

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and)
wastewater rates in Charlotte, Highlands, Lake,)
Lee, Marion, Orange, Pasco, Pinellas, Polk,)
and Seminole Counties by Sunshine Water)
Services Company)

Docket No. 20240068-WS

DIRECT TESTIMONY

OF

DANTE M. DeSTEFANO

on behalf of

Sunshine Water Services Company

BACKGROUND

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Q. Please state your, name, profession, and business address.

A. My name is Dante M. Destefano, and I am Director of Regulatory Affairs for Nexus Water Group, Inc. (“NWG”), a holding company that indirectly controls Sunshine Water Services Company (“SWS” or “Company”). My business address is 500 W. Monroe Street, Suite 3600, Chicago, Illinois 60661-3779.

Q. State briefly your educational background and experience.

A. I have been employed by NWG since October 2018. I graduated from Rutgers University with a Major in Accounting and am a Certified Public Accountant in the State of New Jersey. Prior to joining NWG, I was employed by American Water for 10 years - first as a Senior Accountant in the Accounting Department for two years, then in the Rates and Regulatory Department for eight years. During my last eight years with American Water, my duties consisted of preparing and assisting in regulatory filings and related activities for the Eastern Division. My responsibilities included preparing work papers and exhibits, providing testimony in support of rate applications and other regulatory filings, and addressing rate and tariff related matters. I also assisted with preparation of multi-year budgets and other budget modeling responsibilities.

Q. Have you previously testified before any public utility commissions?

A. Yes. I have provided testimony before regulatory Commissions in New Jersey, New York, North Carolina, Kentucky, Tennessee, and South Carolina.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is 1) to sponsor the billing analysis, allocation schedules, the Water Services Corporation (“WSC”) Operating Agreement, and Corix Infrastructure Inc. (“CII”) Cost Allocation (“CAM”) Manual, 2) provide explanation for various pro-forma adjustments, 3) explain the cost allocation process for the Test Year, and 4) describe and

1 support certain customer initiatives and proposed tariff changes.

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

3 A. Yes, I am sponsoring several exhibits:

- 4 • Exhibit DMD-1 is the Corix Infrastructure Inc. CAM Manual (filed confidentially –
5 redacted copy attached).
- 6 • Exhibit DMD-2 is the cost detail supporting the Meter Installation Fee tariff change
7 for the Company’s Water Sheet 19.0.
- 8 • Exhibit DMD-3 is the Schedule E-14 billing analysis, which is being filed
9 simultaneously in the Docket as required by Commission Rules.
- 10 • Exhibit DMD-4 are the allocation schedules required by Commission Rule 25-
11 30.436(4)(h), which is being filed in the Application as required by Commission
12 Rules which is being filed simultaneously in the Docket.
- 13 • Exhibit DMD-5 is the WSC Operating Agreement required by Commission Rule 25-
14 30.436(4)(h), which is being filed in the Application as required by Commission
15 Rules which is being filed simultaneously in the Docket.

16 **Q. Were these Exhibits prepared by you or your staff under your supervision and control?**

17 A. Yes, they were, except for the WSC Operating Agreement and the CAM Manual, which are
18 business records of Sunshine Water Services (formerly Utilities, Inc. of Florida).

19 **TEST YEAR AND PRO-FORMA ADJUSTMENTS**

20 **Q. What is the Test Year authorized to be used for this proceeding?**

21 A. The Company submitted its Test Year letter request on April 19, 2024 (“TY Letter”),
22 receiving approval by the Commission on May 6, 2024. The TY Letter stated the Company's
23 utilization of a Calendar Year 2023 Historic Test Year in this rate case filing. As
24 contemplated by FAC 25-30.430(2)(c), the Company proposes several pro-forma
25 adjustments to the results of the Historic Test Year, as described in Company Witness

1 Swain's direct testimony and later in my direct testimony.

2 **Q. Please explain the Company's approach to its pro-forma salary & wages, payroll taxes,**
3 **and benefits expense adjustments.**

4 A. The Company gathered a list of the payroll and benefits data for its staff in the Test Year and
5 updated the employee listing for those filled and vacant positions at the time of this filing,
6 populating the relevant salary, health benefit elections and costs, and applicable payroll tax
7 rates as of the filing of this rate case. The Company added other wages such as overtime,
8 on-call, holiday, and call out pay at the level experienced in the Test Year by that employee
9 position. These pro-forma costs were compared to the Test Year results to compute the pro-
10 forma adjustments for NARUC accounts 601/701, 604/704, and 408.

11 **Q. Please explain the Company's computation of pro-forma Insurance Expense.**

12 A. The Company adjusted the Test Year for known changes in costs for insurance policy
13 premiums that became known or effective during or after the Test Year. SWS identified the
14 annualized policy premiums and calculated the portion allocable to SWS, depending on the
15 entities supported by and method of direct assignment of costs for each policy, which
16 supports a \$75,055 pro-forma adjustment across NARUC accounts 756 to 759 and \$97,358
17 across NARUC accounts 656 to 659.

18 **Q. Please explain the Company's computation of pro-forma Sludge Hauling Expense.**

19 A. The Company adjusted the Test Year for known changes in costs from a sludge hauling
20 vendor. SWS recalculated the Test Year's invoiced activity from the vendor at the new rates
21 (effective in 2024), which supports a \$27,388 pro-forma adjustment to NARUC account 711.

22 **Q. Please explain the Company's computation of pro-forma Sewer Rodding Expense.**

23 A. The Company adjusted the Test Year for known changes in costs from a sewer rodding
24 vendor. SWS recalculated the Test Year's invoiced activity from the vendor at the new rates
25 (effective in 2024), which supports a \$9,071 pro-forma adjustment to NARUC account 775.

1 **Q. Please explain the Company's computation of pro-forma Purchased Sewer Treatment**
2 **Expense.**

3 A. The Company identified that the Test Year flows for its purchased sewer treatment vendor
4 for its Sandalhaven system, Englewood Water District (“EWD”), were not representative of
5 ongoing expected flows based on the water metered activity of SWS customers in the system.
6 The Company then averaged its last two years of Sandalhaven flows before the impacts of
7 Hurricane Ian were felt in September 2022 (2020-21), and adjusted the Test Year flows to
8 this average, priced out at EWD’s current purchased sewer treatment rate. The resulting Test
9 Year adjustment of \$245,389 was made to NARUC account 710.

10 **Q. Please explain the Company's computation of pro-forma cellular service costs related**
11 **to the AMI pro-forma project, which adjusts Miscellaneous Expense.**

12 A. The Company adjusted the Test Year to account for the annual cellular service and
13 subscription costs from the AMI vendor. SWS calculated the costs based on recent invoiced
14 activity from the vendor times the number of estimated affected meters in the AMI project,
15 which supports a \$45,080 pro-forma adjustment to NARUC account 675.

16 **Q. Please describe how allocated costs were recorded for the Test Year.**

17 A. SWS is supported by WSC for its support services functions and the related costs. SWS’s
18 ultimate parent for the Test Year, CII, provided support and corporate services to and through
19 WSC that supported SWS’s Test Year operations. As detailed in the CAM Manual, CII and
20 WSC costs were combined and processed through a two-tier allocation, with the WSC
21 allocation by Equivalent Residential Connection (“ERC”) as the second and final tier for
22 SWS. These costs are recorded in NARUC accounts 634/734 in the Test Year books for
23 SWS.

24 For certain regional employees who provided support for SWS operations in the Test Year,
25 they costs were also allocated to SWS based on ERCs for the business units supported by the

1 employee for the services provided. These costs were recorded in the applicable NARUC
2 account for the costs being allocated, such as Salaries (601/701), Benefits (604/704) and so
3 on.

4 **Q. How has the Company reflected pro-forma Corporate and Support Services costs in**
5 **the proposed revenue requirement?**

6 A. The Company compiled the Test Year gross CII and WSC costs to provide various Corporate
7 and Support Services and allocated the costs through the Tier 1 and Tier 2 allocations, using
8 the most current allocators for each tier as of the end of the Test Year, consistent with the
9 CAM Manual process. The Company removed certain costs from the Test Year gross
10 amounts to be allocated, such as Corporate Development and Business Development costs.
11 The Company compared the resulting pro-forma Corporate and Support Services expenses
12 to the Test Year book amounts and identified decreases of \$92,462 for NARUC account 634
13 and \$85,968 for NARUC account 734.

14 **CUSTOMER INITIATIVES AND TARIFF CHANGES**

15 **Q. Please explain the company's current options for customers to pay their water or sewer**
16 **bill.**

17 A. Customers can currently make payments using a variety of methods, such as paper check, e-
18 check, debit card, or credit card. Electronic payment methods can be processed via the
19 Company's mobile app and web pay portal, MyUtilityAccount, and can be used for auto-pay
20 setup. Customers can also trigger payments through their bank account (auto-draft) or
21 initiate payment over the phone with the Company's Customer Experience team.

22 Despite this array of payment options, not all methods are free from payment processing, or
23 transaction, fees. Customers who pay over the phone, through the web portal or app, or auto-
24 pay via debit/credit card or e-check are charged a fee based on the payment amount, customer
25 classification (residential, non-residential), and payment method (e-check, credit card, debit

1 card). These fees are charged to customers at the point of transaction by the Company's
2 third-party vendor, First Billing Services ("FBS"). None of the fees or transaction data is
3 managed or maintained within the Company's billing system.

4 **Q. Please describe the company's proposal for addressing third-party payment processing**
5 **fees.**

6 A. In recent years, customers have become more comfortable with making electronic payments
7 and eschewing paper checks. With the rise of online shopping, partially driven by necessity
8 due to COVID-19 restrictions, customers are opting for the simplicity and convenience of
9 electronic payments.¹ In 2018, the number of check payments fell below the number of
10 automated clearing house ("ACH") debit transfers for the first time ever.² Customers have a
11 growing expectation for fee-free electronic transactions. Consumer advocates also have long
12 urged utilities and their regulators to remove burdensome processing fees for customers.³
13 The Company believes it is appropriate to offer fully fee-free payment options for its
14 customers, recovering the costs to process payments from all customers through its cost of
15 service, as is currently done for existing fee-free methods such as checks.⁴ Removing these
16 transaction fees provides additional flexibility to customers to choose the most effective
17 payment option for their situation.

18 **Q. Please explain how fee-free payment options would benefit customers.**

19 A. Removing transaction fees from all payment methods would lead to increased customer
20 satisfaction. Customers would be able to freely select the best method of payment for their
21 particular situation, without a penalty for selecting the most convenient option. Customers
22 would be better able to take advantage of incentives such as rewards points or cashback with

1 <https://www.digitalcommerce360.com/2021/02/15/ecommerce-during-coronavirus-pandemic-in-charts>

2 <https://www.federalreserve.gov/newsevents/pressreleases/files/2019-payments-study-20191219.pdf>

3 <https://www.nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-with-debit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>

4 It should be noted that payment by paper check is not necessarily fee-free, due to postage and mailing costs borne by the customer.

1 their credit card provider, automate their monthly payments to better manage their home
2 budget and avoid payment delays, leverage security features and protections provided by
3 their bank, and to circumvent a lack of checking or savings account.⁵

4 **Q. How would the Company account for transaction fees not charged directly to**
5 **customers?**

6 A. The Company proposes that FBS directly bill the Company for the transaction fees it would
7 otherwise directly charge to customers. FBS would generate a monthly invoice based on the
8 same billing structure used currently for customer payments, shown in Figure 1 below. These
9 invoiced transaction fees would be included as a billing expense within the Company's cost
10 of service and recovered in rates from all customers.

11 **Figure 1: FBS Transaction Fee Schedule**

- 
- **Residential Accounts:**
 - Echeck, Debit/Credit \$0 - \$75 = \$1.99 fee
 - Echeck, Debit/Credit \$75.01 - \$5,000 = \$2.25 fee
 - **Non-Residential Accounts:**
 - Debit/Credit \$1.00 - \$5,000 = 2.45% fee
 - E-Check - \$2.25
 - **Auto Payments**
 - Credit/Debit = reference fee structure listed above
 - Echeck = \$0.99 fee

12
13 **Q. Please explain why it is reasonable for the company to include the cost of transaction**
14 **fees in its cost of service.**

15 A. The Company expects a change to fee-free payments will provide overall benefits to both its
16 customers and the Company's administrative and operating practices. Providing customers

5 <https://www.fdic.gov/news/press-releases/2018/pr18077.html>

1 with better options for paying their bill can remove a disincentive to make a payment,
2 improve the adoption of electronic and paperless billing practices, and otherwise lower the
3 need for calls and contacts with the Customer Experience team. Minimizing billing or
4 payment-related calls as well as collections actions can allow the Company to better manage
5 its administrative resources and control its operating costs.

