-year period
- Consolidating and reporting periodic financial statements, analyzing and reporting on actual to budget variances

CFO Office costs include direct employee labor and non-labor costs including third party services such as audit and tax along with computer licenses for the corporate performance management tool, among others.

The financial planning and analysis team provides oversight of the financial affairs of all CII subsidiaries including long-term strategic planning and financial analysis. This also includes full scope management reporting to the Board of Directors, CII's shareholder and lenders to CII and certain of its subsidiaries.<sup>9</sup> This team oversees the consolidated insurance program, insurance renewals and claims management.

Accounting support includes compliance with ASPE, US GAAP, reconciliations, ERP support and transactional support. 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 the Audit Committee and the Board of Directors. Financial reporting policy and technical research originates from this function.

The tax group coordinates the tax planning activities for all CII 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 audits of CII's consolidated financial statements and tax returns.

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<sup>9</sup> Two of CII's subsidiaries – Corix Regulated Utilities (US) Inc. and Fairbanks Sewer & Water – maintain separate debt facilities. The corporate support services team provides the financial reporting required by the debt agreements between these entities and their respective lenders.



Treasury services include long- and short-term capital needs planning for both debt and equity. CII 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. CII treasury services also often arranges financing at the local level but leverages its financing syndicate to optimize the financing rates for the CII operations. This gives CII more negotiation leverage to get optimal spreads from prime or LIBOR which are for the benefit of customers. The team also monitors the use of revolvers and monitors covenant coverage and help to ensure interest spreads relative to coverage ratios are optimized to minimize interest costs to the benefit of customers.

The corporate development team works on transformational growth opportunities for the company to scale its business and spread any support service costs over a larger asset base. This also includes oversight and costs for third-party services such as engineering, legal, and accounting to support the evaluation and execution of potential acquisitions.

In summary, the CFO's organization plays a key role in ensuring that CII's subsidiaries have access to debt and equity capital, meet financial obligations and operate efficiently for the benefit of our stakeholders.

### **CLO Office**

The CLO Office costs include direct employee labor and non-labor costs for a comprehensive suite of risk management services, which includes enterprise risk management, health, safety and environment, internal audit, and legal services. Where specialized expertise is required, external third-party legal consulting services may also be commissioned to support internal staff.

More specifically, the office is responsible for consolidating risk reports and providing the CII Board of Directors, Audit Committee, and executive leadership team with a comprehensive view of inherent and residual risks faced by CII and its operating subsidiaries.

The health, safety and environment team is responsible for, among other things, cultivating an enterprise-wide culture that supports the safe delivery of essential services to the communities served by CII's operating subsidiaries. This includes the review for compliance with all national and federal government mandates, development and deployment of companywide 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 group of companies owned by CII to provide an environment of safety, safe operation, and environmental stewardship. 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, reviews, and audits.

The legal team provides a variety of legal services and advice to CII and its operating subsidiaries. These matters span a broad spectrum of legal issues, including labor relations and employment matters, internal investigations, litigation, administrative proceedings, and contract review. Where necessary, this may also include communicating with and managing outside legal counsel to ensure the effective and efficient management of these legal matters as well. The legal team also provides advice on corporate matters, including governance and compliance. In addition, the legal team supports the finance organization by providing legal and advice and counsel related to debt and equity financing.

Finally, the CLO Office provides internal audit services to CII and its operating subsidiaries. Internal audit evaluates a company's internal controls, including its governance and accounting processes to ensure compliance with laws and regulations, accurate and timely financial reporting, and data collection. This group provides internal audit services based on annual risk analysis of key areas and 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.

### **CSSO Office**

The support service organization provides a broad range of services necessary to support the delivery of water, sewer and district energy services, including accounts payable, billing, continuous improvement, corporate communication, fleet, human resources and information technology services. Some notable elements of these services are:

- Human resources
  - Payroll administration
  - Wage and salary design and administration
  - Benefit plan design and administration
  - Medical plan and 401k administrative services
  - Performance management
- Information technology
  - Common network and computing infrastructure
  - Standard applications
  - Uniform IT security platform, policies, procedures, testing and investigation
  - An enterprise-wide help center
- Corporate communication
  - A centralized corporate communication team that ensures that Corix speaks with a single voice internally
  - With respect to external communications, the centralized corporate communication team ensures the effective and efficient communication of the corporate perspective while meeting the unique needs of local stakeholders across the company's geographically diverse footprint
- Accounts Payable

