

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF COMMUNITY UTILITIES OF)
INDIANA, INC. FOR: AUTHORITY TO)
INCREASE ITS RATES AND CHARGES FOR)
WATER AND WASTEWATER UTILITY)
SERVICE; APPROVAL OF NEW SCHEDULES)
OF RATES AND CHARGES APPLICABLE)
THERE TO; AUTHORITY TO RECOVER)
CERTAIN COSTS INCURRED IN)
CONNECTION WITH CAUSE NOS. 44724,)
45342 AND 45389; AUTHORITY TO RECOVER)
COSTS INCURRED AND DEFERRED IN)
CONNECTION WITH THE COVID-19)
PANDEMIC; APPROVAL OF A NEW)
RESIDENTIAL LOW-INCOME RATE FOR)
WATER AND WASTEWATER SERVICE; AND)
OTHER APPROPRIATE RELIEF)**

CAUSE NO. 45651

DIRECT TESTIMONY

OF

SHAWN M. ELICEGUI

**On Behalf of Petitioner
COMMUNITY UTILITIES OF INDIANA, INC.**

PETITIONER'S EXHIBIT 2

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, YOUR POSITION, YOUR BUSINESS ADDRESS,**
3 **AND IDENTIFY THE PARTY FOR WHOM YOU ARE PROVIDING**
4 **TESTIMONY.**

5 A. My name is Shawn M. Elicegui. I am the EVP, Risk and Corporate Secretary for Corix
6 Infrastructure Inc. ("CII" or "Corix").¹ I also am a member of the Corix Regulated Utilities
7 (US) Inc. (f/k/a Utilities, Inc.) ("Corix Regulated Utilities Inc.") board of directors, as well
8 as Corix Regulated Utilities Inc.'s Corporate Secretary. I am based in Reno, Nevada, and
9 my current business address is 7800 Rancharrah Parkway, Reno, Nevada 89511.

10 My testimony supports the Verified Petition (the "Petition") filed by Community
11 Utilities of Indiana, Inc. ("CUII" or the "Company"). The Company filed the Petition with
12 the Indiana Utility Regulatory Commission (the "Commission") requesting permission to
13 change the rates that it charges to customers for the delivery of sewer and water services.

14 **Q. BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
15 **PROFESSIONAL EXPERIENCE.**

16 A. I have a Bachelor of Arts degree in International Affairs and Political Science from the
17 University of Nevada, Reno and a Juris Doctor degree from the University of California,
18 Davis. I worked for a Nevada law firm for approximately 12 years, representing businesses
19 and individuals before state and federal agencies. In 2009, I joined the legal department of
20 NV Energy, Inc., a utility providing electric and natural gas distribution services. I worked

¹ I am employed by Water Service Corporation ("WSC"). WSC is a subsidiary of Corix Regulated Utilities Inc. It employs individuals who provide management, support service and operational functions to the affiliates and subsidiaries of Corix Regulated Utilities Inc.

1 in the legal department for approximately five years and then held several management
2 positions involving regulation, strategic planning, resource planning, legislative relations,
3 and customer operations. I joined CII in September 2019.

4 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES IN YOUR CURRENT**
5 **POSITION.**

6 A. I am responsible for developing, implementing, and reporting on CII-wide risk
7 management strategy, actions, and results. I also provide executive oversight to several
8 administrative and general corporate functions including health, safety and environmental,
9 legal and internal audit. Finally, I provide testimony in regulatory proceedings as needed
10 to support company objectives.

11 **Q. HAVE YOU EVER TESTIFIED BEFORE THE COMMISSION?**

12 A. No. However, I have testified before several other utility regulatory agencies including the
13 Kentucky Public Service Commission, the Public Utilities Commission of Nevada, the
14 Public Service Commission of South Carolina, and the Virginia State Corporation
15 Commission. I also have submitted prepared testimony to several other utility regulatory
16 agencies, including the Regulatory Commission of Alaska, the Arizona Corporation
17 Commission, the Florida Public Service Commission, the Louisiana Public Service
18 Commission, the North Carolina Utilities Commission, Division of Public Utility
19 Regulation, and the Public Utility Commission of Texas.

20 **Q. PLEASE DESCRIBE THE ATTACHMENTS TO YOUR PREPARED DIRECT**
21 **TESTIMONY.**

1 A. The following table identifies the attachments to my testimony and specifies which
2 attachments contain confidential information.

Attachment	Description	Confidential
SME-1	Corporate Organization Chart	No
SME-2	Corporate Allocation Manual	No
SME-3	Evaluation of Necessity and Reasonableness of 2021 Corporate Support Services	Yes (3 pages)

3 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

4 A. My testimony explains how corporate administrative and general support services (the
5 “corporate support services”) are provided to the Company so that it can fulfill its statutory
6 obligation to provide water and sewer service to Indiana residents. My testimony explains
7 how the costs associated with providing the corporate support services are allocated among
8 Corix’s operating subsidiaries. My testimony concludes that the corporate support services
9 are necessary for the continued operation of the Company and that the corporate support
10 service costs are reasonable.

11 **Q. PLEASE DESCRIBE THE COMPANY, CORIX REGULATED UTILITIES INC.,**
12 **WSC, AND CIL.**

13 A. The Company is a Commission-regulated, investor-owned utility providing water service
14 to approximately 5,300 equivalent residential connections (“ERCs”) and approximately
15 3,500 sewer ERCs. The Company is owned and controlled by Corix Regulated Utilities
16 Inc.

17 Corix Regulated Utilities Inc., an Illinois corporation, is a holding company that
18 owns the stock issued by utilities providing water and wastewater service to customers in
19 17 states.

1 WSC, a Delaware corporation, also is owned and controlled by Corix Regulated
2 Utilities Inc. WSC is a support services company, providing administrative and general
3 services to companies owned by Corix Regulated Utilities Inc. and CII. It does not provide
4 services to any unaffiliated businesses.

5 CII is a corporation organized under the law of British Columbia, Canada. It is the
6 ultimate parent corporation of the Company. CII is a privately held corporation owned by
7 certain affiliates of the British Columbia Investment Management Corporation.

8 Attached as Attachment SME-1 is a corporate organization chart that provides a
9 visual depiction of the relevant corporate structure.

10 **Q. WHAT TYPE OF SERVICES DOES WSC PROVIDE TO THE COMPANY?**

11 A. WSC provides operational and back-office and corporate support services to the Company.
12 It furnishes the day-to-day operational services necessary to operate and maintain the water
13 and sewer systems owned by the Company. Specifically, WSC employs the operators who
14 operate and maintain the Company's water and sewer systems. WSC provides these
15 services pursuant to an Affiliate Interest Agreement, a copy of which is sponsored by Mr.
16 Lubertozi.

17 WSC also provides the corporate support services necessary to support the water
18 and sewer services provided by the Company. The corporate support services include
19 executive management, corporate strategy, corporate communications, human resources,
20 customer services, financial services, risk management, audit services, regulatory services,
21 information technology, environment, health and safety, supply chain, and other

1 administrative and general services. The corporate support services provided by and
2 through WSC are comparable to those provided other support services organizations.

3 In summary, WSC employs all the team members who deliver water and sewer
4 services to the Company's customers in Indiana and many of the people who provide back-
5 office support to the companies owned by Corix Regulated Utilities Inc., including the
6 Company.

7 **Q. HOW DOES WSC PROVIDE THE CORPORATE SUPPORT SERVICES THAT**
8 **ARE NECESSARY FOR THE COMPANY TO DELIVER REGULATED WATER**
9 **AND SEWER SERVICE TO INDIANA RESIDENTS?**

10 A. WSC uses a combination of its employees, employees of CII, and, when necessary,
11 contractors to provide the corporate services.

12 **II. ORGANIZATION OF CORPORATE SUPPORT SERVICES**

13 **Q. PLEASE EXPLAIN HOW THE CORIX EXECUTIVE LEADERSHIP TEAM AND**
14 **THE CORIX CORPORATE SUPPORT SERVICE ORGANIZATION ARE**
15 **ORGANIZED.**

16 A. The Executive Leadership Team ("ELT") has six members: Lisa Sparrow, the Chief
17 Executive Officer ("CEO"); Mario Alonso, the Chief Financial Officer ("CFO") and
18 Executive Vice President, Corporate Development; Jim Devine, the Chief Support Services
19 Officer ("CSSO"); Catherine Heigel, the Chief Operating Officer ("COO"); Don Sudduth,
20 the Chief Growth Officer ("CGO"); and me. Each one of the above-mentioned members is
21 responsible and accountable for delivering specific functions and services.

1 Ms. Sparrow, as the CEO, ultimately is responsible for ensuring that each operating
2 subsidiary delivers water and sewer service efficiently and safely. Each member of the ELT
3 reports directly to Ms. Sparrow. Mr. Alonso, as the CFO, is responsible for the following
4 functions: accounting, finance, financial planning and analysis, insurance, tax, and
5 treasury. The CSSO, Mr. Devine, is responsible for billing, continuous improvement,
6 corporate communications, fleet, human resources, and information technology. In
7 addition to operations, Ms. Heigel, the COO, is responsible for the following corporate
8 support services: customer experience, operational technology, and regulatory services.
9 The CGO, Mr. Sudduth, is responsible for growing our business. I am responsible for risk
10 management, health, safety and environment, internal audit, legal and risk management.

11 Together, the members of the ELT ensure that the complete suite of corporate is
12 available to support the essential services delivered to customers by the Company.
13 Individually, each member of the ELT is responsible for ensuring that the member's
14 organization operates efficiently. In summary, accountability and responsibility for
15 efficiently delivering the corporate support services falls under individual members of the
16 ELT. There is a single organization, aligned around a single individual who is responsible
17 (and accountable) for both planning, execution, and delivery of the corporate support
18 service.

19 **III. ALLOCATION OF CORPORATE SUPPORT SERVICE COSTS**

20 **Q. HOW ARE CORPORATE SUPPORT SERVICE COSTS ALLOCATED TO THE**
21 **COMPANIES IN THE CORIX PORTFOLIO?**

1 A. Attachment SME-2 is a copy of the Corporate Allocation Manual, which provides a
2 detailed explanation of the methodology used to allocate corporate support service costs
3 among CII's operating subsidiaries. Below, I provide a brief explanation of the Modified
4 Massachusetts Formula used by CII.

5 Under the corporate allocation methodology, direct costs are identified up front and
6 directly assigned to the business units receiving the exclusive benefit of the service. Costs
7 for the services provided by the Corix support services organization are then combined into
8 one common cost pool for allocation. This cost pool is allocated to the CII business units
9 and subsidiaries using a composite factor that consists of three components – gross
10 revenue, headcount and property, and plant and equipment.² This allocation is based on
11 commonly used, routinely accepted regulatory practices for shared cost allocation. The
12 approach was developed to maintain allocation consistency across the companies within
13 the Corix portfolio and avoid subsidization of one group or unit by another.

14 Corporate costs are subject to a Tier 1 allocation between the business units
15 receiving services. The Tier 1 allocation uses the Modified Massachusetts Formula. The
16 Tier 1 allocation for corporate costs is based on the composite allocator factoring 33.3%
17 for each of the factors of gross revenue, headcount, and gross property, plant, and
18 equipment to best represent the size, scope, and complexity of operating business units.
19 For the Tier 1 allocation, the gross revenue, headcount and gross property, plant, and
20 equipment of all of the Corix Regulated Utilities Inc. operating subsidiaries are

² Before costs are allocated using the composite factor, costs associated with certain organizations that support investments (i.e., business that are not wholly-owned and operated by CII) are allocated to those non-wholly-owned businesses.

1 consolidated. The shared service costs attributable to the Corix Regulated Utilities Inc.
2 operating subsidiaries are then subject to a Tier 2 allocation. This Tier 2 allocation among
3 the Corix Regulated Utilities Inc. operating subsidiaries, including the Company, is based
4 ERCs, as contemplated by the Affiliate Interest Agreement.

5 **IV. NECESSITY OF CORPORATE SUPPORT SERVICES**

6 **Q. ARE THE CORPORATE SUPPORT SERVICES NECESSARY FOR THE SAFE**
7 **AND EFFICIENT DELIVERY OF WATER AND SEWER SERVICES TO THE**
8 **COMPANY'S CUSTOMERS?**

9 A. Yes. The corporate support services are necessary for the operation of water and sewer
10 companies. In addition, the corporate support services are similar to the services commonly
11 provided by utility support service companies. To reach this conclusion – that corporate
12 support services are needed for the continued and efficient delivery of regulated services –
13 the services were compared to those provided by the following 26 service companies
14 associated with 20 different utility holding companies. Confidential Attachment SME-3 is
15 a report prepared by Baryenbruch & Company, LLC demonstrating that CUII needs the
16 corporate services to provide water and sewer services to its customers.

17

1

Table 1

Utility Holding Company	Service Company	Utility Holding Company	Service Company
AEP	American Electric Power Service Corp.	Eversource	Eversource Energy Service Company
AES	AES US Services, LLC	Exelon	Exelon Business Services Company
Algonquin	Algonquin Power & Utilities Corp.	FirstEnergy	PHI Service Company
	Liberty Utilities Service Corporation		FirstEnergy Service Company
	Liberty Utilities (Canada) Corporation	Nat Grid	National Grid USA Service Company Inc.
Alliant	Alliant Energy Corporate Services, Inc.	NiSource	NiSource Corporate Services Company
Ameren	Ameren Services Company	PNM	PNMR Services Company
Avangrid	Avangrid Service Company	PPL	LG&E and KU Services Company
Black Hills	Black Hills Service Company, LLC		PPL EU Services Corporation
Dominion	Dominion Energy Services, Inc.	Southern Co	PPL Services Corporation
	Dominion Energy Southeast Services, Inc.		Southern Company Services, Inc.
Duke	Duke Energy Business Services, LLC	WEC	WEC Business Services LLC
Entergy	Entergy Services, LLC	Xcel	Xcel Energy Services Inc.

2

As shown in Table 2 below, the services provided by the Corix support services

3

organization are prevalent and consistent with the services provided by other utility service

4

companies.

5

Table 2

Service Categories	Corix Support Services	Other Utility Service Companies (B)																			
		AEP	AES	Algonquin	Alliant	Ameren	Avangrid	Black Hills	Dominion	Duke	Entergy	Eversource	Exelon	FirstEnergy	National Grid	NiSource	PNM	PPL	Southern Co	WEC	Xcel
Executive/Management	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Strategy	X	X		X	X	X	X		X	X	X	X	X	X	X			X	X	X	X
Legal	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Communications	X	X		X	X	X	X		X	X	X	X	X	X	X		X	X	X	X	X
Human Resources	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Customer Services	X	X	X		X		X	X	X	X	X	X	X	X	X		X		X		
Financial Services																					
Finance	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Accounting	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Investor Relations	X	X		X	X	X	X		X	X	X	X	X	X	X			X	X	X	X
Risk Management	X	X	X	X	X		X	X	X	X				X	X		X	X			
Audit Services	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Regulatory Services	X	X	X		X	X	X	X	X	X	X	X	X	X	X			X		X	X
Information Technology	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environ., Health and Safety	X	X	X	X	X		X		X	X	X	X		X	X	X	X	X	X	X	X
Supply Chain	X	X	X	X	X	X	X		X	X	X	X		X	X	X		X	X	X	X
Other (A)	X	X		X	X		X		X	X	X	X	X	X	X		X		X	X	X
Total Services	17	17	13	15	17	12	17	11	17	17	16	16	14	17	17	14	11	17	13	14	15

Note A: Includes services such as transportation/fleet, real estate and facilities

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

Source: FERC Form 60 (2020); Baryenbruch & Company, LLC, analysis

1 **Q. ARE THE CORPORATE SUPPORT SERVICES PROVIDED BY THE CORIX**
2 **SUPPORT SERVICES ORGANIZATION NECESSARY FOR THE CONTINUED**
3 **OPERATION OF THE COMPANY?**

4 A. Yes. The corporate support services provided by the Corix support services organization
5 are required for the continued operation of any responsibly run utility. As noted above, the
6 services are similar to the services provided by other utility support service organizations,
7 including some operating in Indiana. If the Company operated as a stand-alone utility, it
8 would need to provide or procure these services in order to fulfill its obligation to deliver
9 safe, reliable water and sewer service to customers.