6 **Q. Have other affiliates of SWS adopted this practice and received recovery of the costs in**
7 **their revenue requirements?**

8 A. Yes. SWS affiliates in Texas and North Carolina have adopted this practice and receive
9 recovery of the third-party processing fees in their revenue requirements.

10 **Q. What amount of third-party transaction fees is the Company including in its cost of**
11 **service in the current proceeding?**

12 A. SWS is requesting recovery of \$386,919 of payment processing fees in its revenue
13 requirement. This amount was calculated based on the payment activity identified for SWS
14 customers in the Test Year, using the fee schedule in Figure 1 above. This amount was
15 included as a pro-forma adjustment across NARUC accounts 636/736.

16 **Q. Is the Company proposing changes to miscellaneous charges or fees?**

17 A. Yes, the Company proposes to update its meter install fees on water tariff sheet 19.0 in order
18 to reflect current costs for meters and labor related to these activities. The fee is derived "at
19 cost", and includes the cost of the meter, cellular connector, meter box, dual check valve,
20 couplings, and labor for the installation. Exhibit DMD-2 presents the components of the
21 proposed tariff meter installation rate of \$591.83 for a 5/8" meter, as well as the calculations
22 for larger meters where the fee is also based on the actual cost.

23 **Q. Does that conclude your direct testimony?**

24 A. Yes. However, I reserve the right to update or amend this testimony should additional
25 information become available in the future.

Corix Group of Companies

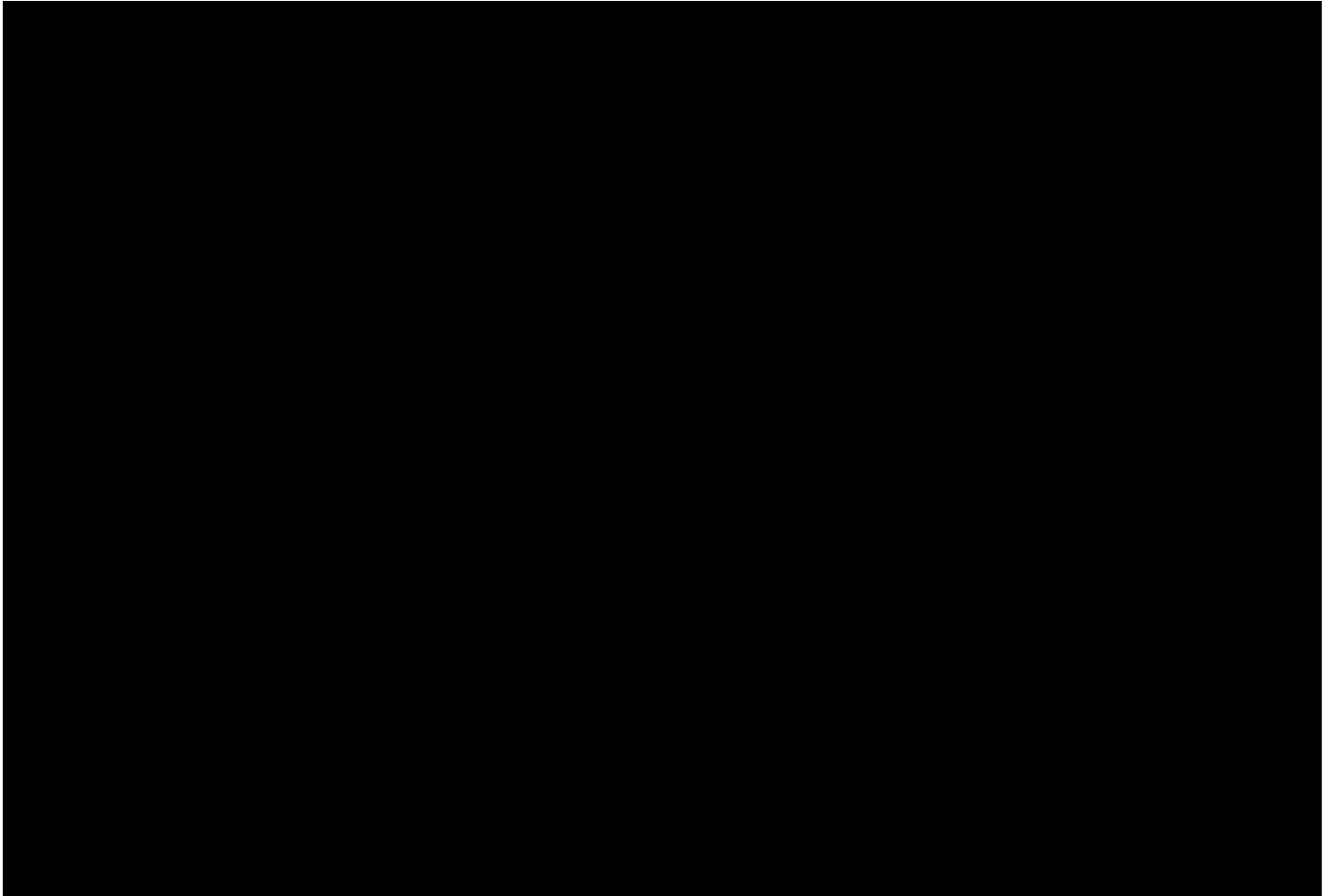
Cost Allocation Manual

For Fiscal Year: 2023

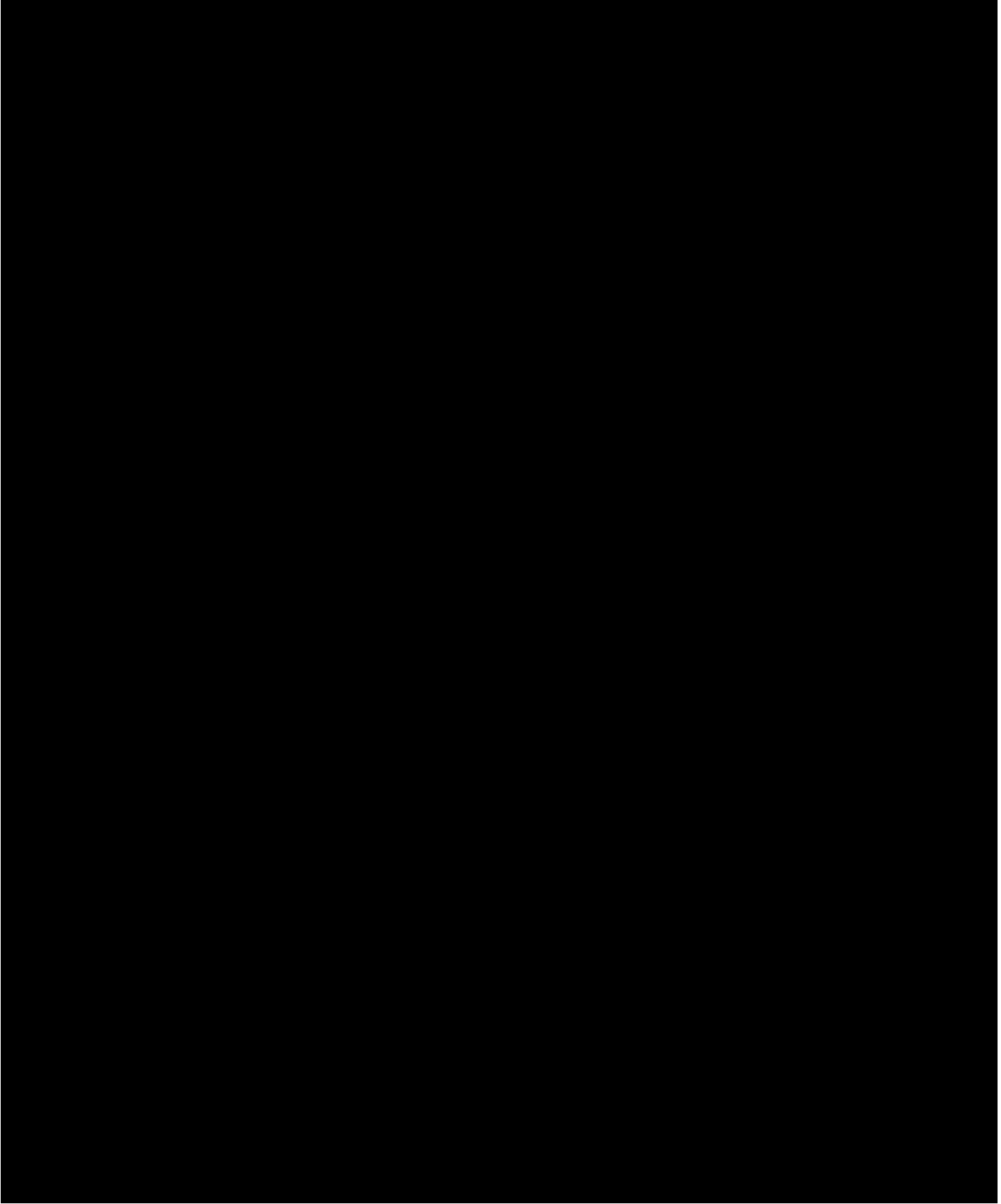
Approved by:

*Corix Executive Leadership Team
on February 27, 2024 via email*

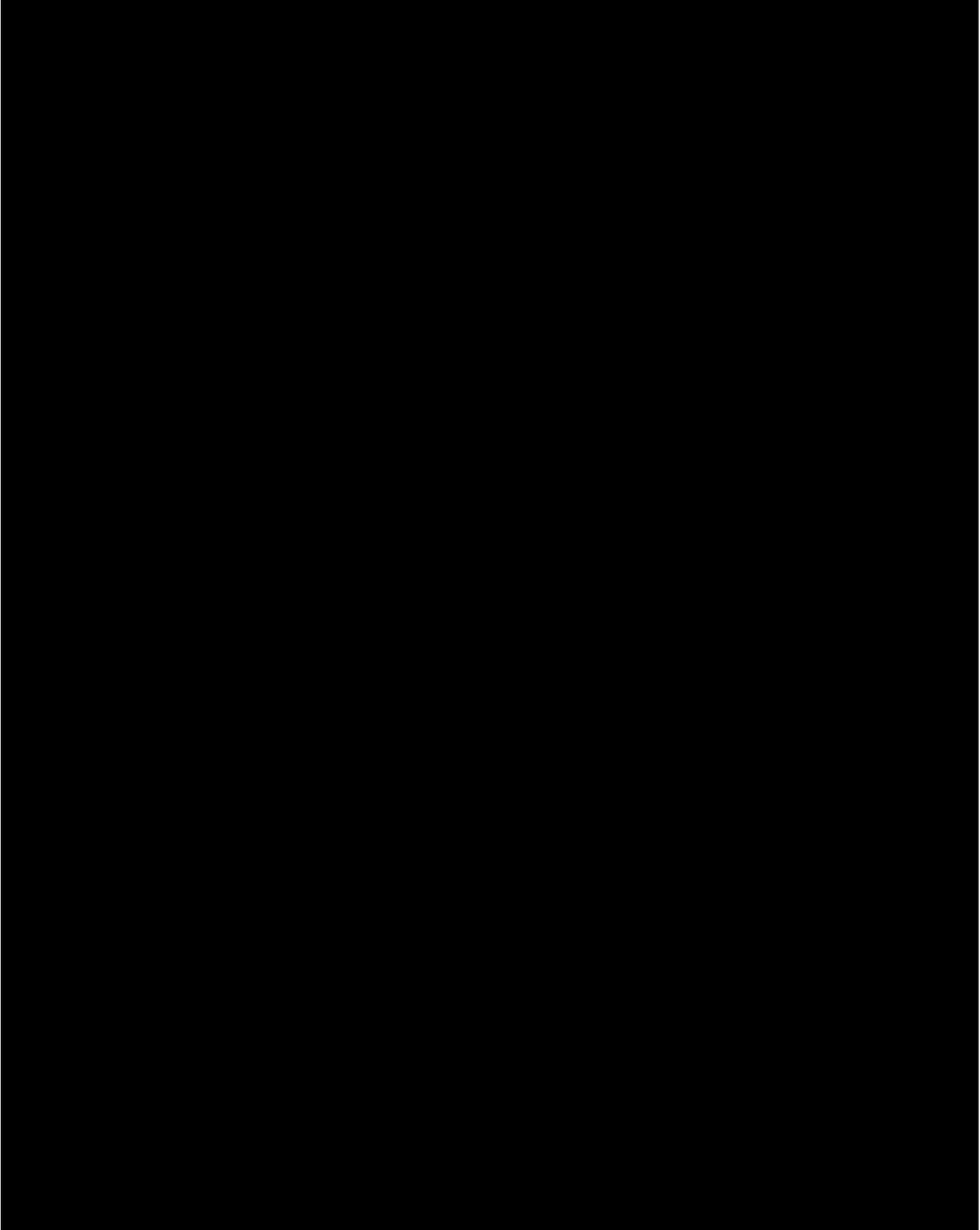
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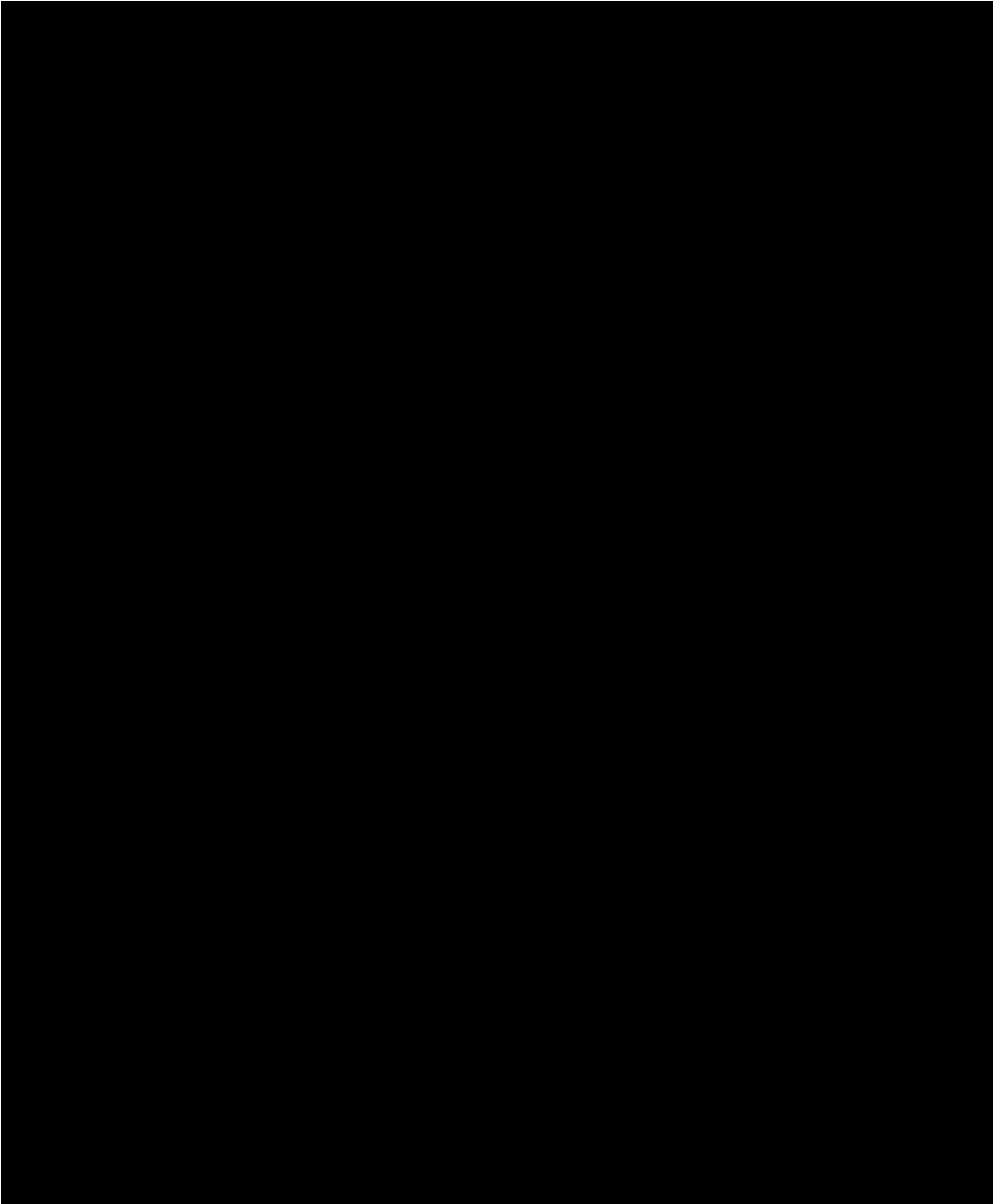
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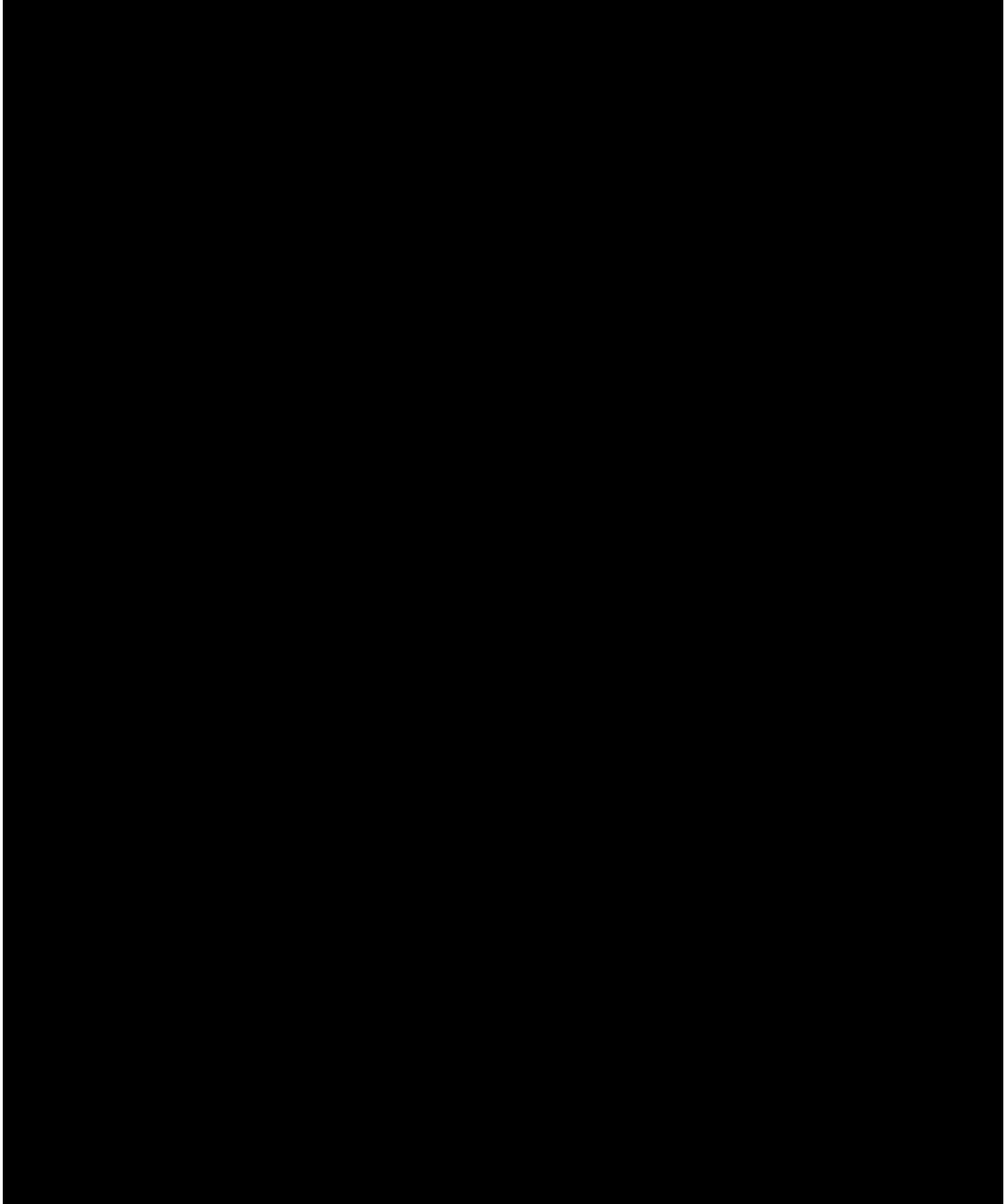
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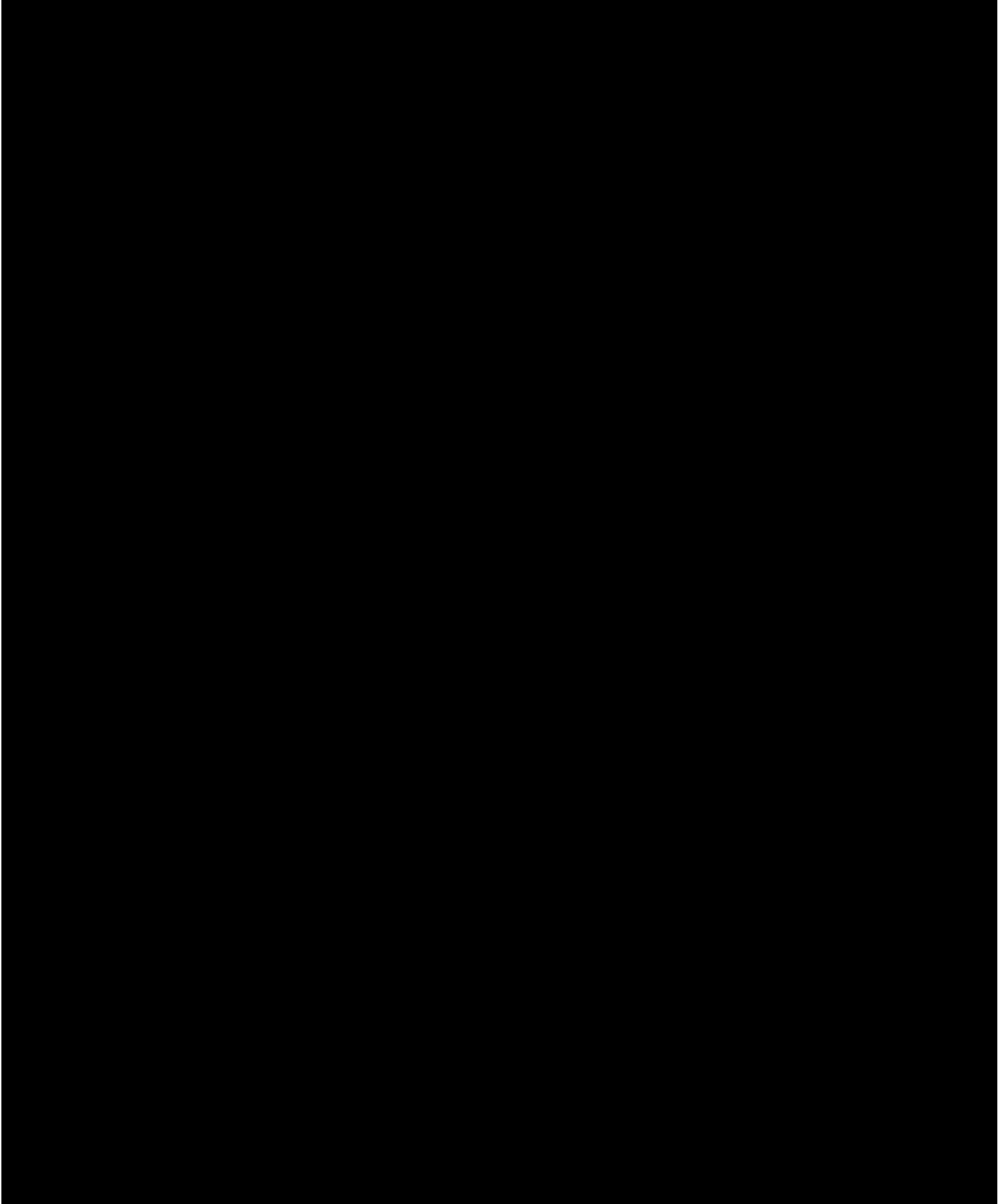
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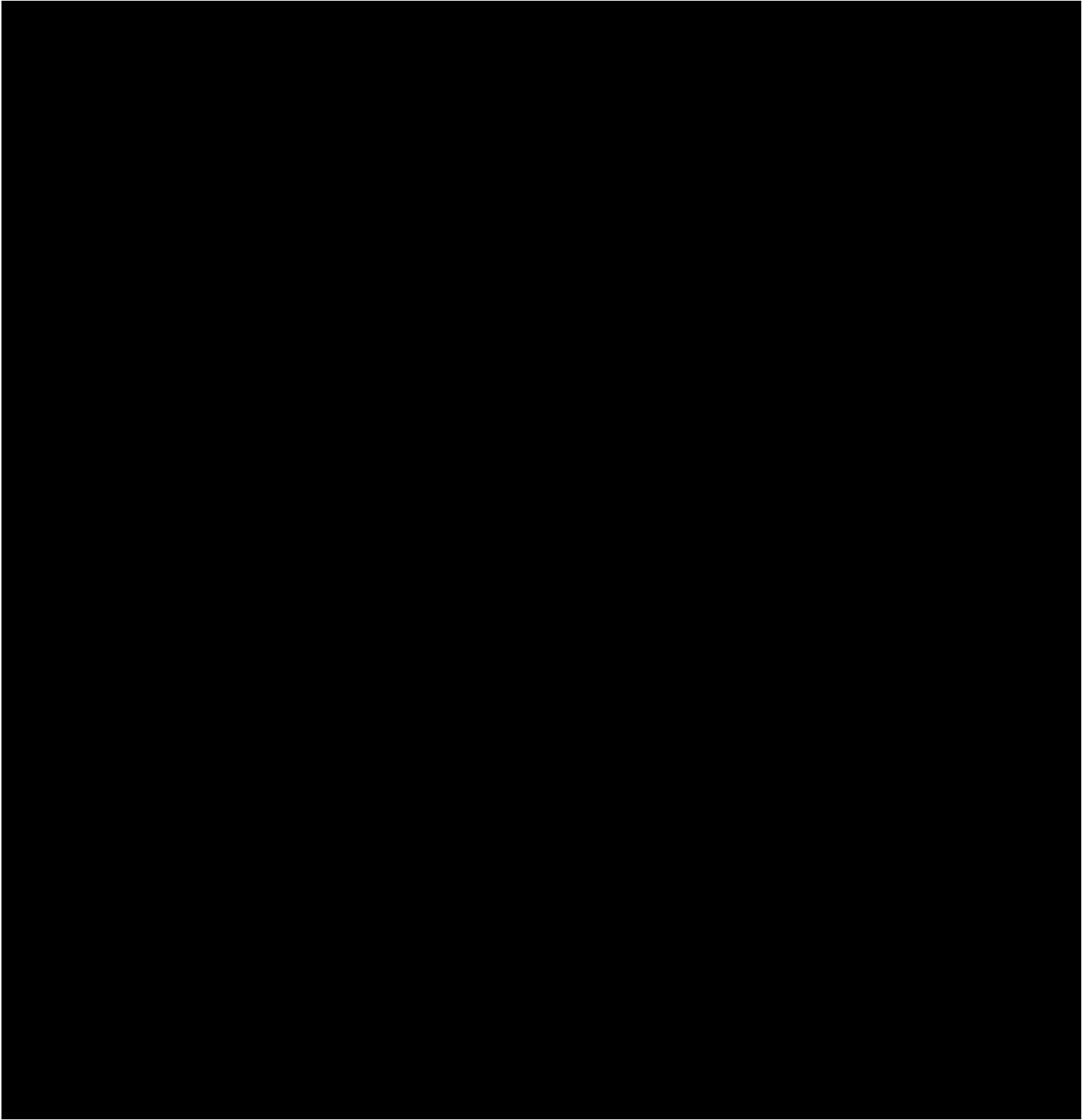