- Invoice data processing and matching to contracts and Purchase Orders
- Customer Refund Processing
- Supplier Account Reconciliations
- Payment Processing
- Employee Expense Report and Corporate Card Administration and Processing
- Procurement
  - Solicitations for companywide suppliers
  - Management of centralized contracts and supplier relationships
  - Subject matter expert to local buyers – offering support, training, knowledge sharing, backup
- Billing
  - Management of the Billing Systems used by local operating business units
  - Management of all rate schedules for various customer types and companies
  - Processing of all meter read data, bill generation, customer payment processing
  - Management of Customer Facing mobile apps and websites related to billing
- Fleet Administration
  - Administration of fleet maintenance tracking, approvals and spend costings
  - Administration of fuel cards
  - Administration of vehicle telematics program and safe driving monitoring
  - Central management of titles of ownership and divestment of vehicle assets

Recently, a main focus of the support services organization has been the development and deployment of crucial enterprise-wide systems, resulting in the consolidation and eliminate of disparate systems. These new, enterprise-wide systems include: (1) a single enterprise resource planning system that facilitates, among other things, common procurement, and accounting practices; and (2) a single human capital management system.

The costs in Human Resources group include direct employee labor and non-labor costs associated with the administration of the day-to-day human resource programs and services, recruitment expenses, payroll functions and third-party services such as compensation studies, etc. Human Resources is responsible for company-wide policies, programs and practices for all aspects of the HR function, the day-to-day human resource programs and services administration and general overall guidance and direction. HR sources company-wide vendors to get economies of scale for all aspects of the HR function such as Total Rewards, Talent Management/Succession Planning, Learning Management and HCM systems. The HR group also arranges benefit programs for employees across the entire CII organization which provides significant economies of scale and risk sharing benefits. The Human Resources team also undertakes other activities, such as comprehensive compensation reviews, recruitment, and human resources administration of executive positions, reporting to the Board of Directors, and company-wide talent management and leadership training program development.

The IT group costs include direct employee labor and non-labor costs for the provision and maintenance of IT infrastructure and applications, IT strategy, planning and support services for the organization such

as enterprise cyber security program development, maintenance and monitoring, and third-party services such as consulting. The IT group provides company-wide security breach protocol and response support and expertise on network, security strategy and data center management. For example, IT constantly monitors for changes in legislation in data privacy, various security requirements for contracts, and provides security awareness training. As part of its enterprise function, the IT group works with representatives of the business units served to share best practices, trends in security management and reviews organizational KPIs. All of these functions support cybersecurity and data protection that benefit the customer.

The costs in the communications group include direct employee labor and non-labor costs for overall policies guidance on public relations and communications, monitoring of media, and third-party services for company's websites, video, customer education, and media monitoring. This function provides overall policies guidance on both internal and external communications, monitoring of media, maintains the company-wide internet and intranet as well as the associated license and maintenance costs, and provides overall employee communication support as required and as back up support to the business units.

The costs in the continuous improvement group include direct employee labor and non-labor costs for transformation and business betterment. Also included are costs for third-party services such as consultants to support evaluation and implementation of operational and administrative initiatives. 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.

### **CGO Office**

The CGO Office costs 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 and execution of potential acquisitions.

Growing the overall business creates additional 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 incur if they were stand-alone 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 will help on strategy, evaluating complex issues that arise, will lend resources and expertise to execute a transaction and provide general oversight. Because of the number of opportunities to grow the business with small or large opportunities, the business development team is a group of mobile resources with the ability to engage prospective sellers. These opportunities will ultimately create a bigger customer base over which to spread the costs more efficiently (thus mitigating the impact of rising costs).

## **Appendix B – Cost Distribution for Presidents and Senior Vice Presidents**

Each business unit, which has a business unit President, is grouped into five operating regions (North, South, East, West, Canada). Each business unit President oversees one or more states or provinces and the operating utilities/businesses that are part of their business unit. Each of the five regions is then led by a Senior Vice President (SVP) who also serves as one of the Presidents of one or more operating utilities/businesses in the region.

The distribution of costs associated with Presidents and SVPs is completed separately using the same methodologies used in the CAM. That is, the same Tier 1 and Tier 2 allocation methodologies are used, when, as explained below, applicable. The Tier 1 allocation uses the three-part, composite allocator.