10 **V. REASONABLENESS OF CORPORATE SUPPORT SERVICE COSTS**

11 **Q. DO THE COMPANY'S CUSTOMERS BENEFIT FROM THE DELIVERY OF**
12 **CORPORATE SUPPORT SERVICES BY A UNIFIED, CENTRALIZED**
13 **ORGANIZATION?**

14 A. Yes. Customers benefit from economies of scale and scope. Customers also receive the
15 benefits of affiliation with a larger organization. For instance, the Company can leverage
16 the bargaining power of the Corix portfolio of companies to achieve efficiencies that would
17 not be achieved by the Company on a stand-alone basis. Affiliation with the larger
18 organization also allows for improved employee technical expertise, specialization, and
19 work performance. Finally, larger, geographically diverse water and sewer utilities have
20 better access to capital markets than would an entity such as the Company. Stated simply,
21 CUUI has access to capital markets because of its relationship with Corix that it would not
22 have without that relationship.

1 **Q. HAS THE CORIX SUPPORT SERVICES ORGANIZATION SUCCESSFULLY**
2 **LEVERAGED THE BUYING POWER OF THE CORIX PORTFOLIO OF**
3 **COMPANIES TO PROVIDE TANGIBLE BENEFITS TO THE COMPANY'S**
4 **CUSTOMERS?**

5 A. Yes. There are several examples of how the Corix support services organization has
6 leveraged Corix's buying power to reduce operating costs for the benefit of the Company's
7 customers. These include:

- 8 • Membership in the Donlen Corporation fleet management program, which
9 produced approximately \$180,000 of savings in 2020 across the enterprise;
- 10 • Negotiated price discounts provided by a vehicle manufacturer; and
- 11 • The creation of purchasing catalogues with W.W. Grainger and USA Bluebook,
12 which ensures competitive pricing on common purchases.

13 **Q. DOES THE CORPORATE SUPPORT SERVICES ORGANIZATION PROVIDE**
14 **ACCESS TO DEBT AND EQUITY CAPITAL?**

15 A. Yes. The Corix support service team provides access to capital markets. In 2018, the Corix
16 corporate support services organization led a private placement of debt securities issued by
17 Corix Regulated Utilities Inc. The issuance of debt securities provided \$100 million of
18 capital to facilitate, among other things, capital investments made by the Company. Corix
19 Regulated Utilities Inc. issued 15-year notes at 4.37% interest. In 2020, the Corix corporate
20 support services organization again successfully led the issuance of an additional \$100
21 million of notes in two tranches – \$50 million of 10-year notes at 3.15% interest and
22 another \$50 million of 15-year notes at 3.35% interest. These funds are available to all the

1 Corix Regulated Utilities Inc. operating companies, including the Company, to fund capital
2 improvements. These results demonstrate that affiliation with CII – a larger, more
3 geographically diverse enterprise – likely provides better access to capital markets than the
4 Company would have as a smaller, less diverse, stand-alone organization.

5 In addition, the Company has access through Corix Regulated Utilities Inc. to an
6 \$80 million revolving credit facility. The Corix corporate support services organization
7 negotiated the terms and conditions of this credit facility in 2015 and plans to renegotiate
8 the terms and conditions of the facility in October 2023. Finally, the Corix support services
9 organization also obtains equity injections from Corix's shareholder when necessary.

10 In summary, the Corix corporate support services organization provides the
11 Company with access to debt and equity capital markets. Access to these markets on
12 competitive and fair terms allows the Company to make the capital improvements
13 necessary to provide adequate and safe water and sewer service to its customers.

14 **Q. DOES THE CENTRALIZED DELIVERY OF CORPORATE SUPPORT**
15 **SERVICES RESULT IN TANGIBLE SAVINGS FOR CUSTOMERS?**

16 A. Yes. As noted above, the Company needs the corporate support services to fulfill its
17 mandate – i.e., delivery of regulated services to customers. If the corporate support services
18 were not provided by a centralized organization, the services would need to be provided
19 by some entity. The corporate support services are provided at a lower cost than could be
20 provided on a stand-alone basis (assuming replication of these services on such a smaller
21 scale could even occur). Moreover, if all the corporate support services provided by the

1 Corix support service organization were outsourced, the customers of the Corix Regulated
2 Utilities Inc. utilities would have incurred an additional \$21.3 million in 2021.

3 **Q. DO THE CORPORATE SUPPORT SERVICE COSTS INCLUDED IN THE**
4 **COMPANY'S REVENUE REQUIREMENT HAVE ANY MARK-UP OR PROFIT**
5 **OF ANY KIND?**

6 A. No. The corporate support service charges reflect the costs of the services incurred by WSC
7 and CII.³

8 **Q. ARE THERE APPROPRIATE POLICIES, PROCEDURES, AND CONTROLS IN**
9 **PLACE TO ENSURE THAT SHARED SERVICE COSTS ARE REASONABLE?**

10 A. Yes. Budgets are reviewed with the expectation that all costs incurred must be necessary,
11 prudent, and reasonable which leads to benefits to the customer. Members of the ELT are
12 accountable for expenses incurred within their budget and a portion of employee
13 compensation is linked to responsible cost management. Headcount mapping is conducted
14 in the annual budgeting process; headcount addition must be supported with a
15 demonstration of need. The process takes several months with budgets undergoing rigorous
16 analysis by the budget owners and vice presidents with multiple levels of review at the
17 business unit level and the corporate level. Budgets are presented and subject to questions
18 and answer sessions to test proposed costs including headcount addition requests.
19 Following thorough review by the business units and corporate teams, the budgets are then
20 carefully reviewed by the CFO, the ELT, the CEO, the CII Audit Committee and,

³ Capital expenditures made to support the Company's operations are included in the Company's rate base.

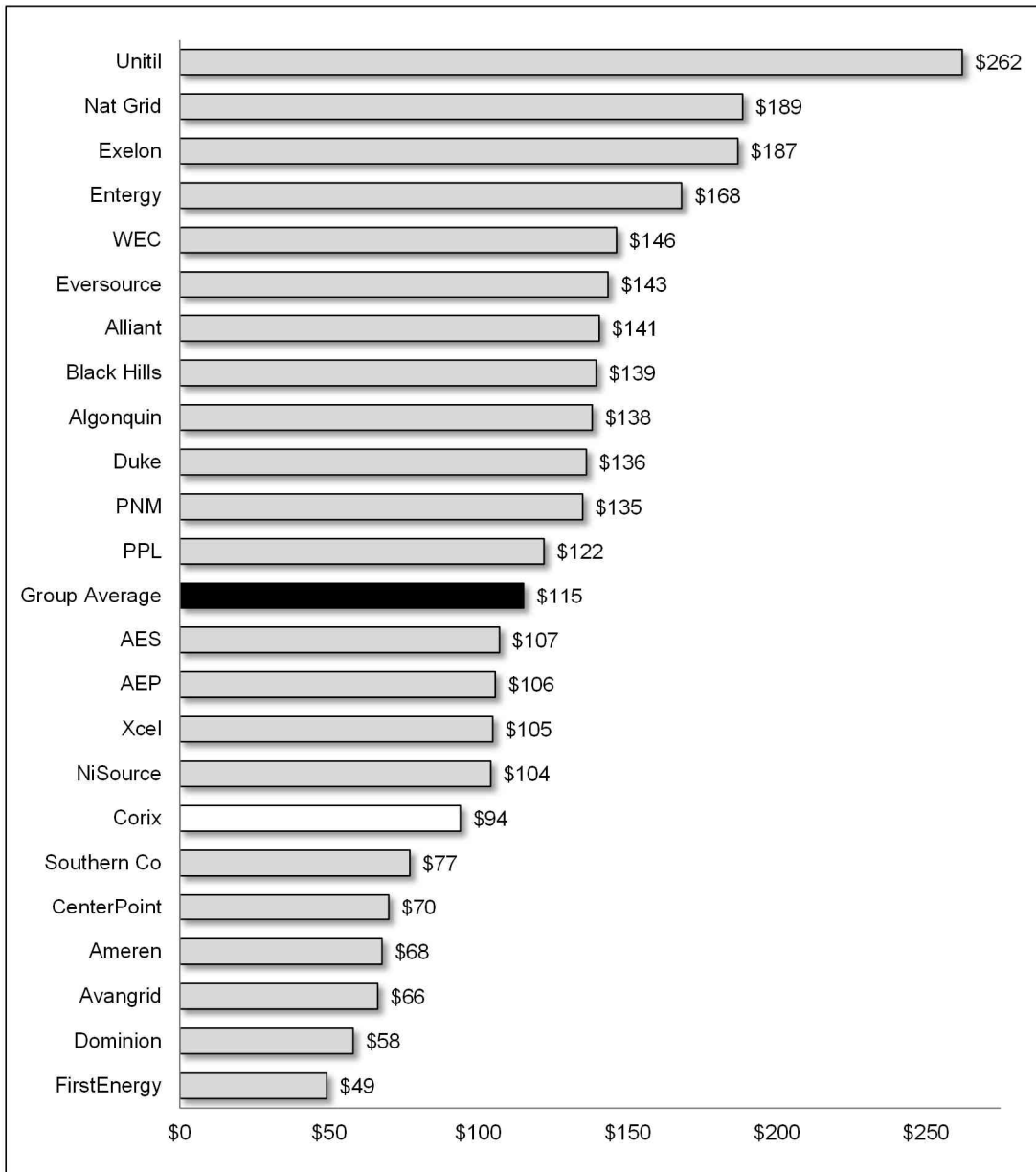
1 ultimately, the CII Board of Directors. At each level, costs are heavily scrutinized to
2 evaluate efficiency of operations at all levels.

3 **Q. HOW DOES THE CORPORATE SUPPORT SERVICE COSTS COMPARE TO**
4 **THE CHARGES OF OTHER UTILITY SUPPORT SERVICE ORGANIZATIONS**
5 **ON A PER-CUSTOMER BASIS?**

6 A. As shown in Table 3 below, an excerpt from Confidential Attachment SME-3, the
7 corporate support services are delivered at a cost of \$94 per customer, while the average
8 cost per customer for 22 holding companies that file Form 60 with the Federal Energy
9 Regulatory Commission is \$115 per customer. Confidential Attachment SME-3
10 demonstrates that the charges for corporate support services included in CUII's revenue
11 requirement are reasonable.

1

Table 3



2

Source: Company information; 2020 FERC Form 60; Baryenbruch & Company, LLC, analysis

3

Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

4

A. Yes, it does. However, I reserve the right to supplement or make corrections to this testimony.

5

VERIFICATION

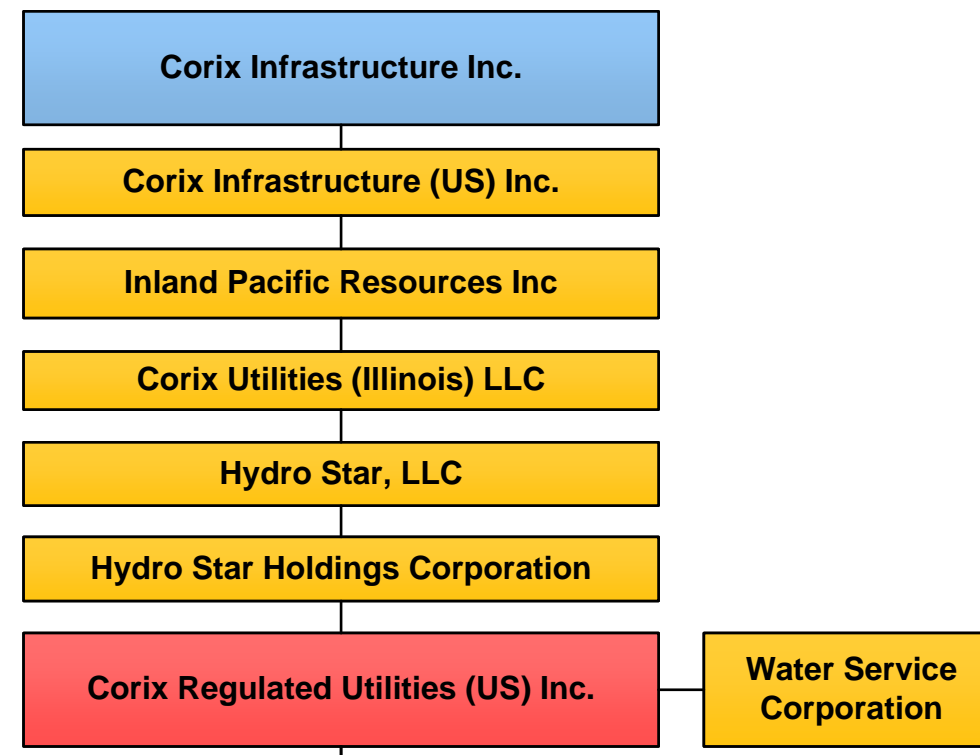
I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Date: December 1, 2021

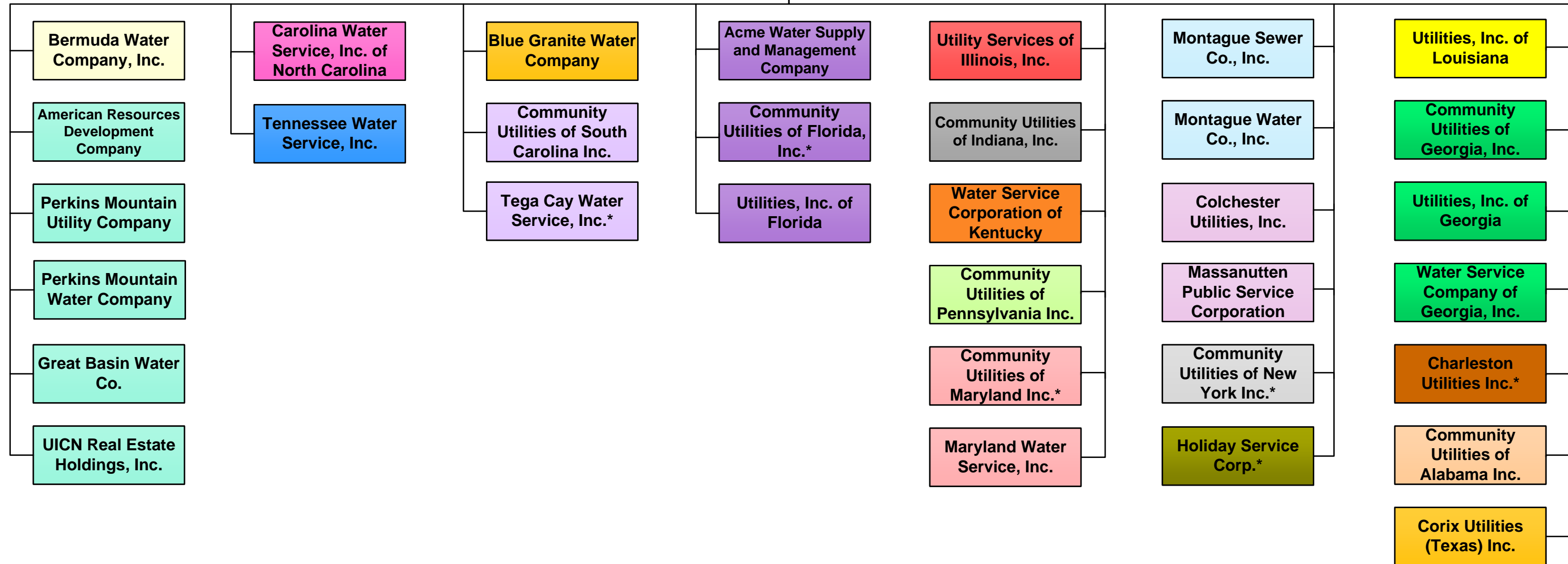
Shawn M. Elicegui

Shawn M. Elicegui
EVP Risk and Corporate Secretary of
Corix Infrastructure Inc. and Corporate Secretary
of Corix Regulated Utilities (US) Inc.

October 1, 2021



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



Corix Group of Companies

Cost Allocation Manual

For Fiscal Year: 2021

Approved by:

Corix Executive Leadership Team

on June 9, 2021

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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:¹

- 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.²

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**³ 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.

¹ 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.”

² 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.”