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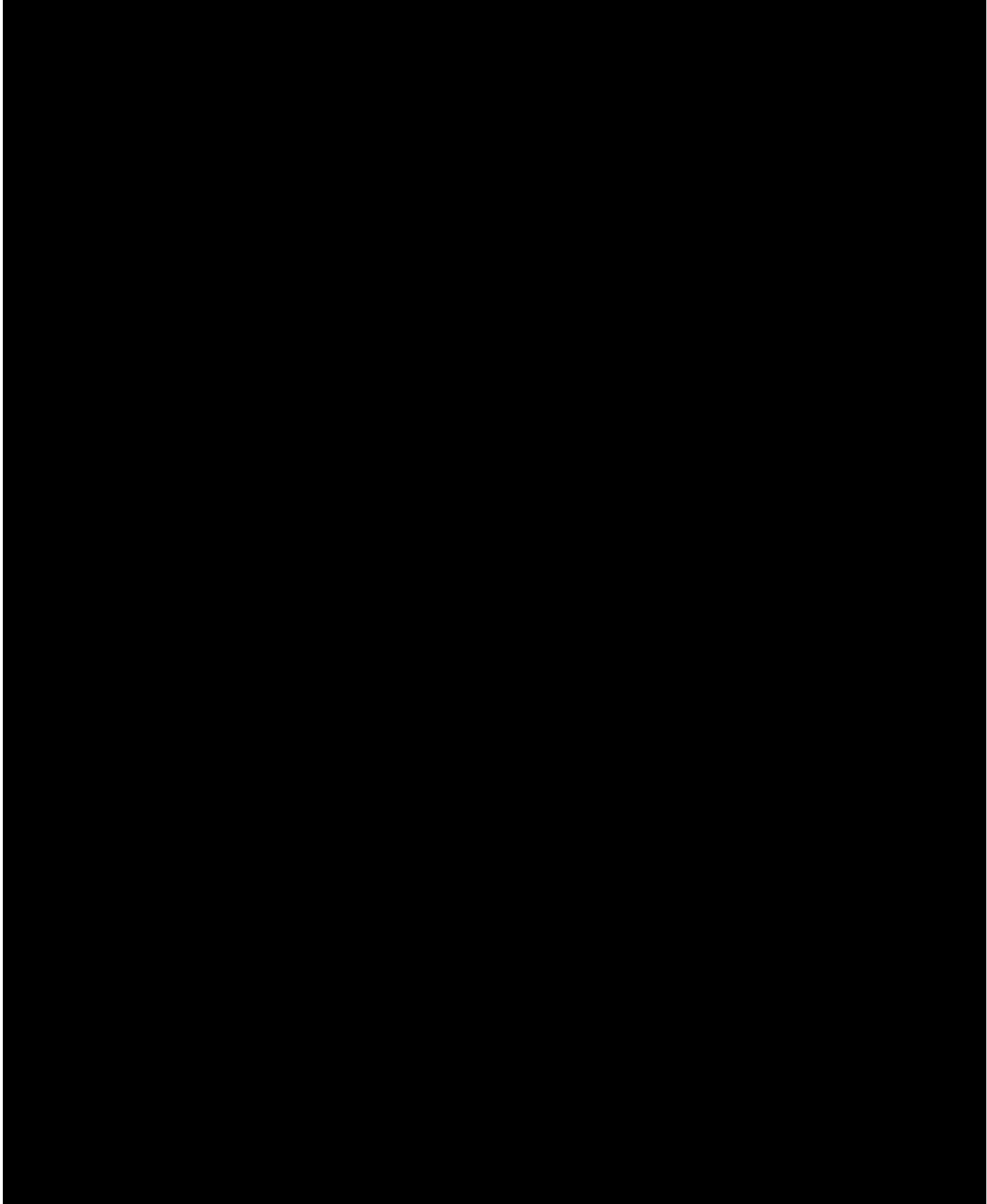
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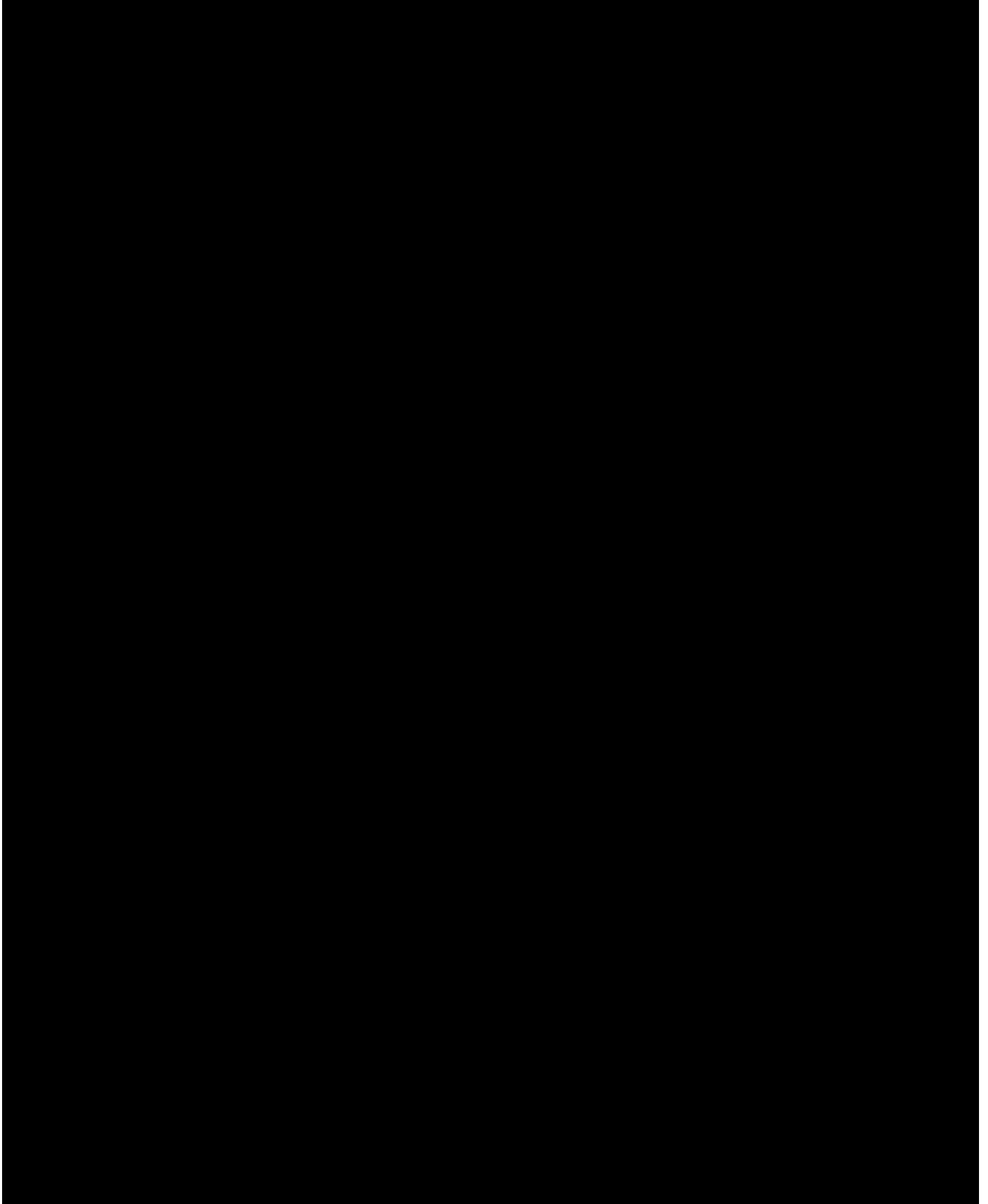
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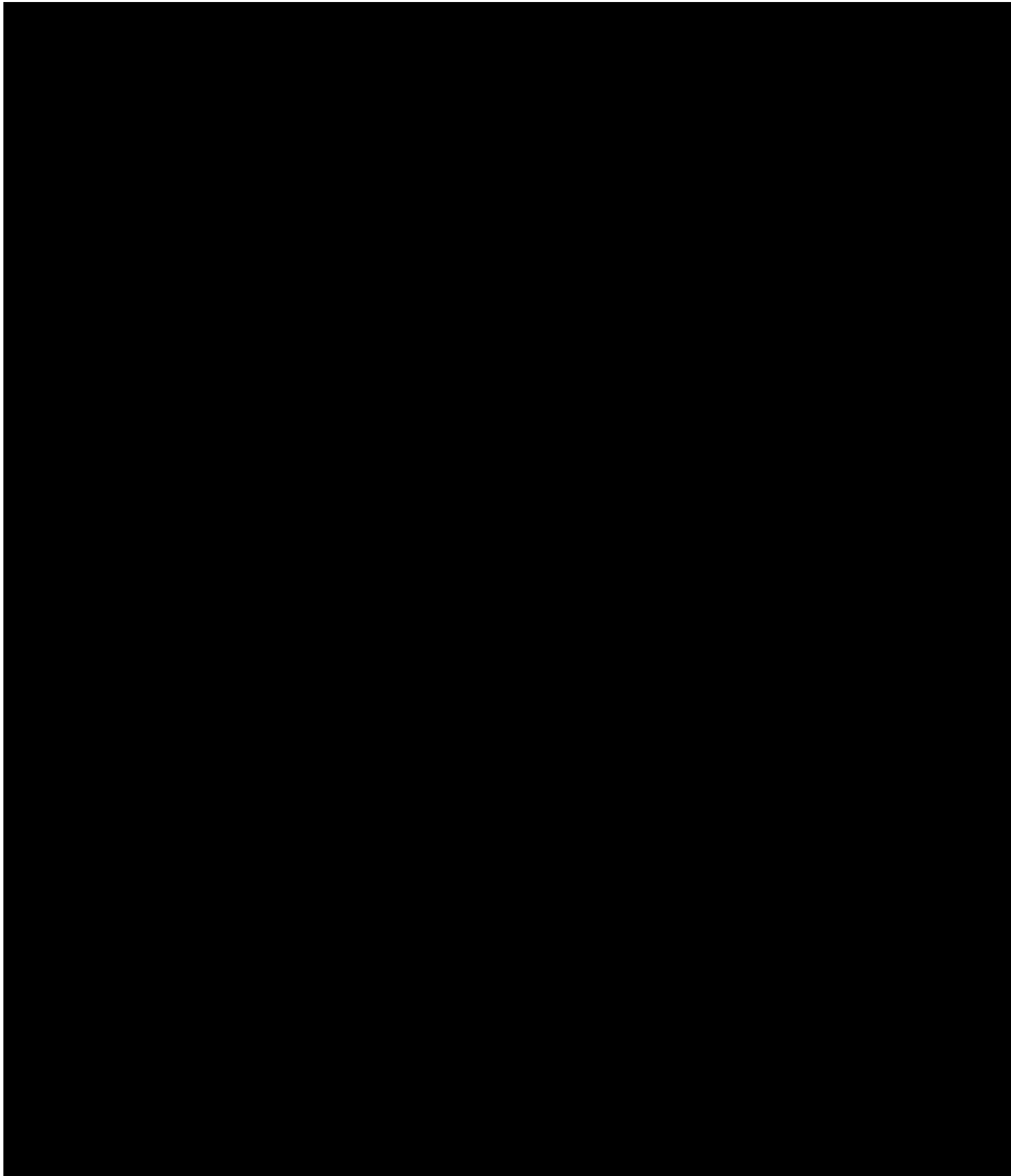
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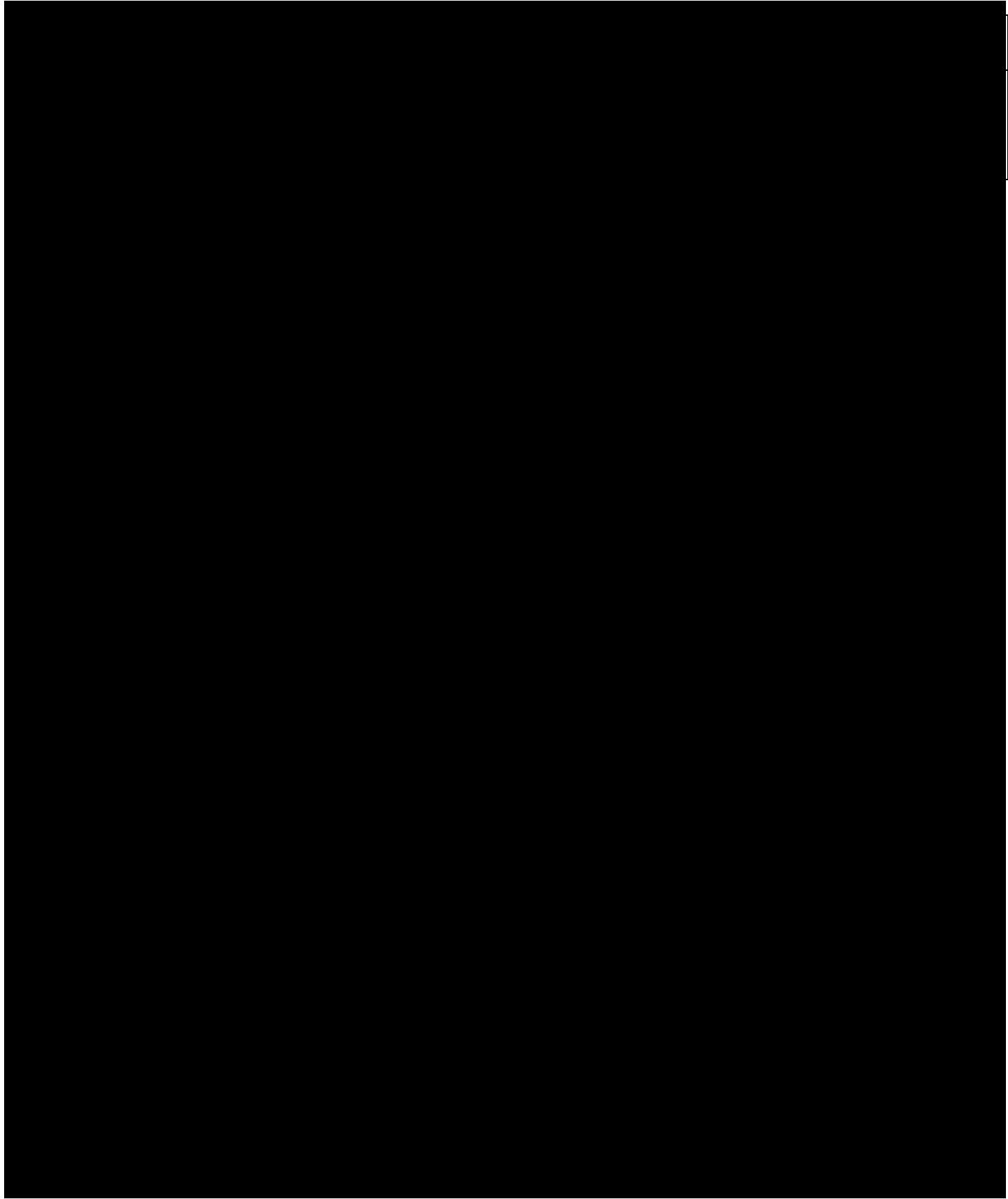
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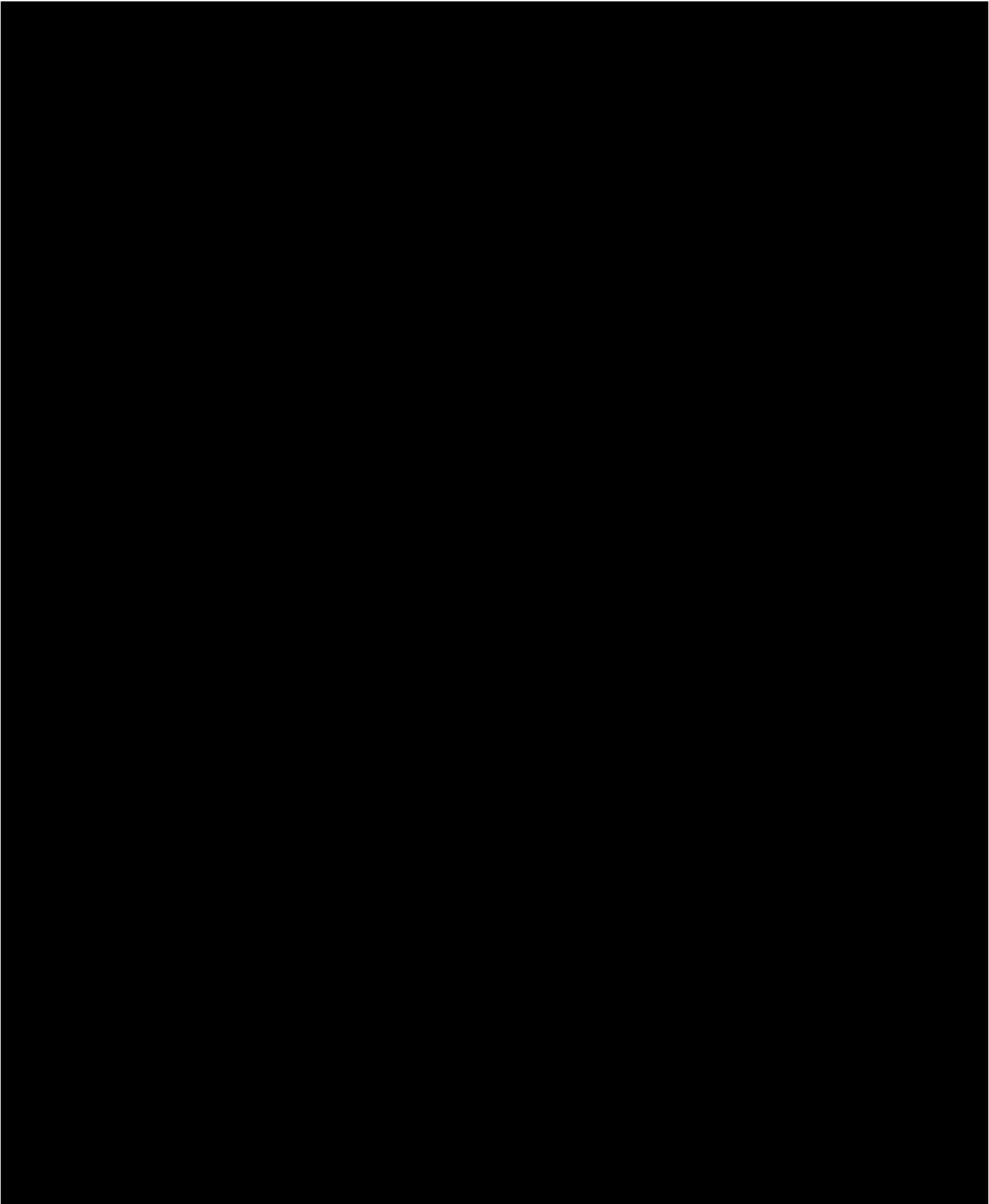