**Table 1 – Composite Allocator**

<b><u>Factor</u></b>	<b><u>Weight</u></b>
Gross Revenue for Business Unit	33.33%
Headcount for Business Unit	33.33%
Gross Property, Plant & Equipment for Business Unit	33.33%
<b>Total</b>	<b>100%</b>

The Tier 1 allocator is used when it best represents the size, scope and complexity of the underlying business operations. The Tier 2 allocator relies on ERCs and is used when the underlying businesses provide water and sewer service primarily to residential customers.

When an SVP's or President's responsibility only encompasses business units within the Lower 48 Business Units, then the Tier 2 allocator is used to distribute the relevant costs. The Tier 1 allocator is used to distribute SVP and President costs when the individual SVP or President responsibility only encompasses business units within the Other Business Units. When the responsibility of an SVP or President includes business units within the Other Business Units and the Lower 48 Business Units, then the Tier 1 and Tier 2 allocators are used, as explained below.

### **President Cost Centers**

Each president's cost center requires allocation to each operating utility/business that are part of their business unit. As explained above, each President's cost center is allocated using either the Tier 1 allocator, the Tier 2 allocator or the Tier 1 and Tier 2 allocators.

June 30<sup>th</sup> was chosen as the most appropriate point-in-time to allow for the allocation percentages to be determined, and to forecast the president's cost center expenses to be allocated to each operating utilities/business prior to the completion of the annual budgets.

**Senior Vice President Cost Centers**

The regional SVPs serve as both the president of a business unit or business units and the SVP that oversees a region. Each SVP's incremental responsibility for overseeing the region make up the costs associated with each SVP's cost center. Based on a review and discussion with each SVP, the incremental responsibility associated with the SVP role has been deemed to be 10 percent of the SVP's total salary, employee benefit, and payroll tax costs. Each SVP's cost center requires allocation to each business unit that is part of the region. As explained above, each SVP's cost center is allocated using either the Tier 1 allocator, the Tier 2 allocator or the Tier 1 and Tier 2 allocators.

June 30<sup>th</sup> was chosen as the most appropriate point-in-time to allow for the allocation percentages to be determined, and to forecast the president's cost center expenses to be allocated to each operating utilities/business prior to the completion of the annual budgets.

## **Appendix C – Affiliate Interest Agreement (AIA)**

The attached example of an Affiliate Interest Agreement (AIA) below provides a detailed description of the required Corporate Support Services.

# EXAMPLE AFFILIATE INTEREST AGREEMENT

## AGREEMENT

This Agreement dated November 20, 2019, is between Water Service Corporation, a Delaware corporation (hereinafter called the "Service Company") and Community Utilities of Pennsylvania Inc., a Pennsylvania corporation (hereinafter called the "Operating Company").

WHEREAS, both the Service Company and the Operating Company are subsidiaries of or affiliated with Corix Regulated Utilities (US) Inc. (formerly known as 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 systems 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 affiliate 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 by the Service Company (directly or through use of support services as needed) at cost and without markup to the Operating Company;

NOW, THEREFORE, in consideration of the promises and 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 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 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 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.
- B. **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.
- C. **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.

- D. **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.
- E. **CENTRALIZED CASH MANAGEMENT SERVICES:** 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 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.
- F. **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.
- G. **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.
- H. **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.
- I. **CONTINUING IMPROVEMENT:** The Service Company shall provide for continuing improvement of services to the Operating Company which shall include but not be limited to business transformation services including but not limited to software maintenance and upgrades, and other activities related to and that may improve upon efficiency, reliability, or general provision of service to the Operating Company and ultimately improvement of service to the customers of the Operating Company.
- J. **IT:** 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.

- K. **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 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.
- L. **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.
- M. **BUSINESS DEVELOPMENT:** The Service Company shall provide business development services to Operating Company in order to identify, evaluate and execute on opportunities for acquisition of water and sewer systems.
- N. **ALL OTHER SERVICES AS PROVIDED FOR IN APPENDIX A:** In addition to items (A) through (M), 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 hereunder, the Operating Company agrees to pay to the Service Company the cost of said services. That cost shall not include any markup. In addition, the Operating Company agrees to pay the Service Company its share of the cost of the investment in the Service Company rate base, including depreciation, amortization, interest on debt and a reasonable 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 charged include salary and other expenses incurred for specific projects such as 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 of the Operating Companies, in the manner hereinafter set forth.