³ 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 is controlling 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 Audit 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

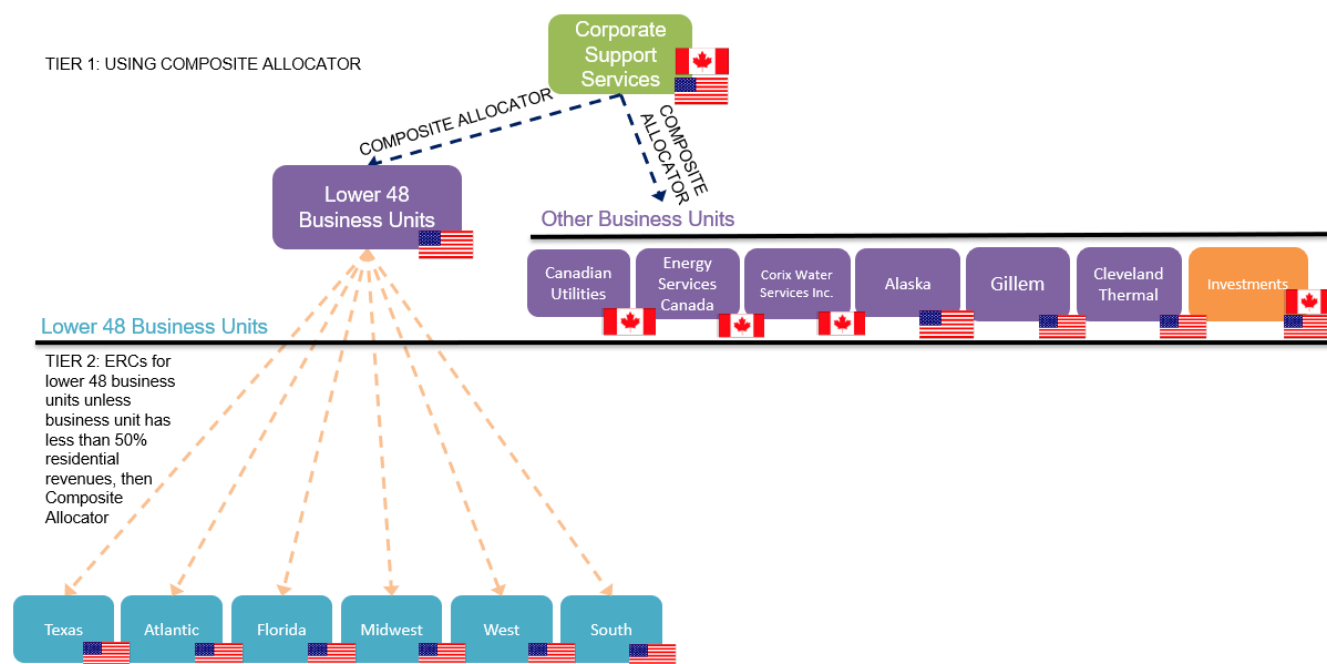
Allocation of Costs from Corporate Support Services

Corporate support service costs are allocated 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 Flows⁴



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.

⁴ 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

Factor	Weight
Gross Revenue	33.33%
Headcount	33.33%
Gross Property, Plant & Equipment	33.33%
Total	100%

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

Inputs	Reference
Gross Revenue ⁵	Trailing Twelve Months as of June 30th of prior year (i.e., 2021 allocation is based on gross revenue from July 1, 2019 – June 30, 2020)
Headcount	As of June 30th of prior year (i.e., 2021 allocation is based on June 30, 2020 value)
Gross Property, Plant & Equipment ⁶	As of June 30th of prior year (i.e., 2021 allocation is based on June 30, 2020 value)

June 30th 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.

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

⁵ Gross Revenue is defined as recorded gross revenue.

⁶ 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
	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 Method⁷

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	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)
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)

⁷ A more detailed description of the corporate support services is included in Appendix A.

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.⁸ 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.

⁸ 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. 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.⁹

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.

⁹ 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 business unit 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

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

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 require allocation to each operating utilities/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 30th was chosen as the most appropriate point-in-time to allow for the allocation percentages to be determined, and the forecast 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 and employee benefit 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 30th was chosen as the most appropriate point-in-time to allow for the allocation percentages to be determined, and to forecast 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.

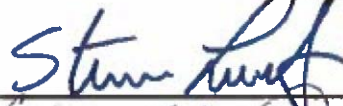
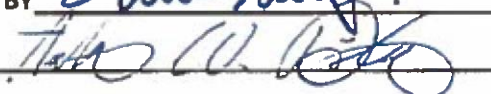
This Agreement shall remain in effect until termination by either of the parties hereto upon 90 days' written notice.

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.

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
5623	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
5733	Computer Maintenance
5740	Computer Supplies
5745	Computer Asset & 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 - System Project
6110	Salaries - Acctg/Finance
6115	Salaries - Admin
6120	Salaries - Officers/Su/holdr
6125	Salaries - HR
6130	Salaries - NHS

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 Wu 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 Wip
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		Minl Computers Wtr
1590		Comp Sys Cost Wtr
1595		Micro Sys Cost Wtr
1605		Desktop Computer Swt
1610		Mainframe Computer Swt
1615		Mini Computer 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 Equipmat
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	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
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
6380	Deprec-Office Structure
6385	Deprec-Office Furn/Equip
6610	Deprec-Communication Equip
6615	Deprec-Misc Equipment
6820	Deprec-Office Structure
6825	Deprec-Office Furn/Equip
6830	Deprec-Communication Equip
6835	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.

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
1775	00405	Wip-Cap Time Chng Filter Media
1775	00406	Wip-Cap Time Tr Sewer Man
1775	00407	Wip-Cap Time Sludge & Hauling
1775	00408	Wip-Cap Time W/S PU 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/Equip
1985		Acc Depr-Tool Shop & Misc Equip
2000		Acc Depr-Communication Equip
2215		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Equip
2230		Acc Depr-Tool Shop & Misc Equip
2245		Acc Depr-Communication Equip
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/Storm Cost
2980		Def Chgs - Emp Fees
2985		Def Chgs - Other
3000		Def Chgs - Other Wtr & Swr
3005		Def Chgs - Vac Testing
3020		Def Chgs - Sludge Hauling
3025		Def Chgs - Pr Wash/Jet Swr Mans
3030		Def Chgs - Tr Sewer Mans
3040		Def Chgs - Tank Maint&Rep Swr
3080		Amort - Landscaping
3090		Amort - Customer Complaints

**AFFILIATE AGREEMENT
APPENDIX A**

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

JDE Object Number Account Description

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

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
3110		Amort - Tank Maint&Rep Wtr
3120		Amort - Relocation Exp
3125		Amort - Attorney Fee
3130		Amort - Hurricane/Storms
3135		Amort - Employee Fees
3140		Amort - Other
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 - Orign 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 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 - Orign 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 Regulated Utilities (US) Inc.
Evaluation of Necessity and Reasonableness
of 2021 Corporate Support Services

November 2021

Corix Regulated Utilities (US) Inc.

Evaluation of Necessity of Corporate Support Services and Reasonableness of 2021 Budgeted Charges from Affiliates

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I – Executive Summary

Purpose of This Evaluation

This study was undertaken to determine the necessity and reasonableness of corporate support services (“Corporate Support Services”) provided to Corix Regulated Utilities (US), Inc. (“CRU US”). CRU US utility companies operate in 17 of the lower 48 US states. During 2021, approximately \$25.8 million is budgeted to be charged to CRU US for Corporate Support Services. Through September 30, 2021, actual 2021 charges to CRU US for Corporate Support Services were within 3% of budget. The services provided by Corporate Support Services are administrative and general (A&G) in nature.

Baryenbruch & Company, LLC, answered the following questions to determine the necessity and reasonableness of Corporate Support Services during 2021:

Necessity of Corporate Support Services

1. Are Corporate Support Services provided to CRU US comparable to services provided by other utility service companies?
2. Are Corporate Support Services beneficial to CRU US and their customers?
3. Are Corporate Support Services duplicative or overlapping with work performed by CRU US operating companies themselves?
4. Do governance structure and processes exist to ensure Corporate Support Services are necessary to CRU US?

Reasonableness of Corporate Support Services Charges

5. Are charges for Corporate Support Services provided to CRU US in line with charges of other utility service companies to their regulated utility affiliates?
6. Are Corporate Support Services provided to CRU US priced at the lower of cost or market?
7. Are CRU US’ total customer accounts expenses, including charges directly from the Corporate Support Services organization, comparable to the costs of other utilities?
8. Are Corporate Support Services appropriately allocated to CRU US?

Evaluation Results

Based upon its evaluation, Baryenbruch & Company, LLC, is able to reach the following conclusions regarding these questions.

- Question 1: Corporate Support Services provided to CRU US are comparable to those offered by comparison group utility service companies.
- Question 2: Corporate Support Services provided to CRU US would be required even if CRU US operating companies were stand-alone utilities. These Corporate Support Services provided during 2021 can be associated with one or more benefit categories.
- Question 3: There is no redundancy or overlap in Corporate Support Services provided to CRU US based on an analysis of the responsibilities for utility functions.

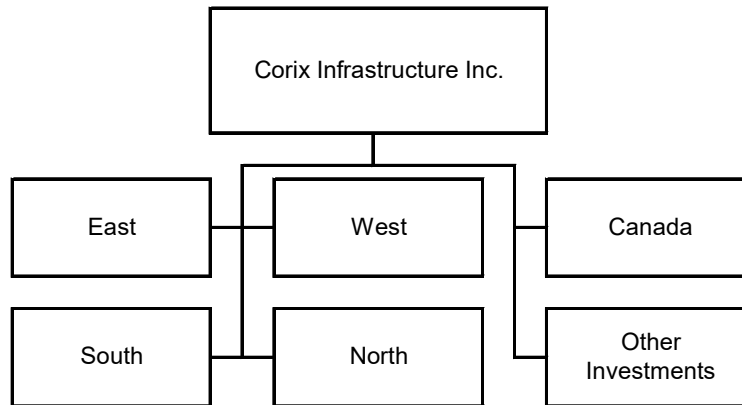
I – Executive Summary

- Question 4: The governance structure and processes contribute to ensuring that Corporate Support Services provided to CRU US are necessary and the associated charges are reasonable.
- Question 5: Budgeted 2021 charges for Corporate Support Services provided to CRU US are below the comparison group average. CRU US were charged \$94 per customer for these services. This is lower than the service company comparison group's average of \$115 per-customer cost for A&G-related charges to affiliates.
- Question 6: Corporate Support Services are provided at a cost lower than outside providers.
 - On average, the hourly rates for outside service providers are approximately 141% higher than comparable hourly rates charged by the Corporate Support Services organization
 - If all the managerial and professional services now provided by the Corporate Support Services organization had been outsourced during 2021, CRU US and their customers would have incurred more than \$21.3 million in additional expenses
 - Corporate Support Services charges do not include any profit markup. Only the actual cost of the service is allocated to CRU US.
- Question 7: CRU US' total budgeted 2021 customer accounts expenses, including charges directly from the Corporate Support Services organization, are comparable to the costs of other utilities.
- Question 8: Corporate Support Services provided to CRU US are appropriately allocated, as evidenced by the following:
 - Separate books of accounts and records are maintained to facilitate accounting for the cost of Corporate Support Services provided to CRU US
 - Costs of Corporate Support Services are allocated and assigned on a fully distributed cost basis
 - Allocation factors employed are commonly used by other utility service companies
 - Cross-subsidization is avoided.

II – Background

Description of Corix Infrastructure, Inc.

CRU US is an indirect, wholly owned subsidiary of Corix Infrastructure Inc. (Corix), a privately held corporation owned by certain affiliates of British Columbia Investment Management Corporation. Corix provides water, wastewater and energy utility services. Its businesses are organized, for management reporting purposes, into the units shown below. CRU US are in the East, West, South and North business units.



Source: Company information

CRU US is headquartered in Chicago, Illinois, and owns regulated utility companies doing business in 17 of the lower 48 US states.

Description of Corporate Support Services

CRU US is provided with Corporate Support Services from employees in two affiliated legal entities—Corix Infrastructure Inc. (Corix or CII) and Water Services Corporation (WSC). Exhibit 1 (page 4) shows where CRU US falls in the Corix legal entity structure.

CRU US has no employees of its own. All of the staff needed to operate CRU US are WSC employees. The table below shows 2021 staffing levels for CII and WSC. Utility operations staff of WSC are exclusively dedicated to CRU US. The staffing levels of Corporate Support Services and Utility Operations are shown in the table below.

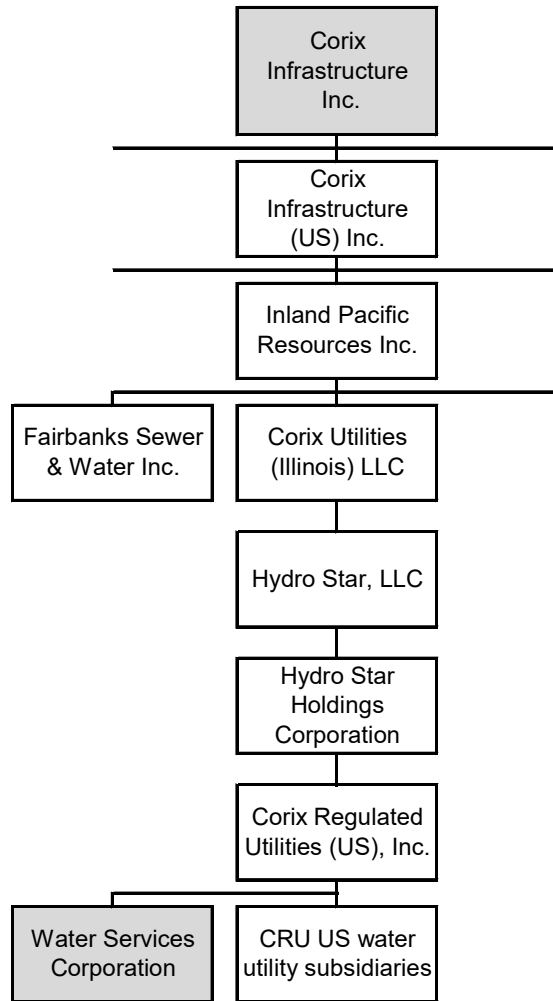
Type of Service	2021 Staffing by Affiliate Entity		
	CII	WSC	Total
Corporate Support Services	51	136	187
Utility Operations		450	450
Total	51	586	637

Source: Company Information

The organization of Corporate Support Services is shown in Exhibit 2 (page 5). A description of the services that WSC is obligated to provide CRU US operating companies under an exemplar Affiliate Interest Agreement is presented in Exhibit 3 (pages 6-8). Certain of the described services in Exhibit 3 are provided by WSC employees, the costs of whom are directly assigned to the operating entity (e.g., operations). The cost of operational services is not A&G, thus, not part of the Tier 1 or Tier 2 allocations.

Exhibit 1

Corix Regulated Utilities (US) Inc.
Legal Entity Structure

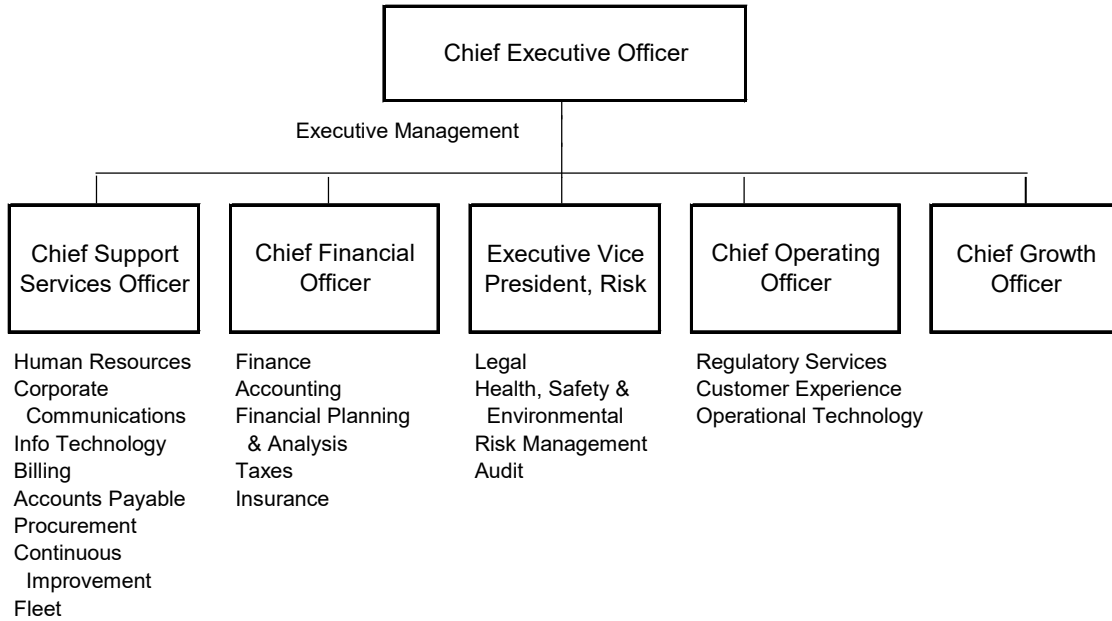


Entities whose employees provide Corporate Support Services to CRU US utilities

Source: Company information

Exhibit 2

Corix Regulated Utilities (US) Inc.
Corporate Support Services Organization



Source: Company information

Corix Regulated Utilities (US) Inc.
Description of Services Available Under Affiliate Interest Agreement

Service Category	Description
Executive	Includes 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 operating companies in respect to corporate, financial, risk management, strategy, operating, engineering, organization, tax, audit, governance, regulatory and other issues. They will keep themselves informed with respect to the operations, maintenance, financial condition of and other matters relating to the operating companies through contacts with the officers, directors and other representatives of operating company. Such executive assistance will include visiting the property of operating companies when necessary to the proper furnishing of the services. They will also supervise the personnel to ensure services are performed efficiently, economically and satisfactorily to the operating companies.
Engineering	Includes services as requested by operating companies in areas including design, construction and management of operating companies.
Operating	Includes personnel to perform and/or control all usual operating functions, including pumping, treatment and distribution as well as maintenance of equipment and facilities. These responsibilities will include testing and record-keeping for compliance with all state and local regulatory agency requirements.
Accounting	Includes comprehensive accounting services, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, agency annual reports and similar agency support and filings. Periodic analysis will be made for purposes of planning and measurement of efficiency.
Centralized Cash Management	Includes a centralized cash management system whereby cash receipts and payments are managed by one central body on behalf of all of operating companies. Provision of centralized cash management offers 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.
Legal	Includes 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 operating companies in all matters where such assistance may be necessary and/or desired.
Customer Billing, Contact and Experience	Includes all customer contact, billing and collections, new accounts, deposits, meter reading, inquiries, complaints customer response and call center services.
Construction	Includes services associated with performing directly or supervising construction work, including customer connections, meter installations, main extensions, plant expansions or capital additions of any nature as required by operating companies.