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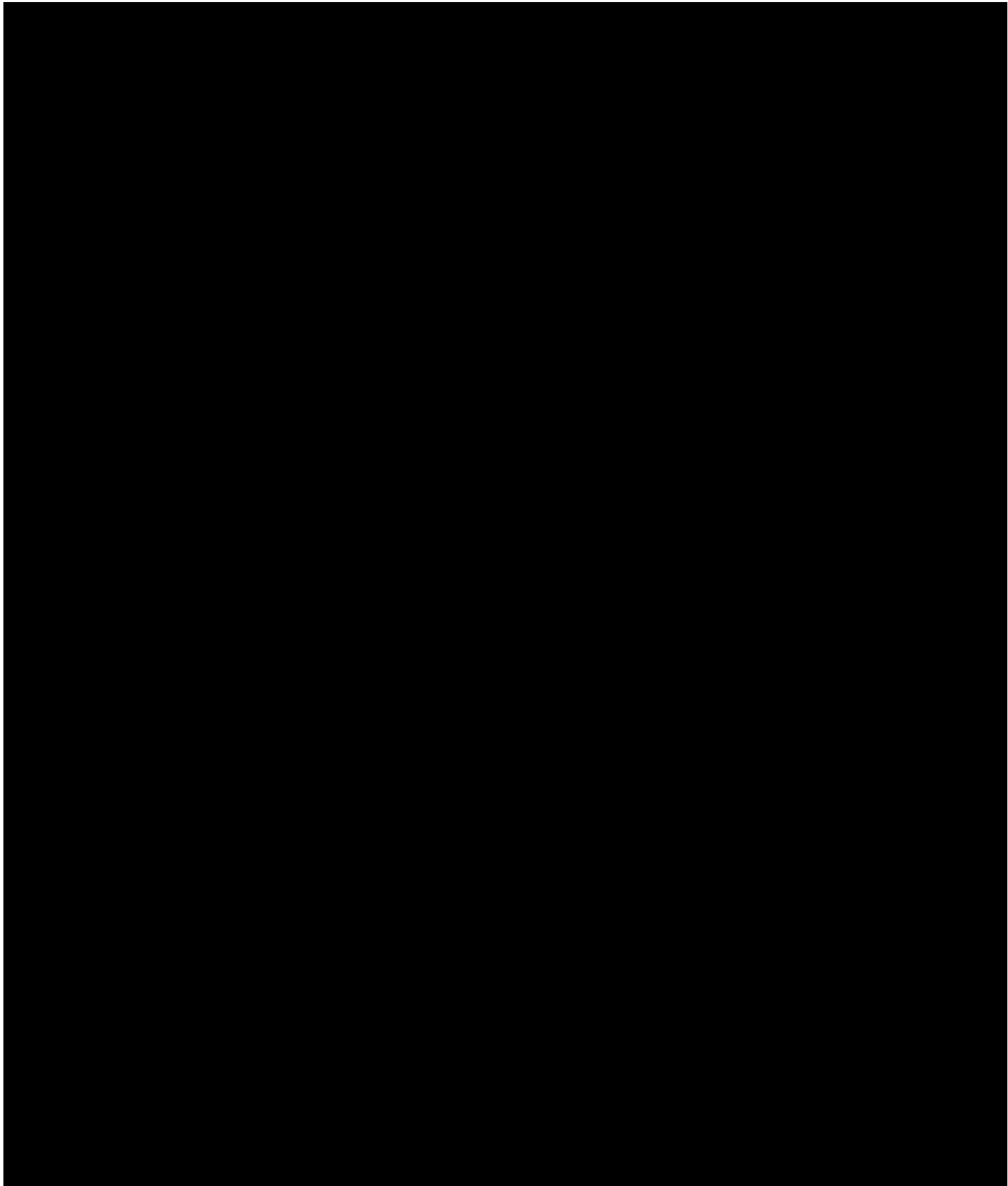