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

Second, 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 subsidiaries (including, without limitation, the Operating Company) will be determined by applying the formulae set forth in Appendix B.

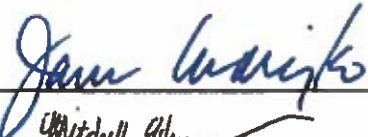

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the services rendered by the Service Company hereunder,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

This Agreement (a) is conditioned upon approval by the Pennsylvania Public Utility Commission (PA PUC) of the acquisition of PA Utility Company by Community Utilities of Pennsylvania, Inc. that was subject to a Joint Application filed by Community Utilities of Pennsylvania, Inc. and PA Utility Company filed October 1, 2018 at PA PUC Docket Nos. A-2018-3005430 and A-2018-3005432 and (b) shall be effective as of the date of such approval by the PA PUC.

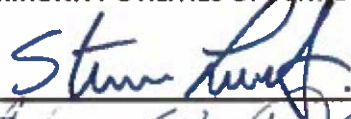
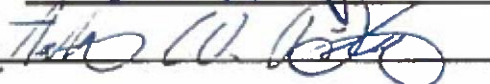
This Agreement shall remain in effect until termination by either of the parties hereto upon 90 days' written notice.

IN WITNESS WHEREOF, the Service Company and the Operating Company have 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   
Attest 

**COMMUNITY UTILITIES OF PENNSYLVANIA INC.**

BY   
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

<u>IDF Object Number</u>	<u>Account Description</u>
5505	Agency Expense
5525	Bill Stock
5530	Billing Computer Supplies
5535	Billing Envelopes
5540	Billing Postage
5545	Customer Service Printing
5625	401K/ESOP Contributions
5630	Dental Premiums
5635	Dental Ins Reimbursements
5640	Emp Pensions & Benefits
5645	Employee Ins Deductions
5650	Health Costs & Other
5655	Health Ins Reimbursements
5660	Other Emp Pensions/Benefits
5665	Pension Contributions
5670	Term Life Ins
5675	Term Life Ins - Opt
5680	Depend Life Ins - Opt
5685	Supplemental Life Ins
5690	Tuition
5700	Insurance - Vehicle
5705	Insurance - Gen Liab
5710	Insurance - Workers Comp
5715	Insurance - Other
5735	Computer Maintenance
5740	Computer Supplies
5745	Computer Amort & Prog Cost
5750	Internet Supplier
5755	Microfilming
5760	Website Development
5785	Advertising/Marketing
5790	Bank Service Charges
5795	Contributions
5800	Letter of Credit Fee
5805	License Fees
5810	Memberships
5815	Penalties/Fines
5820	Training Expense
5825	Other Misc Expense
5835	Answering Service
5855	Answering Service
5860	Cleaning Supplies
5865	Copy Machine
5870	Holiday Events/Parties
5875	Kitchen Supplies
5880	Office Supply Stores
5885	Printing/Blueprints
5890	Publ Subscriptions/Tapes
5895	Shipping Charges
5900	Other Office Expenses
5930	Office Electric
5935	Office Gas
5940	Office Water
5945	Office Telecom
5950	Office Garbage Removal
5955	Office Landscape / Mow / Plow
5960	Office Alarm Sys Phone Exp
5965	Office Maintenance
5970	Office Cleaning Service
5975	Office Machine/Heat&Cool
5980	Other Office Utilities
5985	Telemetering Phone Expense
6005	Accounting Studies
6010	Audit Fees
6015	Employ Finder Fees
6020	Engineering Fees
6025	Legal Fees
6030	Management Fees
6035	Payroll Services
6040	Tax Return Review
6045	Temp Employ - Cleri
6050	Other Outside Serv
6075	Water Resource Conserv & Exp
6090	Rent
6105	Salaries - Systems Project
6110	Salaries - Acctg/Finance
6115	Salaries - Admin
6120	Salaries - Officers/Su/hldr
6125	Salaries - HR
6130	Salaries - NIS

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>IDF Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1010		Land & Land Rights Pump
1015		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 Trmnt Plt
1275		Land & Land Rights Reclaim Wtr
1280		Land & Land Rights Rel Det 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		Misc Computers Wtr
1590		Comp Sys Cost Wtr
1595		Micro Sys Cost Wtr
1605		Desktop Computer Swt
1610		Mainframe Computer Swt
1615		Mini Computers Swt
1620		Comp Sys Cost Swt
1625		Micro Sys Cost Swt
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 Equipment
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	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	00303	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 Plant
1775	00402	Wip-Cap Time W/S Plt Plant
1775	00403	Wip-Cap Time Water Tank Plant
1775	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.