Corix Regulated Utilities (US) Inc.
Description of Services Available Under Affiliate Interest Agreement

Service Category	Description
Continuing Improvement	Includes business transformation services (e.g., software implementation and upgrades) and identification and execution of other activities that improve efficiency, reliability or the delivery of services to operating companies and ultimately improve service to operating company customers.
Information Technology	Includes 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 services will enable operating companies to prepare and properly implement enterprise policies relevant to IT. IT services will include security analyses, monitoring and investigation of security alerts, conducting security awareness training and continuously work to improve security in the environment including identifying and implementing best practices to prevent incidents and mitigate risks.
Human Resources	Includes 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 services cover matters related to employee and labor relations issues.
Health, Safety and Environmental	Includes services to ensure compliance and familiarity with local requirements, permits and regulators. The services will cover 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, corrective actions, and audits.
Business Development	Includes business development services to operating companies in order to identify, evaluate and execute opportunities for acquisition of water and sewer systems.
Other Services	Includes services other than those described above (e.g., Finance, Financial Planning and Analysis, Accounts Payable, Treasury, Fleet, Communications) that are necessary for utility operating companies to provide service to customers.

III – Evaluation Approach for Corporate Support Services

Baryenbruch & Company, LLC, Evaluation Methodology

The necessity and reasonableness of Corporate Support Services provided to CRU US are evaluated by Baryenbruch & Company, LLC, as described below.

Necessity of Corporate Support Services

- Question 1 – Prevalence of Services

Question 1 is answered by determining if the Corporate Support Services provided to CRU US are consistent with services provided by other utility service companies. Information on the comparison group comes from their 2020 Form 60, which is a report designed to collect financial information from service companies that are subject to the Federal Energy Regulatory Commission's (FERC) regulation. Service company filers are those that belong to electric and combination electric/gas utility holding companies. The activities of energy-related services companies are relevant to Corporate Support Services provided to CRU US because they are the same type of A&G services, such as legal, finance, accounting, human resources and information technology.

- Question 2 – Benefits from Services

Question 2 is answered by associating the services provided by each functional area of Corporate Support Services with benefits to CRU US. The following is a set of benefits that are used to associate with the departments that charge CRU US during 2021:

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

Many specific benefits were also identified during interviews conducted to validate the benefits of Corporate Support Services provided to CRU US.

- Question 3 - Redundancy of Services

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

III – Evaluation Approach for Corporate Support Services

- Question 4 – Governance Structures and Processes

Question 4 involves identifying and documenting the principal management practices and controls that help ensure charges from the Corporate Support Services organization to CRU US are necessary and reasonable.

Reasonableness of Corporate Support Services

- Question 5 – A&G Cost Comparison

Question 5 determines if the cost of Corporate Support Services is in line with the cost of similar services provided by other service companies to their utility affiliates. The metric used for this comparison is A&G-related charges per customer. Substantially all the services provided by Corporate Support Services are A&G in nature. Every other utility service company provides A&G services to affiliates and these services are similar across utility types. This common pool of costs provides a valuable cost-comparison opportunity.

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

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

- Question 7 – Customer Accounts Cost Comparison

Question 7 determines if the cost of customer accounts services provided to CRU US by the Corporate Support Services organization are comparable to other regulated utilities that do business in the states in which CRU US operates. The comparison metric is customer accounts services cost per customer.

- Question 8 – Appropriate Allocation of the Cost of Services

Question 8 involves an evaluation of Corix-wide financial systems, processes and data structure to determine if they are designed and configured to properly charge affiliates with fully distributed costs of services. Also, the factors used to allocate Corporate Support Services costs were evaluated to determine if they are reasonable, relate to cost causation and consistently applied to all affiliates.

Interviews of Corporate Support Services and Utility Operations Personnel

An important part of this evaluation update was interviews conducted with executives of each functional area of Corporate Support Services and with the recipient of services, executives of the CRU US organization. These interviews were particularly important in providing evidence necessary to draw conclusions on Question 2 – Benefits from Services and Question 3 - Redundancy of Services. The table below lists the executives who were interviewed:

III – Evaluation Approach for Corporate Support Services

Position
Executive Leadership Team
Chief Executive Officer
Chief Operating Officer
Chief Financial Officer
Chief Shared Services Officer
Executive Vice President, Risk
Chief Growth Officer
Utility Operations
East Region Business Unit
SVP East Region Business Unit/President, Atlantic President, Florida
North Region Business Unit
SVP North Region Business Unit/President, Midwest and Mid Atlantic
President, Mid Atlantic
Vice President, Contract Utilities and Energy Systems
South Region Business Unit
SVP South Region Business Unit/ President, Louisiana President, South
President, Texas
West Region Business Unit
SVP West Region Bus Unit/President, Alaska President, West Region Bus Unit
Corporate Support Services
Vice President and Principal Accounting Officer
Vice President, Financial Reporting and Analytics
Vice President and Chief Information Officer
Vice President, Human Resources
Vice President, Support Operations
Director, Regulatory Affairs

IV – Necessity of Corporate Support Services

Question 1 – Prevalence of Services

CRU US' need for corporate services was first evaluated by determining if those services are typically provided by other utility service companies. This determination was made with the use of information from the 2020 FERC Form 60. The analysis included the following 26 service companies associated with 20 utility holding companies.

Utility Holding Company	Service Company	Utility Holding Company	Service Company
AEP	American Electric Power Service Corp.	Eversource	Eversource Energy Service Company
AES	AES US Services, LLC	Exelon	Exelon Business Services Company
Algonquin	Algonquin Power & Utilities Corp.	FirstEnergy	PHI Service Company
	Liberty Utilities Service Corporation		FirstEnergy Service Company
	Liberty Utilities (Canada) Corporation	Nat Grid	National Grid USA Service Company Inc.
Alliant	Alliant Energy Corporate Services, Inc.	NiSource	NiSource Corporate Services Company
Ameren	Ameren Services Company	PNM	PNMR Services Company
Avangrid	Avangrid Service Company	PPL	LG&E and KU Services Company
Black Hills	Black Hills Service Company, LLC		PPL EU Services Corporation
Dominion	Dominion Energy Services, Inc.		PPL Services Corporation
	Dominion Energy Southeast Services, Inc.	Southern Co	Southern Company Services, Inc.
Duke	Duke Energy Business Services, LLC	WEC	WEC Business Services LLC
Entergy	Entergy Services, LLC	Xcel	Xcel Energy Services Inc.

The table below compares corporate services provided to CRU US to the services provided by the comparison group. The Corporate Support Services provided to CRU US are similar to the service companies of the comparison group utility holding companies.

Service Categories	Corix Corporate Support Services	Other Utility Service Companies (B)																				
		AEP	AES	Algonquin	Alliant	Ameren	Avangrid	Black Hills	Dominion	Duke	Entergy	Eversource	Exelon	FirstEnergy	National Grid	NiSource	PNM	PPL	Southern Co	WEC	Xcel	
Executive/Management	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Strategy	X	X		X	X	X	X		X	X	X	X	X	X	X			X	X		X	
Legal	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Corporate Communications	X	X		X	X	X	X		X	X	X	X	X	X		X	X	X	X	X	X	
Human Resources	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Customer Services	X	X	X		X		X	X	X	X	X	X	X	X	X		X			X		
Financial Services																						
Finance	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Accounting	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Investor Relations	X	X		X	X	X	X		X	X	X	X	X	X	X		X	X	X	X	X	
Risk Management	X	X	X	X	X		X	X	X				X	X		X	X					
Audit Services	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X		X	
Regulatory Services	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X		X		X	X	
Information Technology	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environ., Health and Safety	X	X	X	X	X		X	X	X	X	X		X	X	X	X	X	X	X	X	X	X
Supply Chain	X	X	X	X	X	X	X		X	X	X		X	X	X		X	X	X	X	X	X
Other (A)	X	X		X	X		X	X	X	X	X	X	X	X	X		X			X	X	
Total Services	17	17	13	15	17	12	17	11	17	16	16	14	17	17	14	11	17	13	14	15	15	

Note A: Includes services such as transportation/fleet, real estate and facilities

Note B: These are service companies whose FERC Form 60s included detailed information on services provided to affiliates. Data was not available for CenterPoint and Unitil.

Source: FERC Form 60 (2020); Baryenbruch & Company, LLC, analysis

IV – Necessity of Corporate Support Services

Question 2 – Benefits from Services

Corix Corporate Support Services follow a centralized model for the delivery of necessary services to CRU US. By consolidating executive, professional and operational Corporate Support Services into a centralized service organization utility, the following benefits are realized for CRU US and their customers:

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

Exhibit 4 (page 14) shows which of these benefits are provided by the Corporate Support Services organization. The five right-hand columns of this exhibit designate which of the above benefits are provided to CRU US by each Corporate Support Services unit.

Exhibit 5 (pages 15-18) provides examples of specific benefits to CRU US that were identified during interviews with Corporate Support Services management.

Question 3 – Redundancy of Services

The need for Corporate Support Services was also evaluated by determining if they would be required if CRU US operating companies were stand-alone utilities. This evaluation began by determining in detail what the Corporate Support Services organization does for CRU US. Based on discussions with Corporate Support Services personnel, the matrix in Exhibit 6 (pages 19-21) was created showing which entity—Corporate Support Services or CRU US—is responsible for each function that must be performed for CRU US to ultimately provide service to their customers. This matrix was reviewed to determine (1) if there was redundancy or overlap in the services being provided by the Corporate Support Services organization and (2) if Corporate Support Services provided to CRU US are typical of those needed by a stand-alone water utility.

IV – Necessity of Corporate Support Services

Upon review of Exhibit 6, the following conclusions can be drawn:

- The services that Corporate Support Services organization provides are necessary and would be required even if CRU US operating companies were stand-alone water utilities.
- There is no redundancy or overlap in the services provided by the Corporate Support Services organization to CRU US.
- For all of the services listed in Exhibit 5, there was only one entity that was primarily responsible for the services provided by the Corporate Support Services organization to CRU US.

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

Support Services Organization		Reasons Services Are Necessary to CRU US				
		Governance	Compliance	Economies	Continuity of Service	Enterprise Standards
Chief Executive Officer	Executive Management	X	X	X	X	X
Chief Operating Officer	Customer Experience			X	X	X
	Regulatory Services	X	X	X		X
	Operational Technology		X	X	X	X
Chief Financial Officer	Finance	X	X	X	X	
	Accounting	X	X	X		X
	Financial Planning & Analysis	X		X		X
	Taxes		X	X		X
	Insurance			X	X	
Chief Support Services Officer	Human Resources	X	X	X		X
	Corporate Communications	X		X		X
	Information Technology	X	X	X	X	X
	Accounts Payable			X	X	X
	Procurement			X	X	X
	Billing			X	X	X
	Continuous Improvement	X		X		X
	Fleet			X	X	X
Executive Vice President, Risk	Health, Safety & Environmental	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

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

Corix Regulated Utilities (US) Inc.
Examples of Benefits to CRU US and Its Customers
from Corporate Support Services

Function/Service	Benefits to CRU (US) Utilities and Their Customers
Information Technology	<p>Standard Network and Computing Infrastructure – The Corix enterprise migrated to shared cloud-based IT infrastructure (computing and network). This facilitates standardized network access across all Corix companies and improved access to data (facilitates improved operating efficiencies and customer service). The transition to cloud computing results in more predictable IT costs because there is no longer a need to periodically upgrade the computing infrastructure.</p> <p>Standard Applications – In 2020 the Corix enterprise implemented standard systems—ERP, human capital management and other back-end platforms—that are now used by all Corix businesses. Common systems improve operational efficiency. This results in lower operating and support costs. Previously, support had to be provided for 4 financial systems, 3 payroll systems, 4 different human capital systems, multiple data centers and 3 different IT network platforms. This also facilitated the planned migration from 3 to 1 customer billing application. The transition resulted in a reduction of 10 IT positions.</p> <p>IT Security – The Corix enterprise has implemented its strategy to have a single IT security platform, with security policies and procedures, testing, incident investigation and resolution process. The implementation of multifactor authentication provides secure access to the Corix applications from anywhere, thus supporting a work-from-anywhere strategy.</p> <p>Corporate Security Capabilities Extended to Mobile Platforms – In 2021, a new security tool has been implemented to extend the capabilities of malware protection, ensuring mobile network safety and mobile application safety. This initiative covered all supported mobile devices.</p>
Finance	<p>Investor Relations - CRU US benefit from Corix’s stakeholder relations program, which maintains communications with Corix equity and debt investors. This eliminates the need for CRU US to maintain its own investor relations program.</p> <p>Debt Issuance – The Finance team provides support and arranges for debt financing issued by CRU US to fund capital investment activity of the Corix utilities. The Finance team assists by identifying lower-cost sources of financing based on its broader experience in the debt market. Compared to individual CRU US obtaining their own financing, this arrangement provides economies of scale (e.g., less record keeping and compliance) and lower financing costs (larger issuances backed by diversified collateral is viewed favorably by the investment community). These benefits are evidenced by the very favorable terms for a 2020 CRU US debt issuance for \$100 million at interest rates ranging from 3.15% to 3.35% for notes with 10- and 15-year maturities, respectively.</p> <p>Single Set of Financial Applications – The 2020 implementation of the Oracle Cloud ERP and Adaptive Insights (budgeting and forecasting) applications along with the single IT infrastructure facilitates a more effective, consistent and efficient delivery of financial Corporate Support Services.</p> <p>Tax Expertise - Tax expertise is available to CRU US that CRU US would otherwise have to obtain from outside service providers. The Corporate Support Services tax unit monitors federal and state legislation that could affect CRU US. In the past few years, the Corporate Support Services tax team has brought certain tax work back-in house, thereby reducing tax-related fees to outside tax service providers.</p>