Appendices

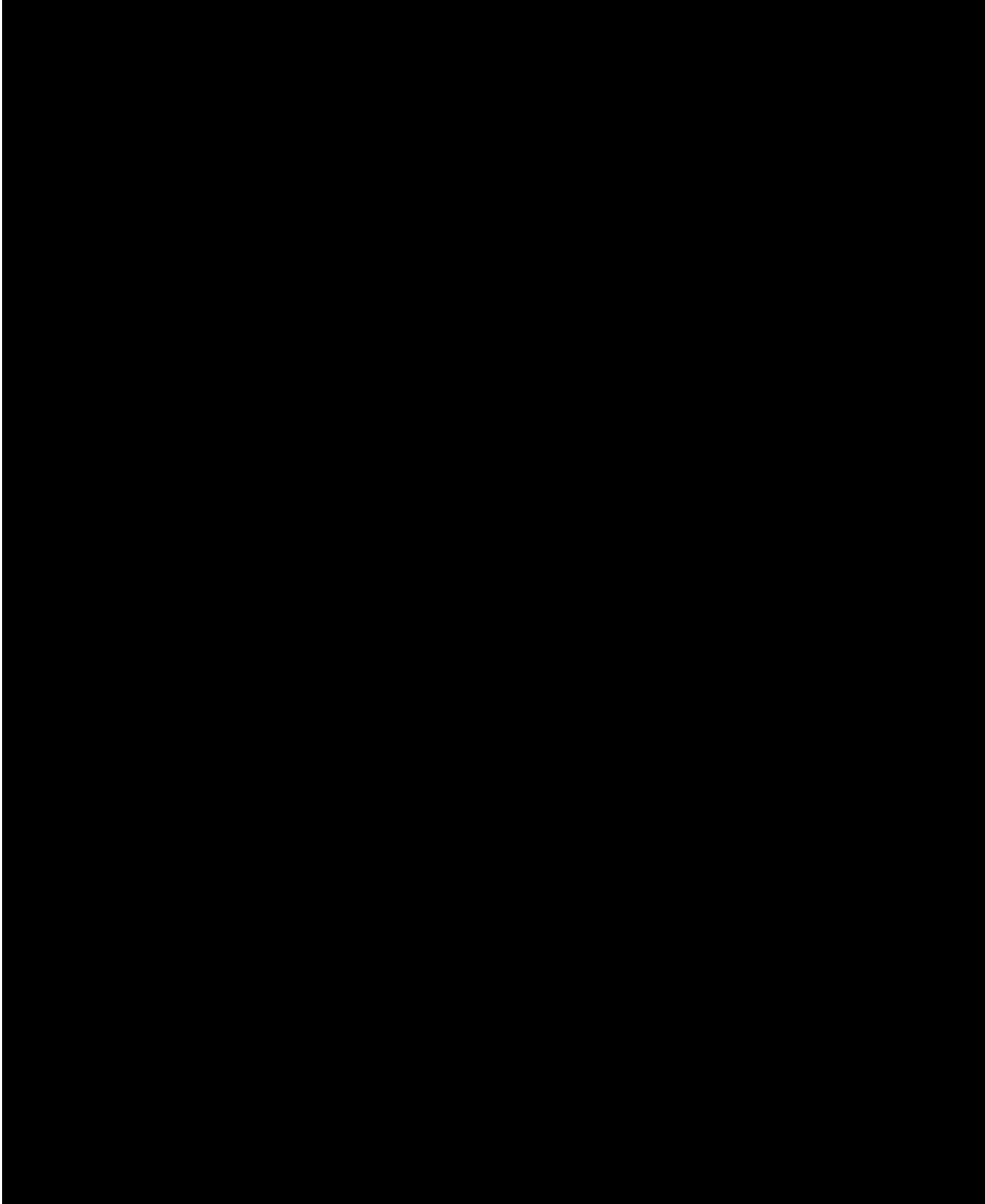
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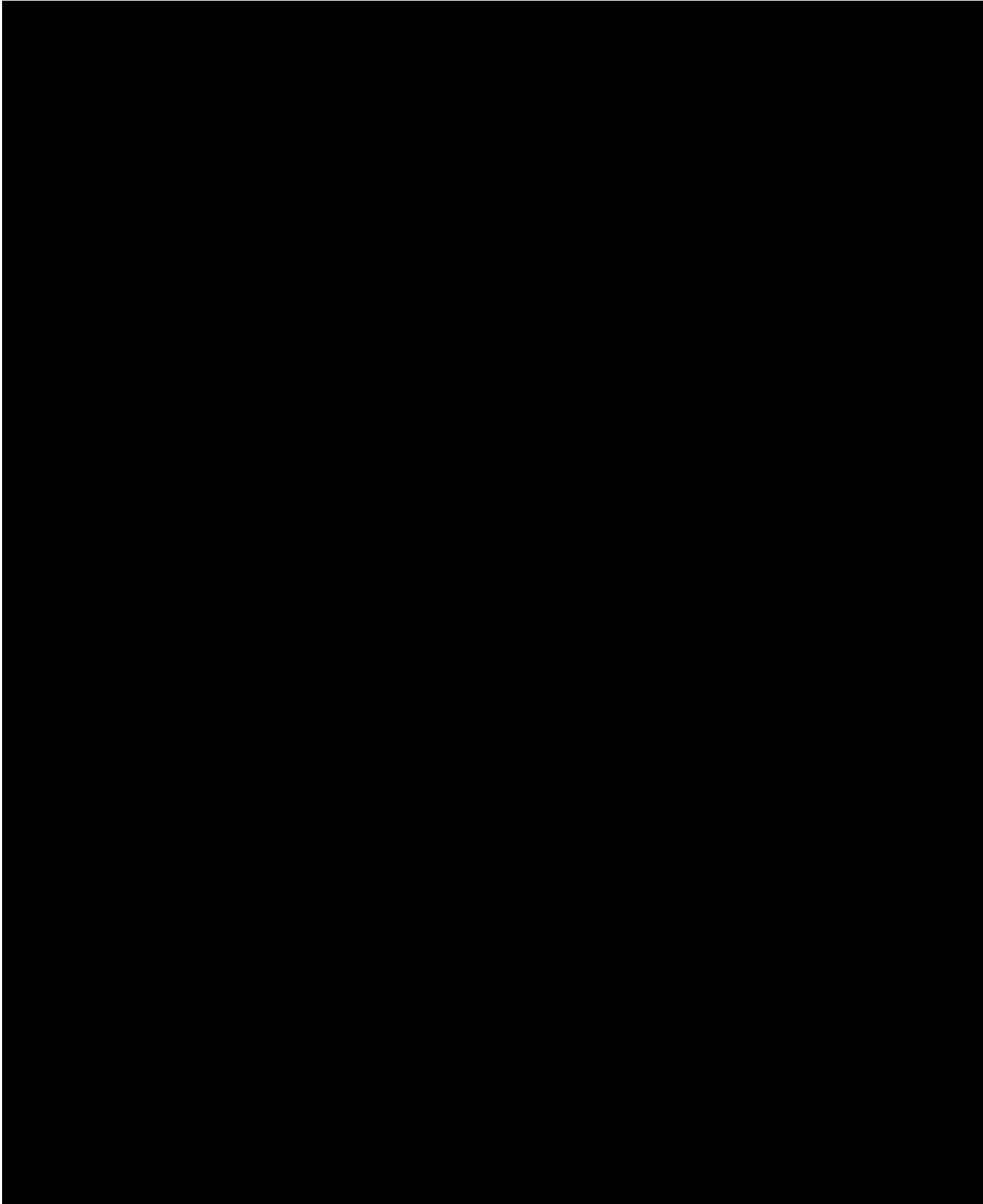
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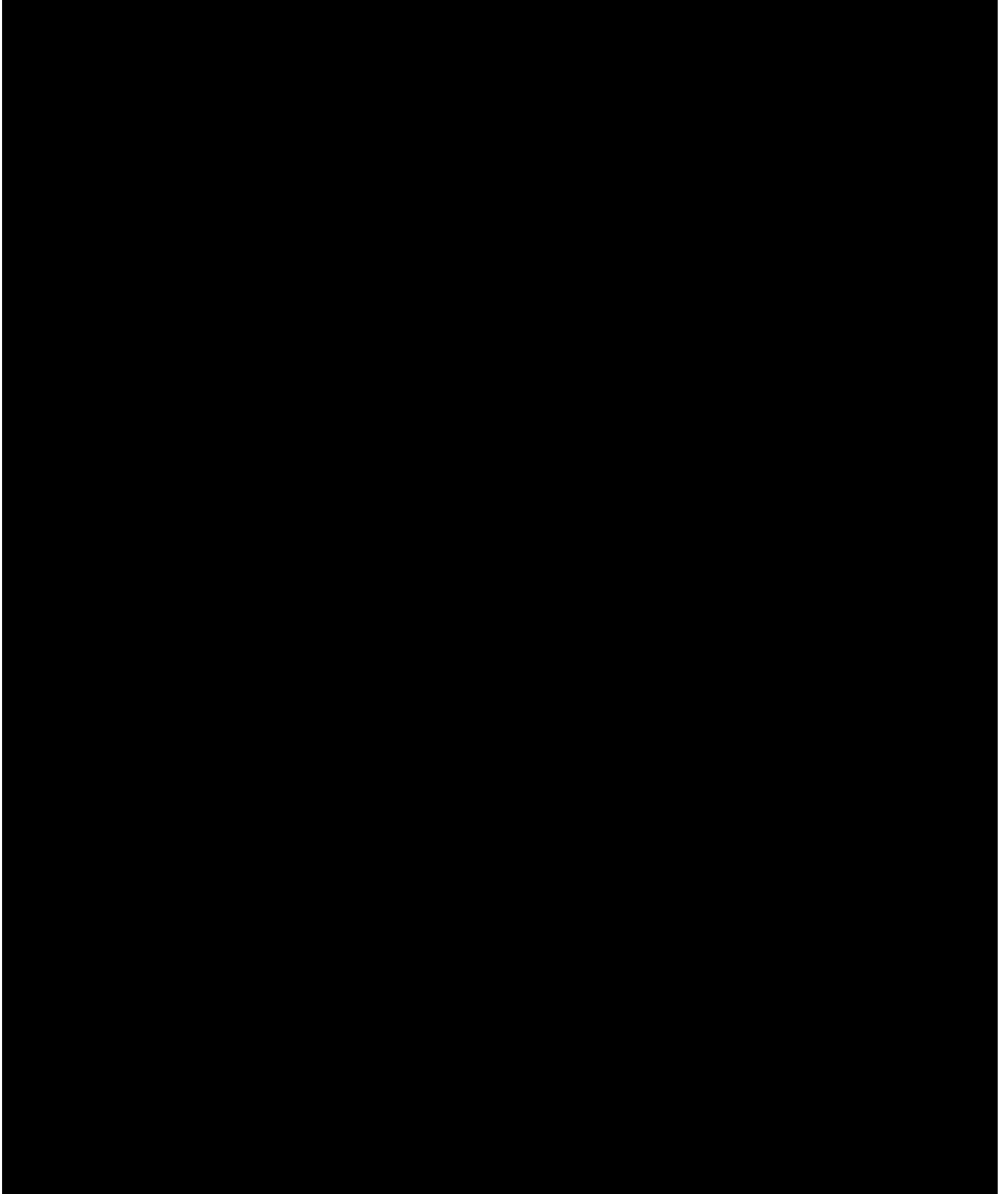
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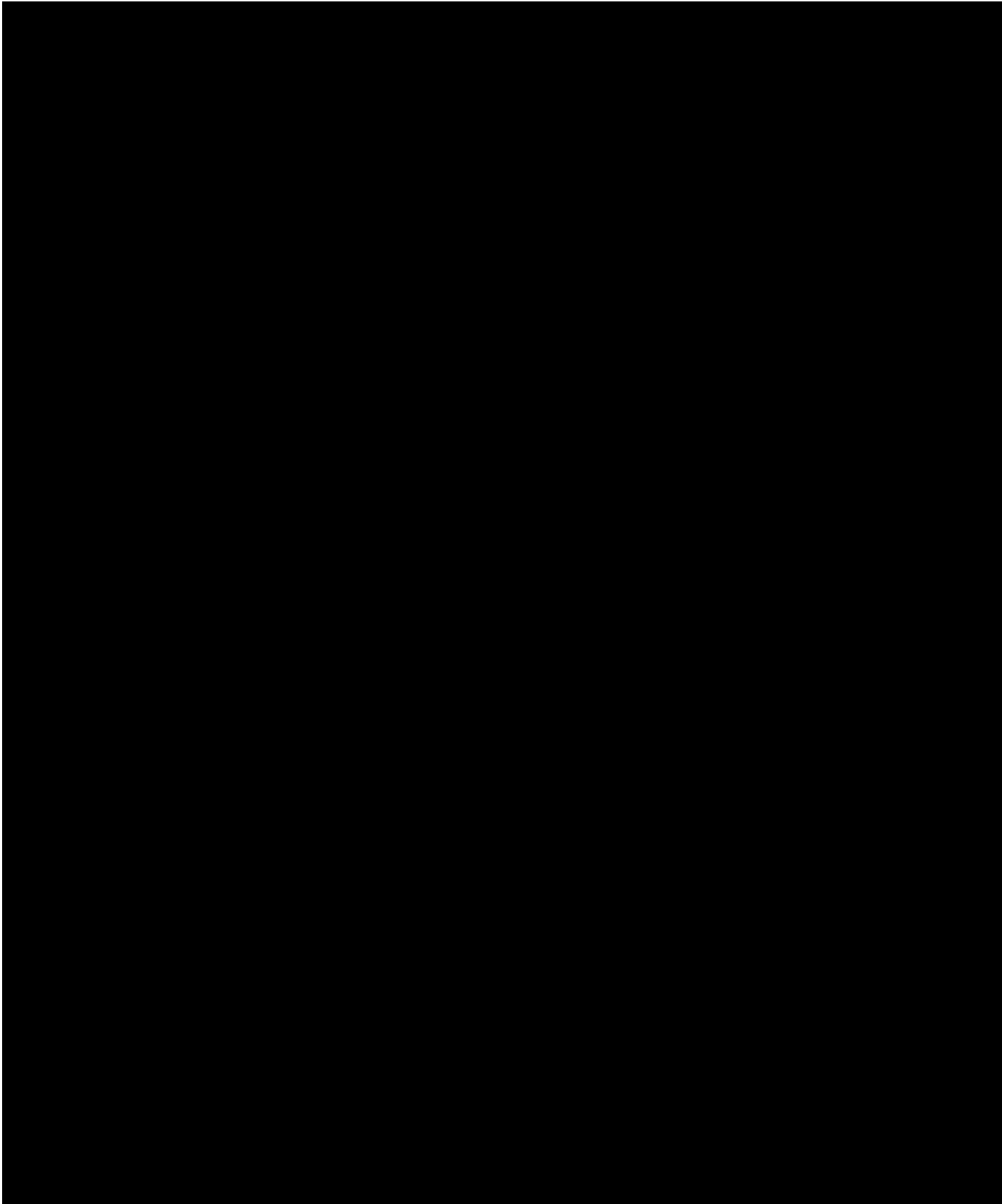
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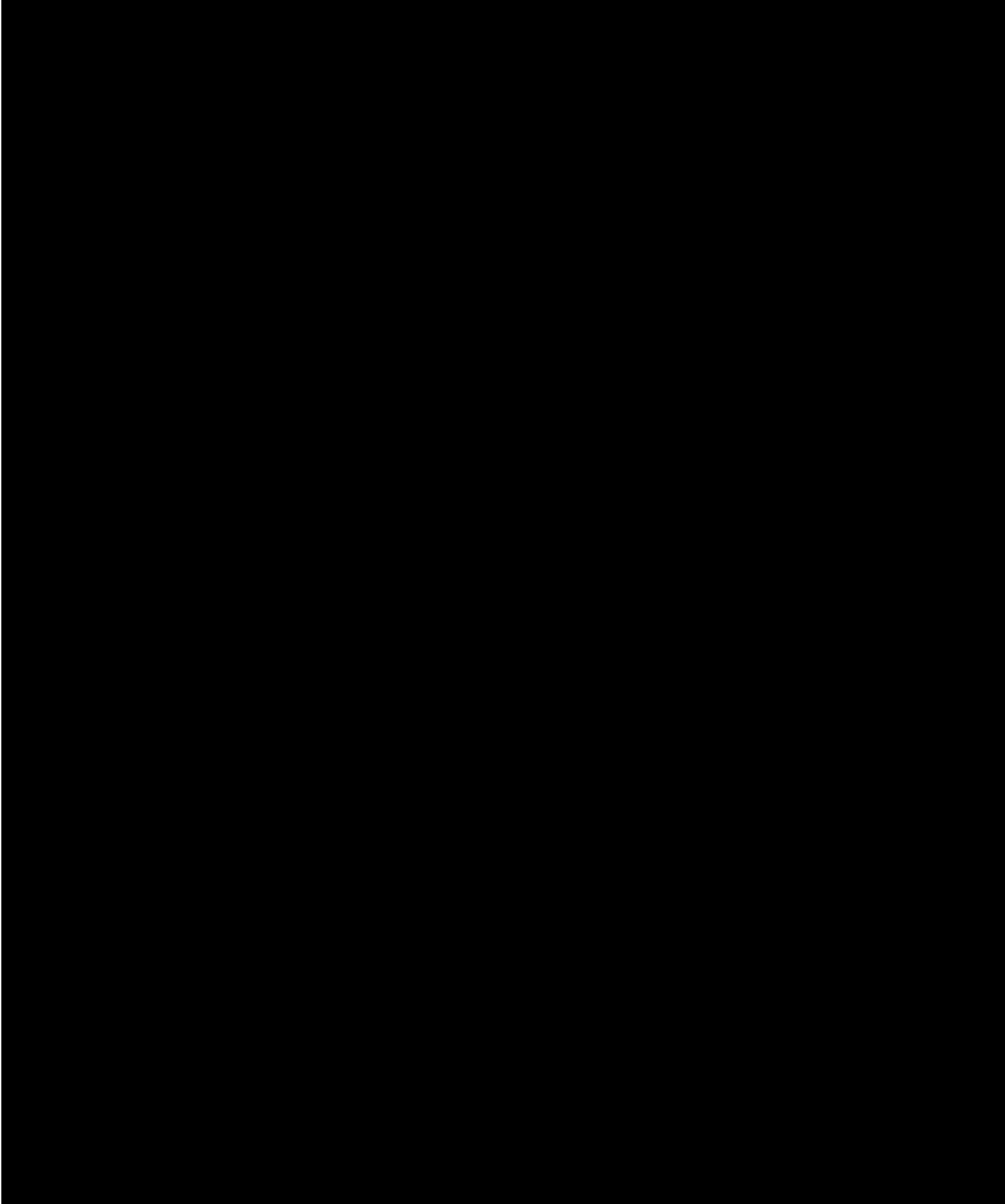