<u>JDE Object Number</u>	<u>Account Description</u>
6135	Salaries - Leadership Ops
6140	Salaries - Regulatory
6143	Salaries - Customer Service
6183	Travel Lodging
6190	Travel Airfare
6193	Travel Transportation
6200	Travel Meals
6205	Travel Entertainment
6207	Travel Other
6335	Deferred Maint Expense
6360	Communication Expense
6363	Equipment Rentals
6383	Uniforms
6390	Weather/Hurricane Costs
6380	Deprec-Office Structure
6383	Deprec-Office Furn/Equip
6410	Deprec-Communication Equip
6413	Deprec-Misc Equipment
6420	Deprec-Office Structure
6423	Deprec-Office Furn/Equip
6430	Deprec-Communication Equip
6433	Deprec-Misc Equipment
6920	Deprec-Computer
7310	FICA Expense
7513	Federal Unemployment Tax
7520	State Unemployment Tax
7533	Franchise Tax
7540	Gross Receipts Tax
7543	Personal Property/ICT Tax
7550	Property/Other General Tax
7553	Real Estate Tax
7560	Sales/Use Tax Expense
7563	Special Assessments
7643	Extraordinary Gain/Loss
7670	Extraordinary Deductions
7680	Rental Income
7683	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.

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
1773	00405	Wip-Cap Time Chng Filter Media
1773	00406	Wip-Cap Time Tr Sewer Main
1773	00407	Wip-Cap Time Sludge & Hauling
1773	00408	Wip-Cap Time W/S P/L Landscap
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
1973		Acc Depr-Office Furn/Equip
1983		Acc Depr-Tool Shop & Misc Equip
2000		Acc Depr-Communication Equip
2213		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Equip
2230		Acc Depr-Tool Shop & Misc Equip
2245		Acc Depr-Communication Equip
2313		Acc Depr-Desktop Computer Wtr
2320		Acc Depr-Mainframe Comp Wtr
2323		Acc Depr-Mini Comp Wtr
2330		Comp Sys Amortization Wtr
2333		Micro Sys Amortization Wtr
2343		Acc Depr-Desktop Computer Swt
2350		Acc Depr-Mainframe Comp Swt
2353		Acc Depr-Mini Comp Swt
2360		Comp Sys Amortization Swt
2363		Micro Sys Amortization Swt
2950		Def Chgs-Landscaping
2953		Def Chgs-Customer Complaints
2960		Def Chgs-Tank Maint&Rep Wtr
2963		Def Chgs-Relocation Expenses
2970		Def Chgs-Attorney Fee
2973		Def Chgs-Hurricane/Storm Cost
2980		Def Chgs-Emp Fees
2983		Def Chgs-Other
3000		Def Chgs-Other Wtr & Swt
3003		Def Chgs-Voc Testing
3020		Def Chgs-Sludge Hauling
3023		Def Chgs-Pr Wash/Jet Swt Mains
3030		Def Chgs-Tr Sewer Mains
3040		Def Chgs-Tank Maint&Rep Swt
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/Storm
3135		Amort - Employee Fees
3140		Amort - Other
3151		Amort - Other Wtr & Swr
3160		Amort - Vac Testing
3175		Amort - Sludge Hauling
3180		Amort - Pr Wash/let Swr Mains
3185		Amort - Tr Sewer Mains
3195		Amort - Tank Maint&Rep Swr
4367		Accum Def Income Tax-Fed
4369		Def Fed Tax - Clac 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 - Amrt
4395		Def Fed Tax - Pre Acct
4397		Def Fed Tax - Res Cap Fee
4417		Accum Def Income Tax - St
4419		Def St Tax - Clac 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 - Amrt
4445		Def St Tax - Res Cap Fee

**AFFILIATE AGREEMENT  
APPENDIX B**

The formula used to calculate all allocations is as follows:

Expenses:

Active ERC count for business unit/Active ERC count for all UI operating business units

Assets/Liabilities:

Active ERC count for company/Active ERC count for all UI operating companies