**Corix Regulated Utilities (US) Inc.
Examples of Benefits to CRU US and Its Customers
from Corporate Support Services**

Function/Service	Benefits to CRU (US) Utilities and Their Customers
Finance (cont.)	<p>Financial Planning and Analysis – Adaptive Insights application has facilitated consistent enterprise-wide processes for budgeting (spending and headcount), analysis and financial performance reporting. Business units now report in a consistent format. Rolling forecast reported to ELT, BU management and the Board. Developed a 20-year financial forecast (in Adaptive Insights) and process for maintaining it.</p>
Insurance	<p>Corix undertook an insurance consolidation initiative in 2019 and now the Corporate Support Services organization arranges for insurance coverage of general liability, workers compensation, automobile, excess liability, D&O, crime, and cybersecurity risks for the enterprise, including CRU US. The consolidation of coverage has generally improved coverage terms and resulted in lower overall costs based on scale.</p>
People and Culture	<p>Single HCM Platform – The multiple HCM systems have been replaced with Oracle’s HCM system. This has greatly improved HR administration across the enterprise. For instance, the HR administration-related (e.g., open enrollment) messaging can be standardized for all employees. One payroll-related position was eliminated in Jan 2020 when payroll for Canadian businesses was transitioned to Oracle HCM. It is expected that FSW will eliminate 1 position when it migrates to HCM for payroll. HR administration has been greatly streamlined with HCM system. For instance, pay periods have been harmonized across the enterprise, thereby reducing administrative time.</p> <p>Wage and Salary Design and Administration – Corix designed and administered the enterprise wage and salary programs and provides support to CRU US in matters of compensation. The Corporate Support Services HR team also engaged outside providers to perform compensation surveys for certain Corix positions.</p> <p>Benefit Plan Design and Administration – Benefit plans for all Corix companies are designed and administered for the entire enterprise by Human Resources.</p> <p>Medical Plan and 401k Administrative Fees – Administration of these plans has been consolidated for US employee medical and 401K plans under single outside administrators. This has resulted in fewer outside contractors to deal with and lower administrative costs due to the larger pool of employees now being served (from 500 to 700 employees).</p> <p>Excellence Plan (Performance Management) – A single methodology has been implemented for performance evaluation across the enterprise. The Excellence Plan covers all Corix employees and is conducted on the same timeframe throughout the enterprise. Everyone at Corix has an excellence plan with development objectives. This approach helps ensure consistency. There used to be four different performance review methodologies.</p> <p>Centralized Guidance on Performance Matters – The Human Resource team ensures managers and senior leader are following Corix policies in dealing with performance issues and apply similar standards across the Corix enterprise. Consistency, which reduces risk and cost, is delivered via the HR business partners.</p> <p>Equity, Diversity and Inclusion (EDI) – An EDI charter program has been established, coordinator hired, and EDI committee (open to any employee from entire organization) and EDI advisory council (management and non-management personnel directing EDI decisions) implemented. Among other things, this is expected to improve recruiting and retention.</p>

Corix Regulated Utilities (US) Inc.
Examples of Benefits to CRU US and Its Customers
from Corporate Support Services

Function/Service	Benefits to CRU (US) Utilities and Their Customers
People and Culture (cont.)	Recruiting – A position created and staffed to focus on attracting and recruiting candidates, ensuring that new hires are brought on board correctly and retained.
Customer Billing, Contact and Experience	<p>Call Centers – CRU US customers can contact call centers with all requests for service. Calls are directed to a call queue that facilitates service quality and balanced workloads of call center representatives. The call centers achieve economies of scale and efficiency across the business and time zones to optimize call volume and eliminate the need for local staffing to handle customer requests.</p> <p>Customer Billing – Bills for all CRU US customers are prepared by the Billing Operations department. Billing is performed in cycles, so workloads are leveled and staffing levels are optimized. Billing is accomplished without the need for local utility staff involvement.</p> <p>Customer System – Corix is transitioning to one customer care and billing system for all business units. Currently, most business units, including CRU US, use a single system. This reduces IT support requirements of the multiple systems that were used in the past.</p> <p>Customer Access Application – This application provides customers with more control over their services and reduces the need for calls to the call center. Among other things, the application provides self-service options for automated start/stop of services, bill payment and arranging for deferred payments. The customer application went live in February 2019. The single IT infrastructure has enabled the capability to connect the customer application with the customer care and billing application without the integration issues that existed with the old IT infrastructure. The customer application has cut down on customer calls to the call center.</p>
Support Operations	<p>Centralized Procurement – A procurement catalog has been activated on a pilot basis for Granger (utility materials vendor), USA BlueBook (water company operations-related materials vendor) and CDW (IT hardware vendor). The catalog is integrated with Fusion so employees can order online. Discounts that have been negotiated with vendors are automatically applied to company purchases. Availability of the catalog for all company purchases went live in the first and second quarters of 2021. During 2020, purchases through USA BlueBook generated discounts and rebates of over \$80,000, or over 8% of total purchases from USA BlueBook.</p> <p>Fleet Fuel and Maintenance Services – Many aspects of vehicle management are administered by the Corporate Support Services organization for CRU US, using the latest technology and outsourced solutions that help automate the following aspects of fleet management:</p> <ul style="list-style-type: none"> • Facilitating vehicle acquisition • Fuel and maintenance procurement and tracking • Vehicle tracking • Vehicle divestiture <p>These services provide the enterprise with estimated annual savings of around \$180,000.</p> <p>Vehicle Acquisition Program – In 2019, a buying program was established with GM which gives business units a discount for vehicles purchased from local dealers. Discounts run to from \$1,500 to \$7,000 per vehicle off of MSRP.</p>

Corix Regulated Utilities (US) Inc.
Examples of Benefits to CRU US and Its Customers
from Corporate Support Services

Function/Service	Benefits to CRU (US) Utilities and Their Customers
Support Services (cont.)	<p>Corporate Credit Card Program – Corporate Support Services administers the Bank of America credit cards used by employees (used to be handled locally by various accounting personnel). Previously, there were several types of credit cards. All transactions feed into Fusion to the employee’s profile for coding. Fusion facilitates manager review/approval. This has significantly automated the previous decentralized arrangement for administering and processing credit card transactions.</p>
Risk Management – Legal, HSE, Audit	<p>Comprehensive Set of Legal Services – Legal provides the enterprise with a very broad set of services covering corporate governance, due diligence, contracts and agreements, litigation, claims and general advice to the corporation. Corix generally contracts with outside counsel for regulatory matters (e.g., rate cases) and other situations where local expertise is required. In 2020, Legal established a uniform master services agreement to facilitate consistency in dealings with outside contractors. Legal accomplishes all of this support with a complement of 4 in-house attorneys.</p> <p>Internal Audit – The Corix Internal Audit function regularly conducts audits of CRU US operations.</p> <p>Comprehensive Enterprise-Wide Program Safety Program – This provides for consistent operational practices.</p> <p>Safety Culture Evolution (HSE) – An initiative was implemented in 2020 to establish a single safety culture throughout the enterprise. Benefits include: (1) economies of scale—expertise available in house, thus eliminating the need to retain outside consultants (currently only 1 of 40 HSE programs requires a consultant) and (2) standardized best practices can be established and disseminated throughout the enterprise.</p> <p>Enterprise-Wide Environmental Focus – KPIs covering environmental matters are developed and actual performance reported to business unit managers, ELT and Corix Board.</p> <p>Enterprise-Wide Environment Policy Guidance – Consistent analysis and policy development for Federal water quality requirements. This facilitates common standards for CRU US. Examples: (1) lead/copper rule and (2) emerging contaminant standards.</p>
Regulatory	<p>Centralized Research and Development of Regulatory Matters – One person is developing a single policy for the entire organization (e.g., a LIHWAP policy has been established for all US regulated utilities). The efficiency of rate cases has been improved (e.g., consolidation of cases). A centralized regulatory data repository has been created and is available for use by business unit and Corporate Support Services personnel.</p>

Corix Regulates Utilities (US) Inc.
Responsibility Matrix

Primarily Responsible P Provides Support S	2020-2021	
	CRU US	Corporate Support Services
Water and Waste Water Function		
Engineering and Construction Management		
Long Term System Planning	P	S
Project Design		
Major Projects (e.g., new treatment plant)	P	S
Minor Projects (e.g., pipelines)	P	S
Construction Project Management		
Major Projects	P	S
Minor Projects	P	S
Hydraulics Review	P	
Developers Extensions	P	S
Tank Painting	P	S
Water Quality and Purification		
Water Quality Standards Development	S	P
Research Studies	S	P
Water Quality Program Implementation	P	S
Water Treatment Operations & Maintenance	P	
Compliance Sampling	P	
Testing/Other Sampling	P	
Transmission and Distribution		
Preventive Maintenance Program Development	S	P
System Maintenance	P	
Leak Detection	P	
Customer Service		
Community Relations	P	S
Customer Contact	S	P
Call Processing	S	P
Service Order Creation	P	P
Service Order Processing	P	S
Customer Credit	S	P
Meter Reading	P	
Customer Billing	S	P
Customer Inserts & Mailings	S	P
Bill Collection	S	P
Customer Payment Processing		P
Meter Standards Development	P	S
Meter Testing, Maintenance & Replacement	P	S
Purchasing and Materials Management		
Specification Development	P (1)	S (1)
Bid Solicitation	P	S
Contract Administration	P	S
Ordering	P	S
Inventory Management	P	

Note 1: Depends on the type of product

Source: Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc.
Responsibility Matrix

Primarily Responsible P Provides Support S	2020-2021	
	CRU US	Corporate Support Services
Water and Waste Water Function		
Financial Management		
Financial Planning - Enterprise-Wide	S	P
Financial Planning - CRU US-Wide	S	P
Financial Planning - CRU US Utilities	P	S
Financings—Equity		P
Financings--Long Term Debt		P
Short Term Lines of Credit Arrangements		P
Insurance Program Administration		P
Cash Management/Disbursements		P
Budgeting and Variance Reporting		
Overall Guidance	S	P
Operating Budget Preparation		
Revenue	P	S
O&M	P	S
Service Company Charges		P
Depreciation Expense	P	S
Interest Expense		P
Capital Budget Preparation		
Project Work	P	S
Non-Project Work	P	S
Financial Planning and Analysis - Enterprise		P
Financial Planning and Analysis - CRU US	P	S
Year-End Projections - Business Unit	P	S
Year-End Projections - Overhead		P
Accounting		
Accounts Payable Accounting		P
Payroll Accounting		P
Work Order Accounting	P	
Fixed Asset Accounting	S	P
General Accounting - Corix Corporate		P
General Accounting - Business Unit	S	P
State Commission Reporting	P	
Audit Services - Corp		P
Audit Services - CRU US	S	P
Taxes		
Tax Strategy and Planning		P
State and Federal Taxes		P
Property Taxes	S	P
Gross Receipts Taxes	S	p
Rates		
Rate Studies & Tariff Change Administration	P	S
Rate Case Planning and Preparation	P	S
Rate Case Administration	P	S
Commission Inquiry Response	P	S

Source: Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc.
Responsibility Matrix

Primarily Responsible P Provides Support S	2020-2021	
	CRU US	Corporate Support Services
Water and Waste Water Function		
Legal		
Legal - Enterprise		P
Legal - Regulatory	P (2)	S
Information Technology Services		
IT Governance		P
IT Security		P
IT Operations		P
Enterprise Applications		P
Local IT Support		P
Human Resources Management		
Employee Communications - HR Related		P
Recruiting, On Boarding, Off Boarding	S	P
Leave/Unemployment Admin	S	P
Benefit Plan Design & Admin		P
Management Compensation Admin		P
Wage & Salary Plan Design & Admin	S	P
Training	P	S
Compliance with HR-Related Laws & Regs	S	P
Employee Policy Development		P
Employee Policy Admin	S	P
Equity, Diversity & Inclusion	S	P
Employee Information Admin	S	P
Workers Compensation Admin		P
Succession Planning	P	S
Health, Safety and Environmental		
Governance (Policies, Standards, Tools)		P
Compliance with Corporate Requirments	S	P
Compliance with Local Requirements	P	S
Communications - HSE		P
Traning Development		P
Training Delivery	S	P
Program Implementation & Support	P	S
Communications		
External Communications	S	P
Internal Communications - HR Related		S
Internal Communications - Other	S	P
Fleet Management	S	P

Note 2: CRU US generally select and deals directly with outside counsel for regulatory proceedings. Corporate provides support, where necessary

Source: Baryenbruch & Company, LLC, analysis

IV – Necessity of Corporate Support Services

Question 4 – Governance Structures and Processes

Management Oversight

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

- Corix Board of Directors – The Corix Board of Directors (Board) is responsible for the management of the business and affairs of Corix. The Corix Chief Executive Officer (CEO) is responsible for preparing and presenting for Board approval an annual business plan which consists of operation and maintenance expense and capital budgets for the subsequent three years. The plan provides a roadmap for meeting the core business objectives of Corix and its subsidiaries, which are the delivery of district energy, natural gas, water and wastewater services to its customers at reasonable prices. The Board has delegated responsibility for certain areas to three committees: The Audit Committee, the Business Planning and Growth Committee and the Human Resource and Compensation Committee.

Nine members comprise the Board. Five members of the Board are outside directors, three are employees of the British Columbia Investment Management Corporation and one is the CEO of Corix. When the Board reviews and approves the annual business plan, it is responsible for, among other things:

- Reviewing and approving corporate strategy, which includes the structure and nature of the support services organization.
- Overseeing risk management, including the security-related risks associated with the information technology systems deployed across the business.
- Reviewing and approving operation and maintenance and capital spending plans for the support services organization.
- Reviewing and approving significant individual O&M and capital projects proposed by Corix Executive Leadership Team (Corix ELT or ELT) members responsible for delivering the support services.
- Reviewing and approving all capital projects with a budget of more than \$10,000,000, including support service capital projects.

The Board also is responsible for governance functions. This includes:

- Monitoring budget versus actual spending for operations and maintenance and capital plans.
 - Monitoring budget versus actual spending for all significant capital projects, including support service organization capital projects.
 - Monitoring actual versus planned performance for Key Performance Indicators (KPIs), some of which measure the performance of the support services organization.
 - Monitoring compliance with laws and regulations, including those of the states in which CRU US do business.
- Corix ELT – There are six members on the Corix ELT. The members of the Corix ELT are the CEO, the Chief Financial Officer, the Chief Operating Officer, the Chief Shared Services Officer, the Chief Growth Officer and the Executive Vice President, Risk and Corporate Secretary. The Corix ELT oversees the quality and cost of the services provided by the support service organization to the Corix Group of Companies, including CRU US. Each member of the Corix ELT is responsible for delivering at least some portion of the support services. Each member of the Corix ELT is responsible for executing the individual's operation and maintenance and capital spending plans. Among other things,

IV – Necessity of Corporate Support Services

the Corix ELT reviews and approves the annual 3-year budget and monitors actual spending against that budget.

Audit Review

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

Corix's Internal Audit function works with Corix management to identify, assess and monitor risk to the organization. Each year, the Internal Audit function develops a multi-year audit plan to examine higher risk areas and reports results to the Corix Audit Committee. Corix uses a single enterprise resource planning system, a single procurement system, a single customer care and billing system and a single human capital management system. Corix also operates under a single designation of authority (which defines spending authority and authorization procedures). The result of audits completed by Internal Audit thus provide benefits to all of Corix's operating subsidiaries.

Business Planning and Growth

The Business Planning and Growth Committee supervises the development of Corix's three-year business plan, which includes its three-year operation and maintenance expense and capital budgets, growth opportunities with a value between \$5 million and \$10 million, and valuation of Corix. There is a natural intersection between the terms of reference of the Audit Committee and the Business Planning and Growth Committee. The Audit Committee is accountable for supervising reporting on financial performance; the Business Planning and Growth Committee is accountable for supervising the planning for the future. Thus, the Business Planning and Growth Committee facilitates the active supervision of Corix's budget and business improvement.

Budgeting

O&M Budgeting – It is Corix's corporate practice to prepare an annual 3-year budget. The operation and maintenance expenditure budgets for each component of the support services are reviewed and approved in the following steps:

- Guidance instructions are provided by Corix's Chief Financial Officer, after consultation with the Board, to all business groups. The Chief Operating Officer provides additional guidance and direction to operating divisions in order to ensure compliance with overall budgetary targets.
- Initial budgets for the functional groups that provide the support services are compiled by the financial planning and analysis team. Budgets identify the amounts that will be assigned to each Corix business group, including CRU US.
- Budgets for each functional group that provides Corporate Support Service are presented to the Corix ELT and, in turn, to the management teams of all Corix business units including CRU US.
- After receiving feedback from the Business Planning and Growth Committee, the Corix ELT and business unit leaders and making any necessary adjustments, budgets for each of the functional groups Corporate Support Service, along with budgets of the other Corix business groups, are presented in sequence to:
 - Corix's CEO and ELT
 - Corix Business Planning and Growth Committee
 - Corix Board

IV – Necessity of Corporate Support Services

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

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

Variance Analysis

Actual O&M and capital spending for each functional group providing support services are monitored in the following manner:

- Financial planning and analysis team members research material budget versus actual spending variances by department and account summary. Finance personnel also develop a year-end forecast.
- A standard monthly variance report package is prepared for the Corix ELT and business unit management that explains budget versus actual variances for the month, year to date and year-end forecast.
- Quarterly financial reports are delivered to the Board and the Audit Committee.
- Monthly, the Corix business unit management each meet to review actual performance against KPIs, one of which relates to budget versus actual spending. Every quarter agreed-upon KPIs are provided to British Columbia Investment Management Corporation.