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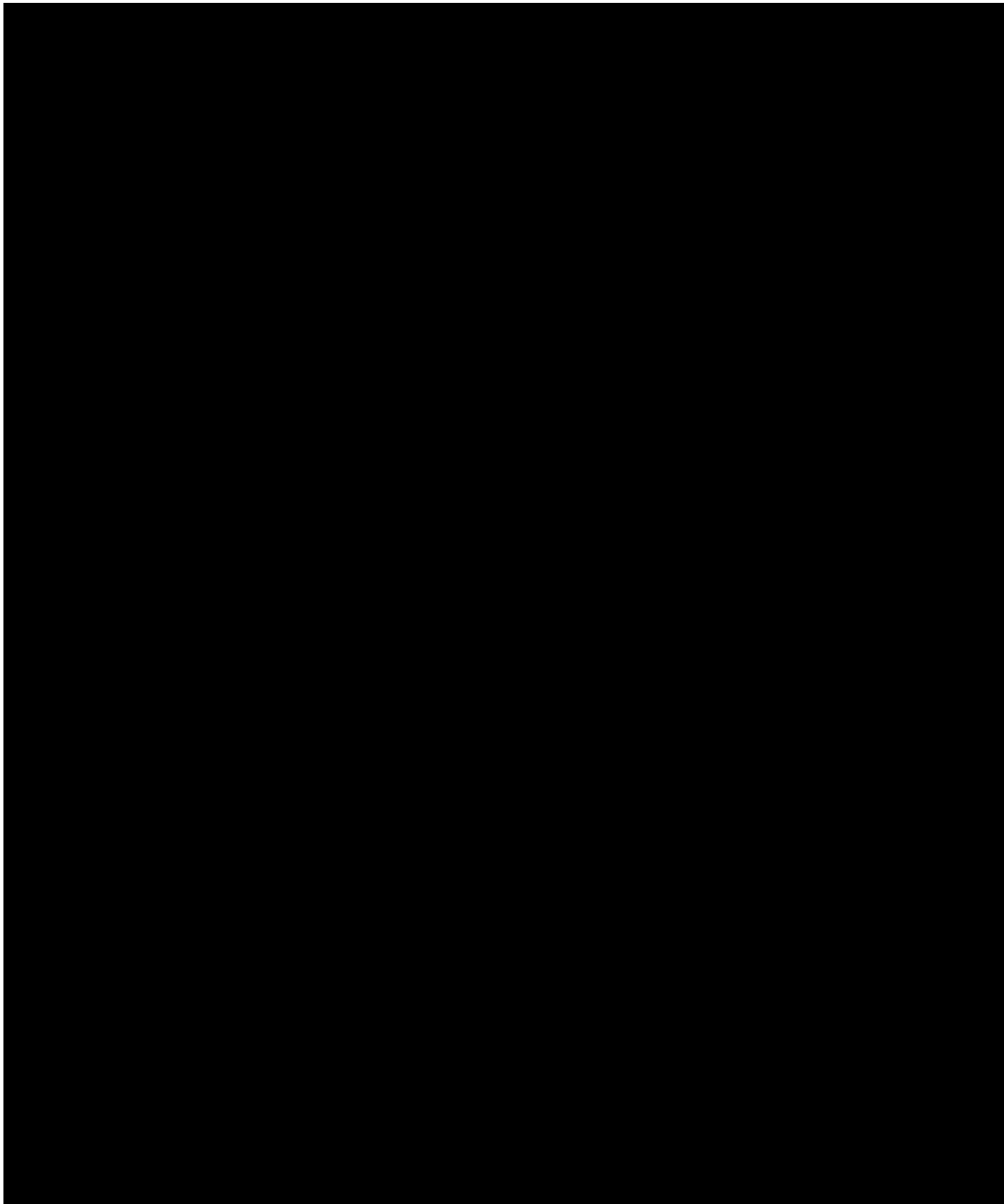
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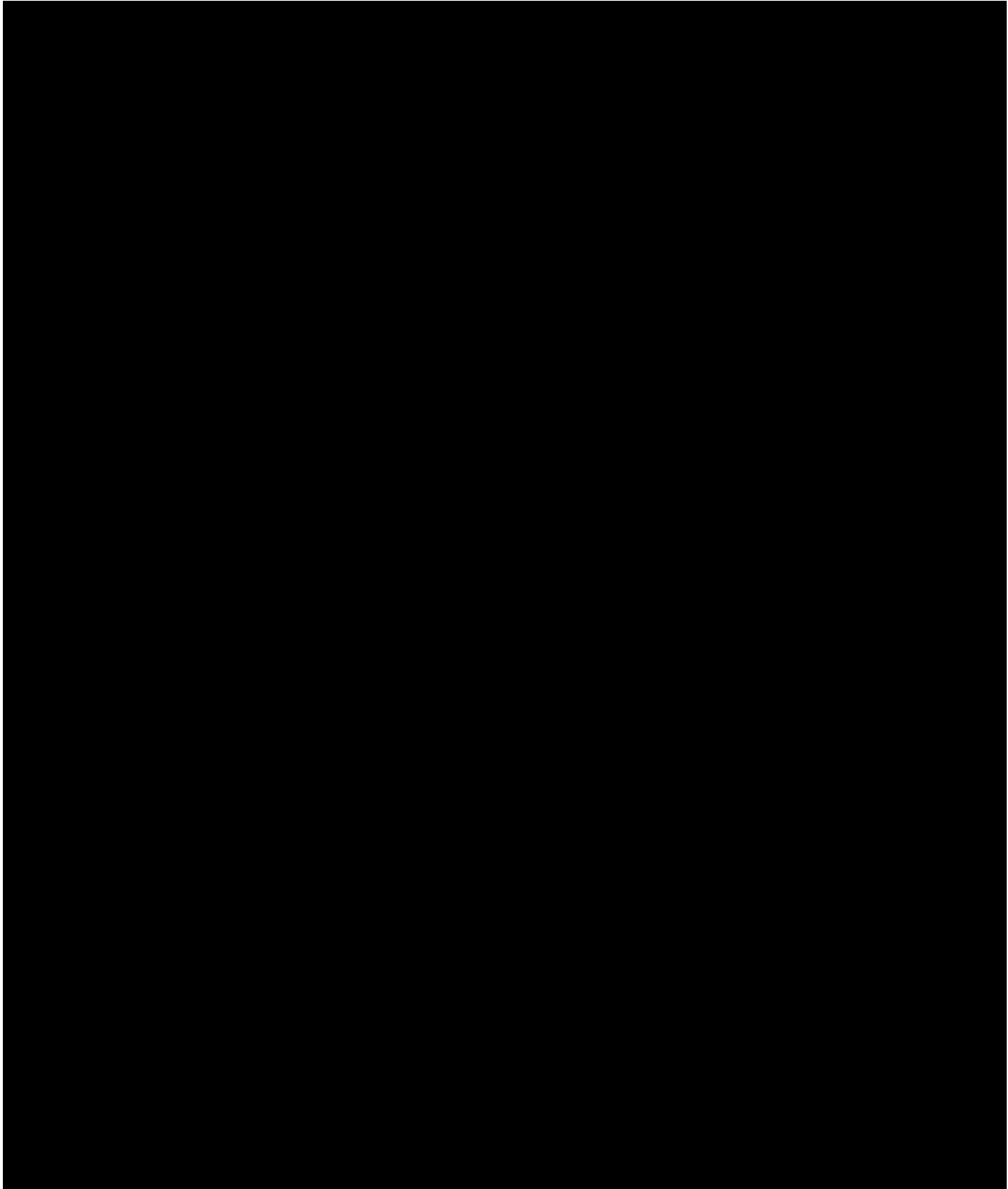
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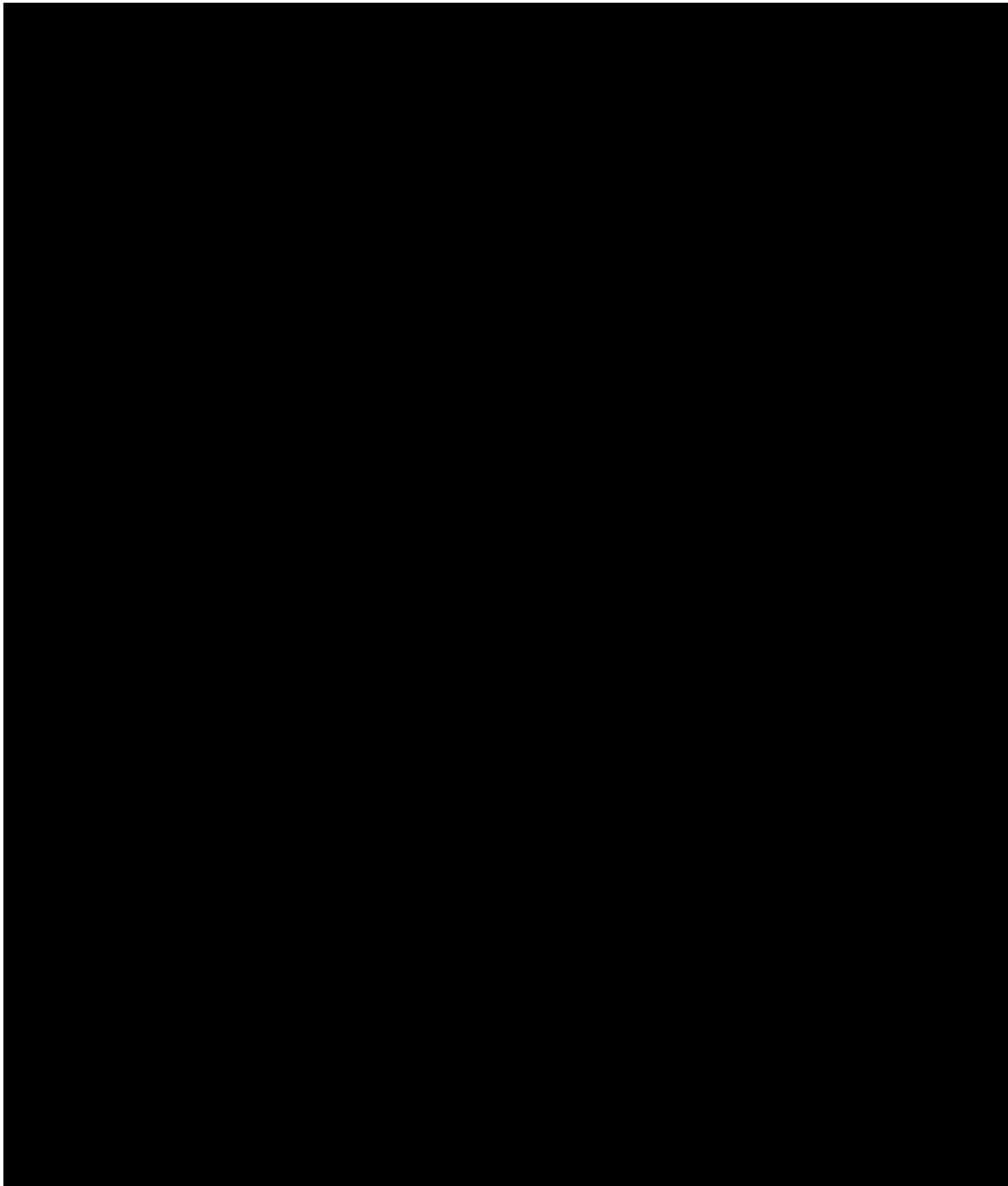
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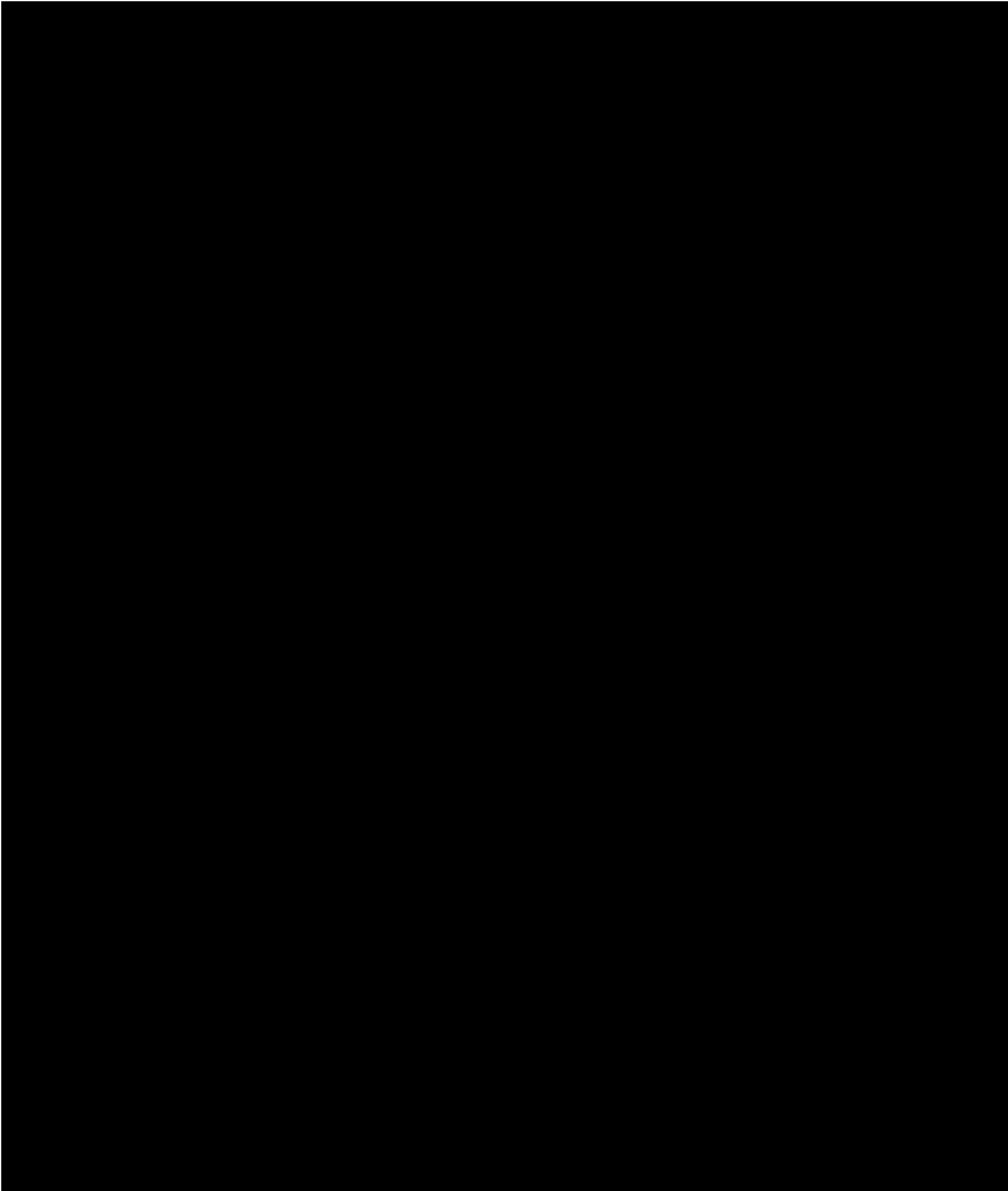
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EXAMPLE AFFILIATE INTEREST AGREEMENT