Charges for Corporate Support Services are invoiced monthly. Explanations on variances from budget are obtained from the Corix Finance organization. The Corix finance team participates in the monthly results call which runs through explanations on any variances to Corix support services costs and provides answers to questions from the presidents of CRU US' divisions.

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

Accounting Controls/Transaction Validation

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

Cost Allocation Manual

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

IV – Necessity of Corporate Support Services

The practices described above support the conclusion that the governance structure and practices applied to Corporate Support Services charges to CRU US contribute to ensuring such services are necessary, reasonable and accurate.

V – Reasonableness of Charges for Corporate Support Services

Question 5 – Reasonableness of Charges

Substantially all Corporate Support Services include salaries, benefits and other expenses associated with staff who provide services to CRU US. These services include the following, all of which are A&G in nature.

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

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

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

Corporate Support Services Charges per Customer

As calculated in the table below, Corporate Support Services' budgeted 2021 charges to CRU US are \$94 per customer.

	2021 Budgeted Charges to CRU US
Total Corporate Support Services Charges	\$ 25,830,780
Number of CRU US Customers	274,813
2021 A&G Charges per CRU US Customer	\$ 94

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

V – Reasonableness of Charges for Corporate Support Services

Comparison Group Administrative and General Charges per Customer

The table below shows the calculation for 2020 A&G expenses per customer charged by service companies owned by the 22 utility holding companies in the comparison group. These charges were recorded to A&G-related FERC accounts and are equivalent to Corporate Support Services' A&G charges to CRU US during 2021. Comparison group service company charges were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (pages 303 to 306) of each entity's FERC Form 60. This schedule shows charges by FERC Account. Number of customers were obtained from company information (e.g., annual report, 10K).

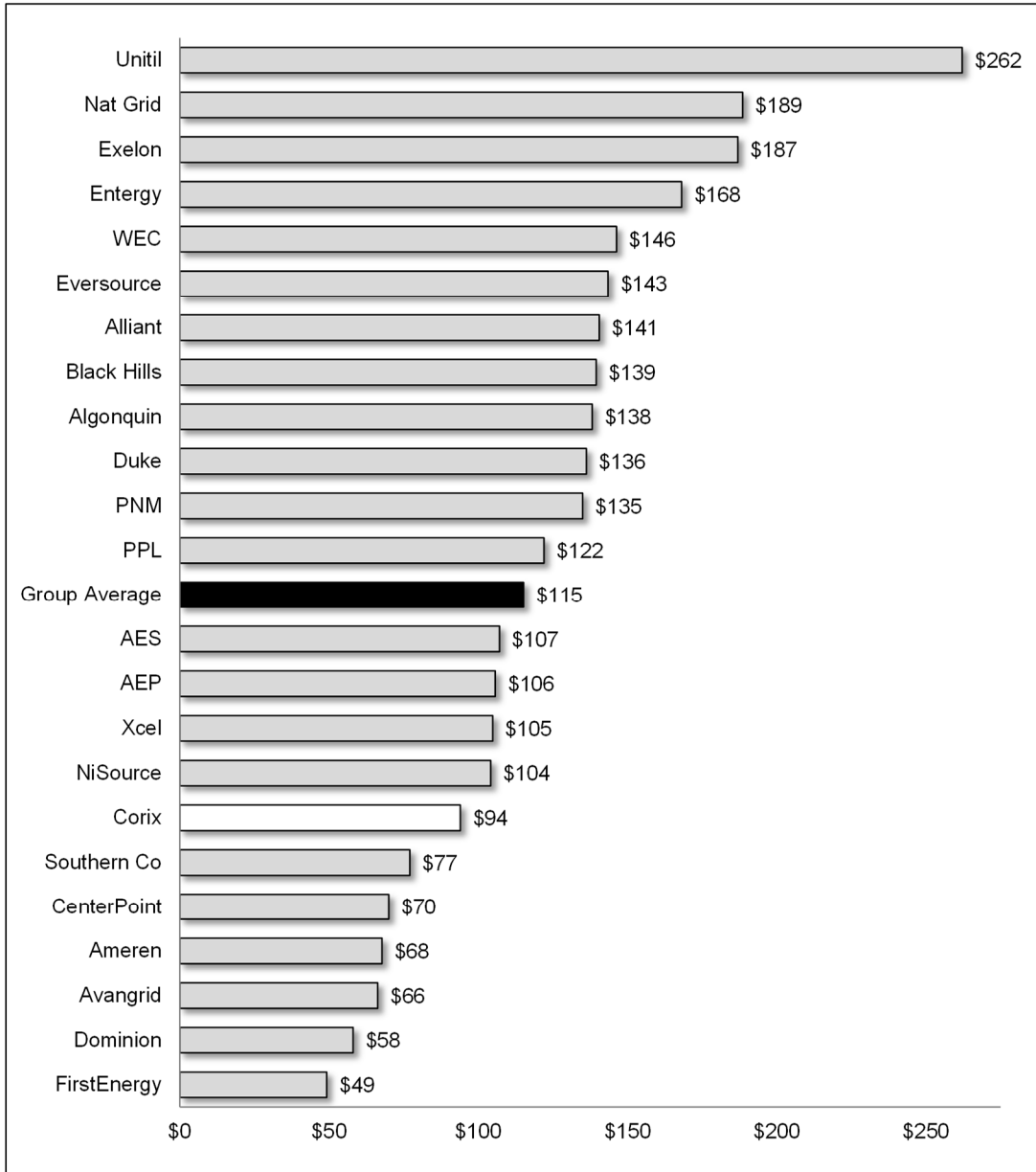
Utility Company	2020 Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Customer
AEP	\$581,431,806	5,500,000	\$ 106
AES	\$84,972,673	793,500	\$ 107
Algonquin	\$93,507,879	677,000	\$ 138
Alliant	\$195,356,017	1,390,000	\$ 141
Ameren	\$223,383,695	3,300,000	\$ 68
Avangrid	\$218,683,477	3,300,000	\$ 66
Black Hills	\$178,511,164	1,280,000	\$ 139
CenterPoint	\$519,740,566	7,427,500	\$ 70
Dominion	\$404,160,305	6,963,000	\$ 58
Duke	\$1,299,912,203	9,541,000	\$ 136
Entergy	\$538,366,404	3,202,000	\$ 168
Eversource	\$575,146,581	4,009,000	\$ 143
Exelon	\$1,869,988,049	10,000,000	\$ 187
FirstEnergy	\$295,447,481	6,000,000	\$ 49
Nat Grid	\$1,319,903,837	7,000,000	\$ 189
NiSource	\$371,616,218	3,569,000	\$ 104
PNM	\$107,797,415	798,700	\$ 135
PPL	\$329,504,996	2,700,000	\$ 122
Southern Co	\$665,433,317	8,630,000	\$ 77
Unitil	\$50,514,408	192,700	\$ 262
WEC	\$335,637,101	2,294,000	\$ 146
Xcel	\$597,442,792	5,700,000	\$ 105
Total/Average	\$10,856,458,384	94,267,400	\$ 115

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

Exhibit 7 (page 28) shows Corix Corporate Support Services 2021 budget A&G charges per CRU US customer of \$94 are lower than the comparison group's average of \$115 per customer. CRU US' cost is lower than 16 comparison group companies and higher than 6. Based on this comparison, it is possible to say the cost of Corporate Support Services A&G-related services are reasonable.

Exhibit 7

Corix Regulated Utilities (US) Inc.
2021 Budgeted Corporate Support Services A&G Charges Per Customer



Source: Company information; 2020 FERC Form 60; Baryenbruch & Company, LLC, analysis

V – Reasonableness of Charges for Corporate Support Services

Question 6 – Lower of Cost or Market Pricing

During 2021, CRU US is budgeted to be charged \$25.8 million for Corporate Support Services. These billings are market-tested by comparing cost per hour for these services to those the hourly rates of outside service providers to whom the services could be outsourced. The following outside providers were selected for comparison:

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

Corporate Support Services Hourly Rates

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

- Corix charges excluded from cost pools include the following items:
 - Travel Expenses – Client-related travel expenses are typically not recovered by outside service providers through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, these charges were removed from the hourly rate calculation.
 - Outside Services – These expenses are not associated with the cost of personnel performing Corporate Support Services for CRU US (outside firms perform the work under the direction of Corix). Charges from outside professional firms to perform certain corporate-wide services (e.g., audit, consulting) represent services that have, in effect, already been outsourced. Thus, these charges are also removed from the hourly rate calculation.
 - Non-Service Expenses – Some charges are not directly associated with Corporate Support Services personnel providing professional services to CRU US. Examples of these items include directors' fees and promotions expenses. An outside provider would not be expected to recover these costs in their hourly billing rates. Here too, these charges are excluded from the hourly rate calculation.
 - Enterprise IT Expenses – Corix pays for the licenses for several applications used by the entire enterprise. The portion of these expenses that pertain to employees providing Corporate Support Services are included in the cost pool. The remainder represents costs of the enterprise employees and is excluded from the hourly rate calculation since outside providers of professional services would not be expected to recover these in their hourly billing rates.
 - Other Costs Excluded from Scope – Corporate Support Services Business Development-related charges are eliminated because CRU US did not attempt to recover Corporate Support Service Business Development charges from customers during 2021.

V – Reasonableness of Charges for Corporate Support Services

The Corporate Support Services organization includes 5 accounts payable clerks. The work of these positions would typically not be outsourced to any of the four professional services providers. For this reason, the salaries and benefits of these positions were excluded from the hourly rate calculation.

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

Exhibit 8 (page 31) presents the reconciliation of the total 2021 budgeted total Corporate Support Services charges to CRU US to testable charges for purposes of developing hourly rates that can be compared to those of outside service providers.

Based on the nature of the services provided by Corporate Support Services, their testable charges are assigned to the four outside provider categories, as shown in Exhibit 9 (page 32). The hours associated with Corporate Support Services testable charges are assigned to the three outside provider categories in Exhibit 10 (page 33).

Based on the cost and hour pools, the average 2021 budgeted hourly rates for Corporate Support Services are calculated in the table below:

Corporate Support Services	2021 Hourly Rates				Total
	Attorney	Mgmt Consultant	Certified Public Acct	IT Professional	
Corp Support Services Charges	\$ 836,271	\$ 6,905,228	\$ 3,647,030	\$ 3,706,041	\$ 15,094,570
Hours	4,773	57,070	43,427	39,050	144,319
Average Hourly Rate	\$ 175	\$ 121	\$ 84	\$ 95	

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



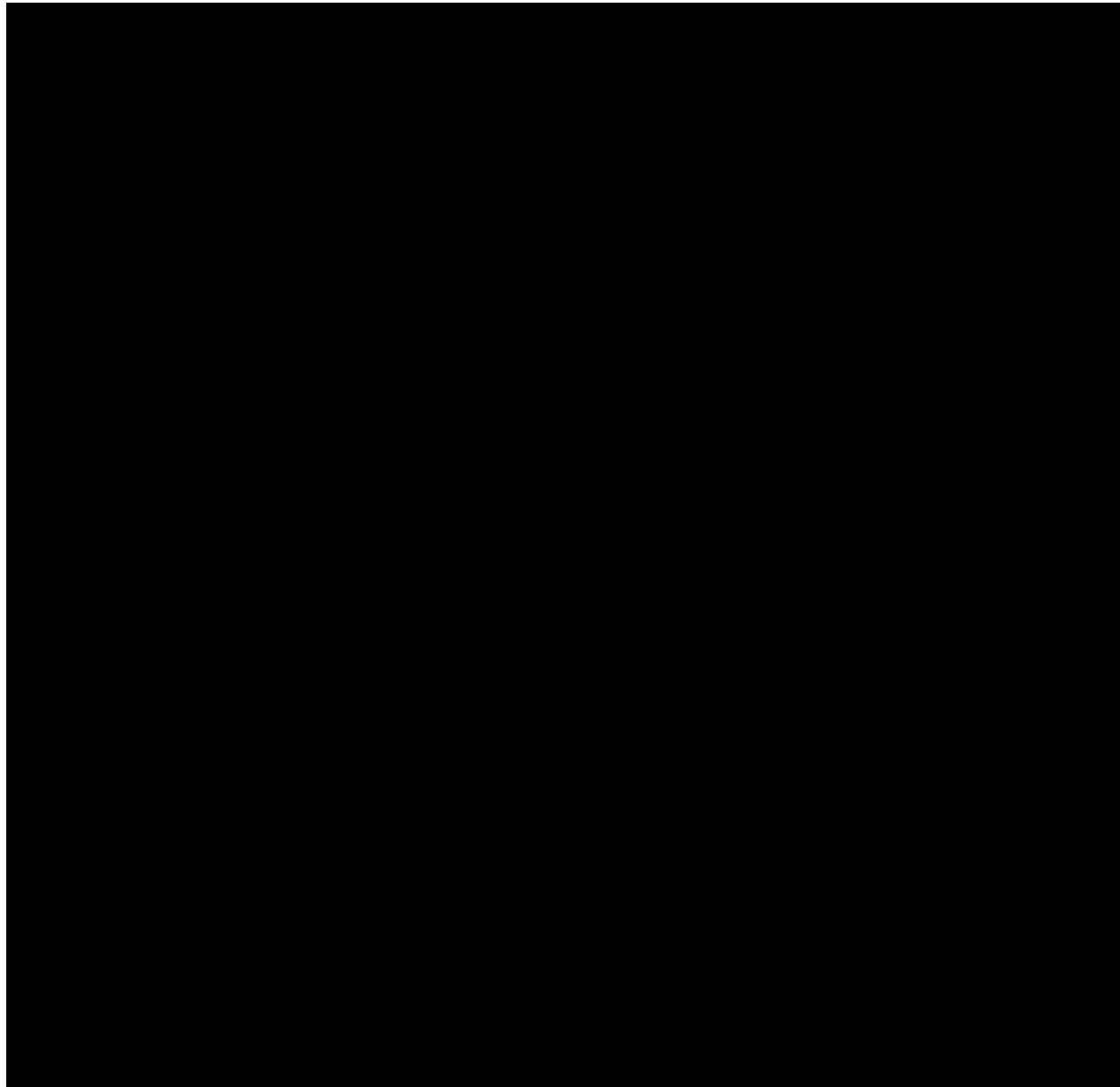
Exhibit 8

Corix Regulated Utilities (US) Inc.
Calculation of 2021 Budget Net Testable Corporate Support Services Charges

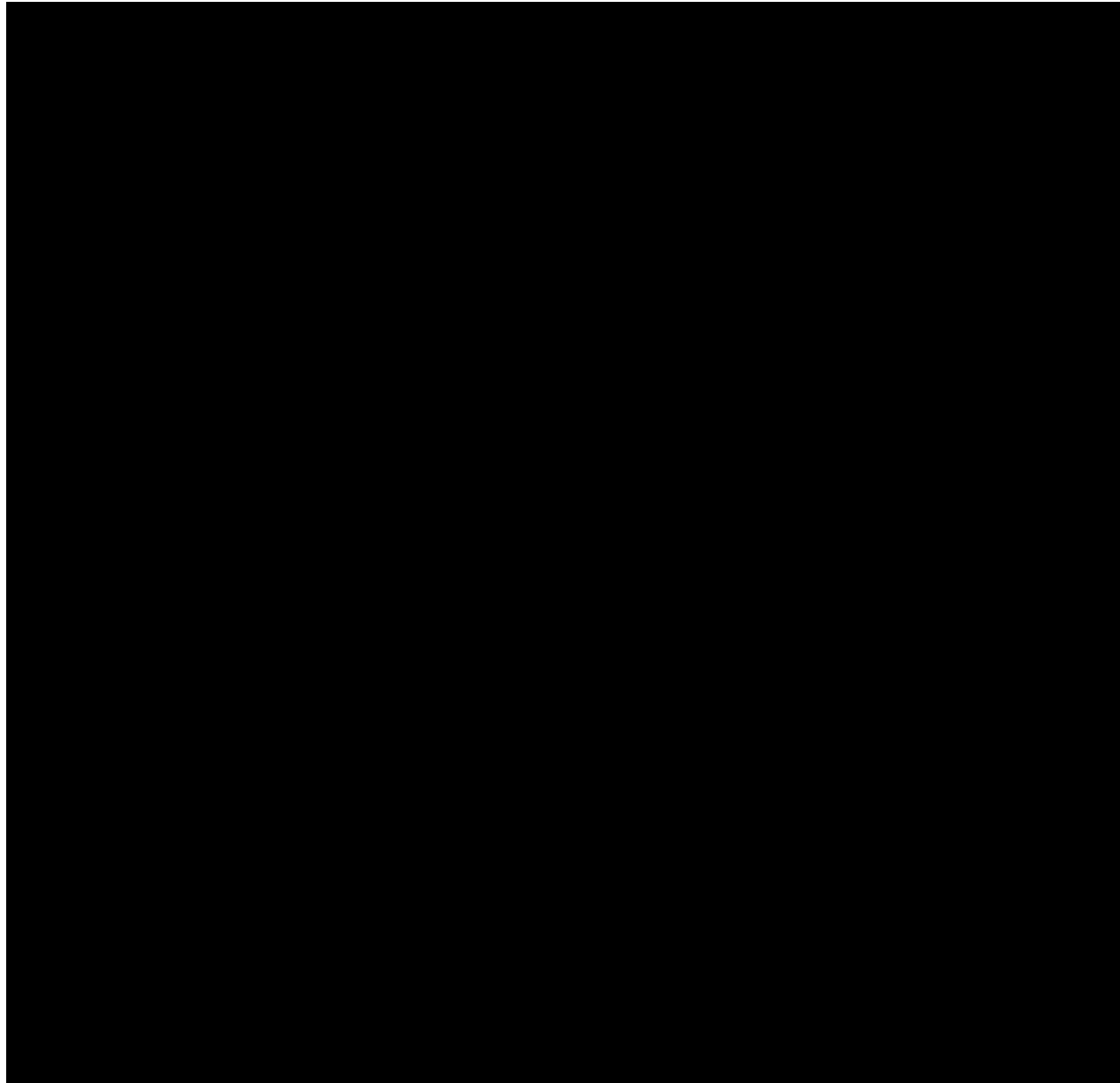




Corix Regulated Utilities (US) Inc.
Market Testable 2021 Budgeted Corporate Support Services Charges by Outside Service Provider Category



Corix Regulated Utilities (US) Inc.
Market Testable 2021 Budgeted Corporate Support Services Hours by Outside Service Provider Category



V – Reasonableness of Charges for Corporate Support Services

Outside Service Provider Hourly Rates

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

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

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

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

Attorneys

An estimate of attorney rates was developed from National Law Journal's Survey of Law Firm Economics Report. As shown in Exhibit 11 (page 36), data from this survey has been adjusted for cost-of-living differences with Chicago, Illinois. The National Law Review billing survey hourly rates data is for 2019. The survey's calculated average rate was escalated to June 30, 2021—the midpoint of 2021.

Management Consultants

The cost per hour for management consultants was developed from a survey performed by Rodenhauer & Company, LLC, a research company that monitors the consulting industry. The survey includes rates that were in effect during 2020 for firms throughout the United States. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, the U.S. national average is appropriate for comparison.

The first step in the calculation, presented in Exhibit 12 (page 37), was to determine an average rate by consultant position level. From these rates, a single weighted average hourly rate was calculated based upon the percent of time that is typically applied to a consulting assignment by each consultant position level. This survey covered hourly rates in effect during 2020.

Certified Public Accountants

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

V – Reasonableness of Charges for Corporate Support Services

As shown in Exhibit 13 (page 38), a weighted average hourly rate was developed based on a set of accountant positions and a percent of time that is typically applied to an accounting assignment. This survey includes rate information in effect during 2017. (Note: the survey was originally scheduled to be performed during 2020 but was deferred due to the impact of COVID.) The calculated average rate was escalated to June 30, 2021—the midpoint of 2021.

Information Technology Consultants

The 2020 average hourly rate for information technology consultants and contractors was developed from two sources: The Corporate Support Services organization for IT contractor rates and a survey performed by Rodenhauer & Company, LLC, for IT consultants. As shown in Exhibit 14 (page 39), that data was compiled and a weighted average was calculated based on the staffing composition of the Corporate Support Services IT organization.

Corix Regulated Utilities (US) Inc.
2019 Billing Rates for Attorneys

Region	Avg Billing Rates (Note A)		Weighted Avg Rate Calculation			Cost of Living (COL) Adjustment			Adjusted Rate
	Partner	Associate	0.25	0.75	(X) Weighted Average	COL Indices (Note B)		(Y) COL Adjustment	
						Region	Chicago, IL		
Northeast	\$ 478	\$ 303	\$ 119	\$ 227	\$ 346	121.1	117.4	97.0%	\$ 336
Midwest	\$ 378	\$ 250	\$ 94	\$ 188	\$ 282	94.0	117.4	124.9%	\$ 352
South	\$ 470	\$ 325	\$ 118	\$ 244	\$ 361	94.1	117.4	124.8%	\$ 451
West	\$ 325	\$ 250	\$ 81	\$ 188	\$ 269	108.4	117.4	108.4%	\$ 291
Overall Average Hourly Billing Rate at January 1, 2020									\$ 357
<u>Escalation to Midpoint of 12 Months Ending June 30, 2021 (December 31, 2020)</u>									
CPI at December 31, 2019									257.0
CPI at June 30, 2021									271.7
Inflation/Escalation (Note C)									5.7%
Average Hourly Billing Rate For Attorneys At June 30, 2021									\$ 378

Note A: 2020 Survey of Law Firm Economics Report, National Law Journal

Note B: Cost of Living Index, Source Council for Community and Economic Research

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

**Corix Regulated Utilities (US) Inc.
2021 Billing Rates for Management Consultants**

Survey billing rates in effect in 2020 (Note A)						
A. Calculation of Average Hourly Billing Rate by Consultant Position						
Average Hourly Rates (Note A)						
	Analyst Consultant	Associate	Sr. Assoc/ Manager	Principal	Partner	
Average	\$ 227	\$ 273	\$ 334	\$ 515	\$ 641	
B. Calculation of Overall Average Hourly Billing Rate Based on a Typical Distribution of Time on an Engagement						
	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
Average Hourly Billing Rate (from above)	\$ 227	\$ 273	\$ 334	\$ 515	\$ 641	
Percent of Consulting Assignment	30%	30%	25%	10%	5%	Weighted Average
	\$ 68	\$ 82	\$ 84	\$ 52	\$ 32	\$ 317
Average Hourly Billing Rate for Management Consultants During 2020						\$ 317
Escalation to Midpoint of 2021 (June 30, 2021)						
CPI at December 31, 2020						260.5
CPI at June 30, 2021						271.7
Inflation/Escalation (Note C)						4.3%
Average Hourly Billing Rate For Consultants At June 30, 2021						\$331

Note A: Source is Rodenhauser & Company LLC; Baryenbruch & Company, LLC, analysis

Corix Regulated Utilities (US) Inc.
2021 Billing Rates for Certified Public Accountants

Average Hourly Billing Rate (Note A)					
	Staff Accountant	Senior Accountant	Director/ Manager	Partner	
Average Hourly Billing Rate by CPA Firm Position	\$ 112	\$ 132	\$ 185	\$ 235	
Percent of Accounting Assignment	30%	30%	20%	20%	Weighted Average
	\$ 34	\$ 40	\$ 37	\$ 47	\$ 157
<u>Escalation to 2021 Midpoint (June 30, 2021)</u>					
					CPI at December 31, 2017
					246.5
					CPI at June 30, 2021
					271.7
					Inflation/Escalation (Note B)
					10.2%
Average Hourly Billing Rate for Certified Public Accountants at June 30, 2021					\$ 173

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

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

Corix Regulated Utilities (US) Inc.
2021 Billing Rates for IT Professionals

A. Calculation of Average Hourly Billing Rate by Information Technology Position
Survey billing rates were those in effect in 2020 (Note A)

Average Hourly Billing Rate (Note A)					
Contractor Positions		Consultant Positions			
Contractor	Senior Contractor	Associate	Manager	Partner	
Average Hourly Billing Rate by IT Position Category	\$ 55	\$ 95	\$ 211	\$ 353	\$ 478
Percent of IT Assignment	17%	21%	38%	17%	7%
	\$ 9	\$ 20	\$ 80	\$ 61	\$ 33
					Weighted Average
					\$ 203

Escalation to 2021 Midpoint (June 30, 2021)	
CPI at December 31, 2020	260.5
CPI at June 30, 2021	271.7
Inflation/Escalation (Note B)	4.3%
Average Hourly Billing Rate for IT Professionals at June 30, 2021	\$ 211

Note A: Source is company and Rodenhauser & Company, LLC

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

V – Reasonableness of Charges for Corporate Support Services

Comparison of Hourly Rates

As shown in the table below, Corporate Support Services' costs per hour in 2021 are significantly lower than those of outside providers.

Service Provider	2021 Budget		
	Hourly Rates		Difference-- Service Co. Greater(Less) Than Outside
	Corporate Support Services	Outside Provider	
Attorney	\$ 175	\$ 378	\$ (203)
Management Consultant	\$ 121	\$ 331	\$ (210)
Certified Public Accountant	\$ 84	\$ 173	\$ (89)
T&I Professional	\$ 95	\$ 211	\$ (116)

Based on the cost-per-hour differentials and the planned number of billed hours to CRU US during 2021, services from Corporate Support Services would have cost approximately \$21.3 million more from outside providers, as calculated below. This is 141% more than the testable Corporate Support Services charges to CRU US during 2021 ($\$21,348,265 / \$15,094,570 = 141\%$).

Service Provider	2021 Budget		
	Hourly Rate Difference-- Service Co. Greater(Less) Than Outside	Corporate Support Services Hours Charged	Dollar Difference
Attorney	\$ (203)	4,773	\$ (968,862)
Management Consultant	\$ (210)	57,070	\$ (11,984,645)
Certified Public Accountant	\$ (89)	43,427	\$ (3,865,011)
T&I Professional	\$ (116)	39,050	\$ (4,529,747)
Corporate Support Services Less Than Outside Providers			\$ (21,348,265)

It should be noted that the cost differential associated with using outside providers is even greater than calculated above because exempt Corporate Support Services personnel do not charge more than 8 hours per day even when they work more. Outside providers generally charge clients for all hours worked. Thus, CRU US would have been charged by outside providers for overtime worked by Corporate Support Services personnel who are not paid for that time.

As a final step in this lower of cost or market pricing analysis, the 2021 budgeted income statements of Corix and WSC were reviewed. Both had no net income. This provides further evidence that Corporate Support Services were provided to CRU US at cost, which is below market, and that these charges are reasonable.

V – Reasonableness of Charges for Corporate Support Services

Question 7 – Customer Accounts Services Cost Comparison

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

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

Comparison group electric utility cost information comes from the FERC Form 1 that each utility subject to FERC regulation must file. FERC’s chart of accounts is defined in Chapter 18, Part 101, of the Code of Federal Regulations. FERC accounts that contain expenses related to customer accounts services are Account 903 Customer Accounts Expense – Records and Collection Expense and Account 905 Customer Accounts Expense – Miscellaneous Customer Accounts Expense. Exhibit 15 (page 42) provides FERC’s definition of the type of expenses that should be recorded in these accounts.

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

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

Comparison Group

The comparison group includes utilities that provide service in the same states as CRU US and that filed a Form 1 for 2020 with the FERC. The following 52 utilities make up this group:

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

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

Corix Regulated Utilities (US) Inc.
FERC Account Descriptions

903 – Customer Records and Collection Expenses

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

Labor

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

Materials and expenses

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

905 – Miscellaneous Customer Accounts Expenses

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

Labor

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

Materials and expenses

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

V – Reasonableness of Charges for Corporate Support Services

Corporate Support Services Cost per Customer

As calculated below, Corporate Support Services' customer accounts services expense per customer was \$20.95 for budget 2021. The cost pool used to calculate this average includes charges for services provided by Corporate Support Services (e.g., call center, billing, payment processing) and outside payments for postage, forms and lock box payment processing fees. It is necessary to adjust the Corporate Support Services' charges because electric utilities experience an average of 1.25 calls per customer compared to CRU US' 1.05 calls per customer during 2020. Thus, Corporate Support Services' expenses had to be increased, for comparison purposes, to reflect its costs if it had had 1.25 calls per customer.

Corix Customer Account Services Expenses per Customer (2021 Budget)		Adjustment Fewer Calls For	
Cost Component	2021 Budget	Water Cos. (A)	Adjusted
Customer Billing	Billing	\$ 829,123	\$ 829,123
Customer Service	Order processing, collection	\$3,224,254	\$ 3,616,233
Postage and Forms	Customer bill forms and postage	\$1,112,605	\$ 1,112,605
Lock Box Charges	Payment processing bank charges	\$ 200,000	\$ 200,000
Cost Pool Total			\$ 5,757,961
Total Customers			274,813
2021 Customer Account Services Cost Per CRU US Utility Customer			<u>\$ 20.95</u>
Note A: Adjustment for CRU US utilities fewer calls per customer (this adjustment is necessary because water utilities experience fewer calls per customer than do electric utilities)			
2021 Customer Service customer contact expenses			\$ 2,015,159
Electric utility industry's average calls/customer		1.25	
CRU US utilities 2019 average calls/customer			
Number of Total Calls		287,578	
Number of Customers		<u>274,813</u>	
Corix's average calls/customer		1.05	
Percent different		19%	19%
Total Adjustment			\$ 391,979

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

Utility Group Cost per Customer

Exhibit 16 (pages 44) shows the calculation of customer accounts expense per customer for 2020 for the electric utility comparison group. All of the underlying data was taken from the utilities' FERC Form 1.

Summary of Results

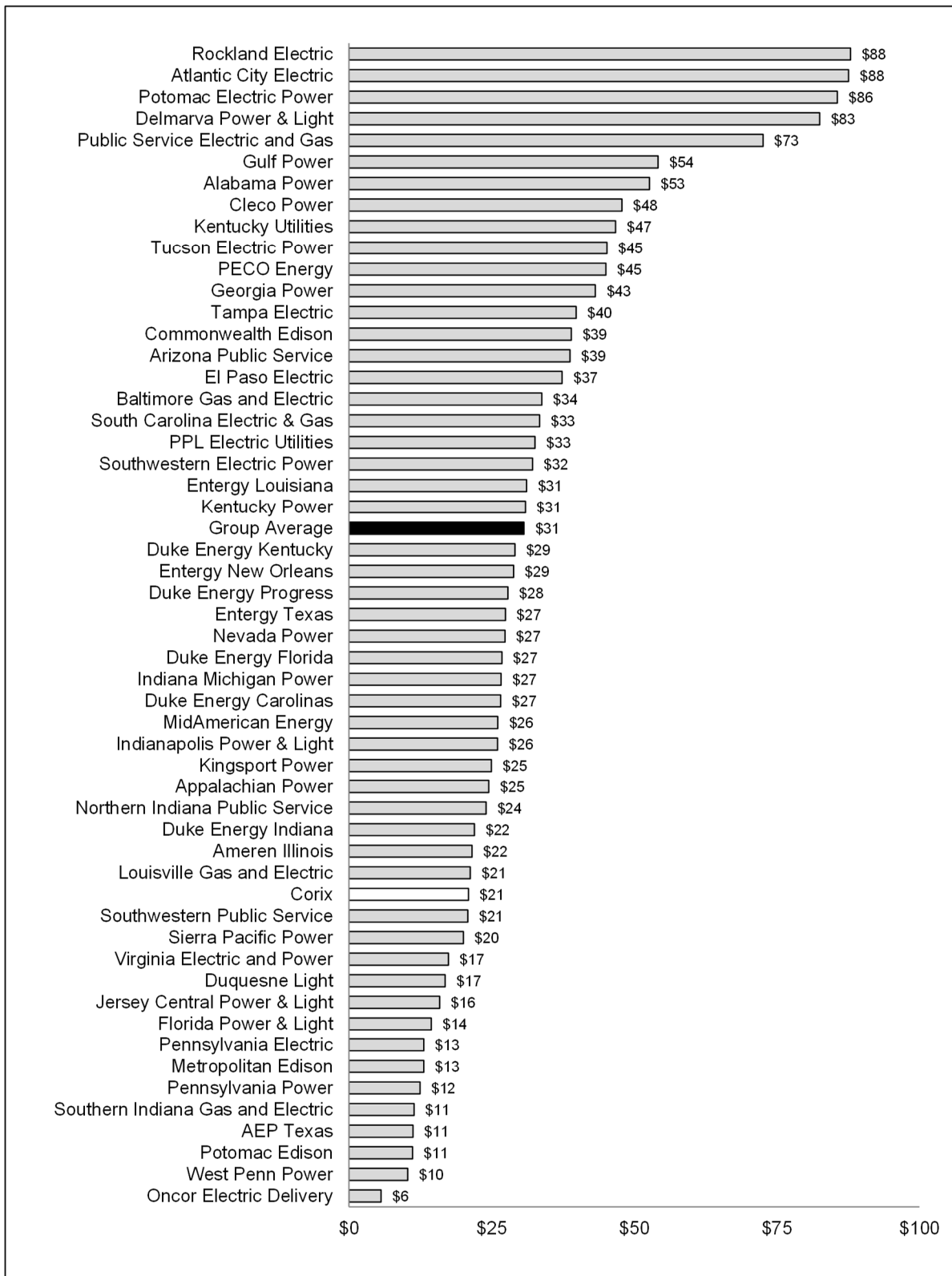
As shown in the Exhibit 17 (page 45), CRU US' 2020 cost of \$20.95 per customer is lower than the 2020 average cost of \$30.70 for the electric utility comparison group. It can be concluded that 2021 budget customer accounts services charges from Corporate Support Services are comparable to those of other utilities and, thus, reasonable.

Corix Regulated Utilities (US) Inc.
Comparison Group 2020 Customer Accounts Expense Per Customer

2020 Comparison Group	Customer Accounts Services Cost Pool					Total Customers	Customer Account Services Expenses per Customer
	Employee Benefits				Total Cost Pool		
	Account 903 and 905	Account 901 Supervision	Pension and Benefits	Payroll Taxes			
AEP Texas Inc.	\$ 11,270,437	\$ 409,893	\$ 97,711	\$ 361,020	\$ 12,139,061	1,080,764	\$ 11.23
Alabama Power Company	\$ 68,514,915	\$ 4,300,209	\$ 2,326,411	\$ 3,829,992	\$ 78,971,528	1,499,730	\$ 52.66
Ameren Illinois Company	\$ 24,765,977	\$ 358,198	\$ 222,714	\$ 1,059,266	\$ 26,406,156	1,225,204	\$ 21.55
Appalachian Power Company	\$ 22,570,951	\$ 362,436	\$ 169,180	\$ 438,328	\$ 23,540,895	960,162	\$ 24.52
Arizona Public Service Company	\$ 41,222,252	\$ 6,135,555	\$ 914,638	\$ 1,653,305	\$ 49,925,750	1,288,703	\$ 38.74
Atlantic City Electric Company	\$ 48,933,026	\$ -	\$ 179,883	\$ 104,686	\$ 49,217,594	562,054	\$ 87.57
Baltimore Gas and Electric Company	\$ 37,906,927	\$ 2,168,654	\$ 2,520,871	\$ 1,750,911	\$ 44,347,363	1,312,219	\$ 33.80
Cleco Power LLC	\$ 11,266,495	\$ 757,762	\$ 1,630,780	\$ 306,315	\$ 13,961,352	291,799	\$ 47.85
Commonwealth Edison Company	\$ 142,494,826	\$ 788,501	\$ 10,023,108	\$ 6,056,804	\$ 159,363,239	4,089,726	\$ 38.97
Delmarva Power & Light Company	\$ 43,914,962	\$ -	\$ 103,820	\$ 101,068	\$ 44,119,850	534,749	\$ 82.51
Duke Energy Carolinas, LLC	\$ 66,054,922	\$ 241,882	\$ 2,900,542	\$ 2,630,681	\$ 71,828,027	2,702,152	\$ 26.58
Duke Energy Florida, Inc.	\$ 46,386,010	\$ 293,068	\$ 1,223,197	\$ 2,061,126	\$ 49,963,401	1,863,801	\$ 26.81
Duke Energy Indiana, Inc.	\$ 17,086,524	\$ 138,521	\$ 834,242	\$ 674,799	\$ 18,734,086	852,004	\$ 21.99
Duke Energy Kentucky, Inc.	\$ 3,861,735	\$ 52,853	\$ 194,018	\$ 135,535	\$ 4,244,142	145,957	\$ 29.08
Duke Energy Progress, Inc.	\$ 40,981,187	\$ 121,995	\$ 2,493,875	\$ 1,499,916	\$ 45,096,974	1,619,704	\$ 27.84
Duquesne Light Company	\$ 672,802	\$ 8,574,200	\$ 474,900	\$ 469,397	\$ 10,191,299	603,791	\$ 16.88
El Paso Electric Company	\$ 14,675,911	\$ 1,215	\$ 1,098,822	\$ 574,017	\$ 16,349,965	437,543	\$ 37.37
Entergy Louisiana, LLC	\$ 27,844,903	\$ 729,731	\$ 806,724	\$ 93,071	\$ 29,474,429	946,440	\$ 31.14
Entergy New Orleans, Inc.	\$ 5,628,850	\$ 135,351	\$ 159,845	\$ 52,469	\$ 5,976,514	206,965	\$ 28.88
Entergy Texas, Inc.	\$ 12,253,174	\$ 318,061	\$ 213,059	\$ 75,274	\$ 12,859,568	468,749	\$ 27.43
Florida Power & Light Company	\$ 63,988,778	\$ 6,156,759	\$ 1,016,799	\$ 2,989,196	\$ 74,151,532	5,136,977	\$ 14.43
Georgia Power Company	\$ 98,661,303	\$ 9,377,483	\$ 1,151,338	\$ 3,739,676	\$ 112,929,799	2,614,431	\$ 43.19
Gulf Power Company	\$ 24,816,359	\$ -	\$ 149,488	\$ 537,623	\$ 25,503,470	470,679	\$ 54.18
Indiana Michigan Power Company	\$ 14,562,360	\$ 1,051,748	\$ 186,166	\$ 223,726	\$ 16,023,999	600,946	\$ 26.66
Indianapolis Power & Light Company	\$ 10,660,082	\$ 932,354	\$ 1,207,296	\$ 530,787	\$ 13,330,519	511,501	\$ 26.06
Jersey Central Power & Light Company	\$ 15,450,652	\$ 56,966	\$ 2,083,330	\$ 598,487	\$ 18,189,435	1,145,080	\$ 15.88
Kentucky Power Company	\$ 4,989,770	\$ 16,963	\$ 30,061	\$ 93,370	\$ 5,130,163	165,762	\$ 30.95
Kentucky Utilities Company	\$ 20,946,073	\$ 2,748,843	\$ 1,796,667	\$ 717,619	\$ 26,209,202	560,922	\$ 46.73
Kingsport Power Company	\$ 1,170,852	\$ 22,293	\$ (2,475)	\$ 19,346	\$ 1,210,017	48,444	\$ 24.98
Louisville Gas and Electric Company	\$ 7,373,579	\$ 922,564	\$ 446,907	\$ 234,068	\$ 8,977,118	421,842	\$ 21.28
Metropolitan Edison Company	\$ 7,207,514	\$ 53,506	\$ 235,563	\$ 79,896	\$ 7,576,479	577,500	\$ 13.12
MidAmerican Energy Company	\$ 18,335,639	\$ 948,037	\$ 447,818	\$ 1,031,696	\$ 20,763,190	795,351	\$ 26.11
Nevada Power Company	\$ 22,599,381	\$ 1,323,135	\$ 1,696,018	\$ 849,349	\$ 26,467,882	967,596	\$ 27.35
Northern Indiana Public Service Company	\$ 9,327,789	\$ 1,198,443	\$ 477,966	\$ 474,883	\$ 11,479,080	477,470	\$ 24.04
Oncor Electric Delivery Company	\$ 18,287,464	\$ 4,167	\$ 2,071,331	\$ 650,227	\$ 21,013,189	3,726,472	\$ 5.64
PECO Energy Company	\$ 70,883,132	\$ -	\$ 1,930,280	\$ 2,463,572	\$ 75,276,984	1,671,433	\$ 45.04
Pennsylvania Electric Company	\$ 7,398,437	\$ 52,264	\$ 178,363	\$ 85,565	\$ 7,714,629	587,567	\$ 13.13
Pennsylvania Power Company	\$ 2,068,689	\$ 14,603	\$ (15,774)	\$ 26,225	\$ 2,093,742	168,117	\$ 12.45
Potomac Edison Company	\$ 4,745,024	\$ -	\$ (187,433)	\$ 164,384	\$ 4,721,975	423,085	\$ 11.16
Potomac Electric Power Company	\$ 74,393,264	\$ -	\$ 1,713,852	\$ 1,061,449	\$ 77,168,564	901,712	\$ 85.58
PPL Electric Utilities Corporation	\$ 42,367,848	\$ 1,151,341	\$ 2,536,441	\$ 1,472,728	\$ 47,528,358	1,457,376	\$ 32.61
Public Service Electric and Gas Company	\$ 147,539,469	\$ -	\$ (3,572,346)	\$ 3,670,184	\$ 147,637,306	2,033,919	\$ 72.59
Rockland Electric Company	\$ 5,451,171	\$ -	\$ 879,031	\$ 178,531	\$ 6,508,733	74,052	\$ 87.89
Sierra Pacific Power Company	\$ 6,148,571	\$ 472,932	\$ 328,938	\$ 250,167	\$ 7,200,608	358,690	\$ 20.07
South Carolina Electric & Gas Company	\$ 29,113,167	\$ 921,980	\$ 1,973,858	\$ 1,021,285	\$ 33,030,290	988,855	\$ 33.40
Southern Indiana Gas and Electric Company	\$ 1,659,732	\$ 12,631	\$ 22,521	\$ 47,528	\$ 1,742,412	152,373	\$ 11.44
Southwestern Electric Power Company	\$ 16,104,249	\$ 753,964	\$ 314,155	\$ 301,994	\$ 17,474,361	543,101	\$ 32.18
Southwestern Public Service Company	\$ 7,389,326	\$ 17,732	\$ 589,665	\$ 269,269	\$ 8,265,992	396,990	\$ 20.82
Tampa Electric Company	\$ 25,937,817	\$ 905,599	\$ 3,346,362	\$ 1,124,419	\$ 31,314,198	786,048	\$ 39.84
Tucson Electric Power Company	\$ 18,168,519	\$ -	\$ 910,782	\$ 524,650	\$ 19,603,950	433,421	\$ 45.23
Virginia Electric and Power Company	\$ 41,636,785	\$ 1,503,926	\$ 1,940,689	\$ 1,401,349	\$ 46,482,749	2,662,830	\$ 17.46
West Penn Power Company	\$ 7,433,384	\$ -	\$ 33,069	\$ 57,608	\$ 7,524,061	730,526	\$ 10.30
Total	\$1,535,122,965	\$ 56,508,319	\$ 54,505,066	\$ 50,818,831	\$1,696,955,181	55,283,284	\$ 30.70

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

**Corix Regulated Utilities (US) Inc.
Corix Versus Comparison Group Customer Accounts Services Expense Per Customer**



V – Reasonableness of Charges for Corporate Support Services

Question 8 – Provision of Services at the Same Cost

Financial Systems

In 2020, all of Corix transitioned to one network infrastructure and a single set of business applications. Previously, multiple networks and applications were in use by Corix business units. The following business applications are currently in use throughout Corix and provide the capability to account for and allocate the cost of services provided to CRU US operating companies:

- General Ledger System (Oracle Cloud or “Fusion”) – Maintains the official financial records for Corix and its subsidiaries.
- Asset Accounting System (Fusion) – Maintains fixed asset records, acquisition, depreciation, disposal, etc. This is included in the fixed asset module.
- Time Reporting System (Fusion/ADP) – Employees enter their time (project, non-project, and personal time off) into the Fusion Time and Absence module and submit their time once complete. Submittal sends an alert email to the employee’s direct manager for review and approval. Managers also receive auto-generated missing time reports and unsubmitted time reports and can follow up with their team as needed. All approved time and absences are loaded into the payroll module for processing. After payroll is fully processed, two files containing tax and wage information are sent to ADP through secure means. ADP pays relevant federal, state/provincial agencies as company power of attorney as well as the employees themselves. (Note: ADP does not communicate directly back with the system). Additional processes run in Fusion, such as Create Accounting, to move the relevant information to the general ledger and project modules.
- Project Management (Fusion) – Maintains project cost of both billable/cost tracking operating and maintenance projects and capital projects where the cost is to be capitalized and depreciated after transferring to the fixed asset module.
- Accounts Receivable System (Fusion/CC&B) – Revenues and payment accounting.
- Accounts Payable System (Fusion) – Vendor purchase and payment accounting.
- Materials and Supplies (Fusion) – Materials and supplies inventory accounting.
- Intercompany (Fusion) – Intercompany transactions and accounting including general journal and invoicing among Corix companies in Fusion.
- Employee & Travel Expense Reporting (Fusion) – Employee and travel-related expenses are documented and processed in Fusion.

Transactions are assigned the following account information that facilitates the compilation and allocation of support services charges to CRU US.

- Company
- Department
- Utility type
- Account
- Intercompany

Cost Allocation

Departments can provide support services to the entire enterprise or to a single business unit. For enterprise-wide support services, the associated departmental costs are first compiled into cost pools: (1) direct assigned, (2) allocated to affiliates and (3) retained (i.e., not assigned to Corix affiliates). Then the portion that is allocated is assigned to the operating units. The allocation basis is a Modified Massachusetts Formula composite average with the following components:

V – Reasonableness of Charges for Corporate Support Services

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

The portion assigned to CRU US is then allocated to individual operating companies based on Equivalent Residential Connection (ERC) per agreements with individual regulated utilities that are approved by the state regulator, as applicable. The diagram below shows the allocation process for enterprise support services costs.

Total Enterprise Corporate Support Services Expenses		\$ XXX	
Less: Direct-Charge Expenses (A)		\$ (XXX)	
Remainder: Enterprise Indirect Expenses		\$ XXX	←
<u>Tier 1 Allocation of Enterprise Indirect Expenses (B)</u>			
CRU US (lower 48 states)	XX%	\$ XXX	
Canadian Utilities	XX%	\$ XXX	
Energy Services Canada	XX%	\$ XXX	
Corix Water Services, Inc.	XX%	\$ XXX	
Alaska	XX%	\$ XXX	
Gillem	XX%	\$ XXX	
Cleveland Thermal	XX%	\$ XXX	
Investments and Joint Ventures	XX%	\$ XXX	
Total Enterprise Indirect Expenses	100%	\$ XXX	←
<u>Tier 2 Allocation to CRU US of Enterprise Indirect Expenses (C)</u>			
CRU US Operating Companies			
Corporation 1	XX%	\$ XXX	
Corporation 2	XX%	\$ XXX	
Corporation 3	XX%	\$ XXX	
etc.	XX%	\$ XXX	
CRU US Portion of Enterprise Indirect Expenses	100%	\$ XXX	←

Note A: Includes expenses such as enterprise-wide insurance and benefits for certain employees.

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

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

Note C: Allocation to individual corporations is based on Equivalent Residential Connections (ERC)

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

V – Reasonableness of Charges for Corporate Support Services

Baryenbruch & Company, LLC, Evaluation

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

1. Separate books of accounts and records are maintained to facilitate accounting for the cost of Corporate Support Services provided to CRU US
2. Costs are allocated and assigned on a fully distributed cost basis
3. Allocation factors are reasonable
4. Cross-subsidization is avoided

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

1. Separate books of accounts and records are maintained to account for the cost of services provided by Corporate Support Services personnel. The financial systems provide the capability to separately account for Corporate Support Services expenses.
2. Corporate Support Services costs are allocated and assigned on a fully distributed cost basis. Charges to affiliates include labor overheads (e.g., non-productive time, payroll taxes, benefit plan expenses) and indirect expenses (e.g., office rent, office expenses).
3. The allocation process and factors employed are commonly used by other utility service companies. Corix uses a two-tier allocation process. The first tier is an allocation among business segments. The second tier allocates Corporate Support Services among operating companies using the ERC formula. Other utility service-providing affiliates in a utility holding company structure also have a two-tiered allocation process with the first allocating among business segments and the second among operating company affiliates. The allocation bases—modified Massachusetts formula and ERCs—are commonly used in the utility industry.
4. Cross subsidization is avoided. The previously discussed analysis of Corporate Support Services 2021 allocation shows a fair distribution of common support costs to CRU US.

The evidence presented above supports the conclusion that Corporate Support Services provided by Corporate Support Services personnel are priced at fully distributed costs and that the factors used to allocate those costs are reasonable.