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.

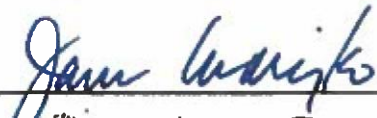

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the services rendered by the Service Company hereunder, 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.

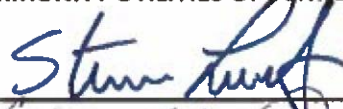
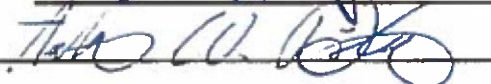
This Agreement shall remain in effect until termination by either of the parties hereto upon 90 days' written notice.

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.

IDE 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/hldr
6125	Salaries - HR
6130	Salaries - NIS

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

IDE 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		Misc 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 Equipmt
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.

JDE Object Number	Account Description
6135	Salaries - Leadership Ops
6140	Salaries - Regulatory
6145	Salaries - Customer Service
6185	Travel Lodging
6190	Travel Airfare
6195	Travel Transportation
6200	Travel Meals
6205	Travel Entertainment
6207	Travel Other
6355	Deferred Maint Expense
6360	Communication Expense
6365	Equipment Rentals
6385	Uniforms
6390	Weather/Hurricane Costs
6380	Deprec-Office Structure
6385	Deprec-Office Furn/Eqpt
6610	Deprec-Communication Eqpt
6615	Deprec-Misc Equipment
6820	Deprec-Office Structure
6825	Deprec-Office Furn/Eqpt
6830	Deprec-Communication Eqpt
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.

JDE Object Number	Subsidiary Number	Account Description
1030		Land & Land Rights Pump
1775	00405	Wip-Cap Time Chng Filter Media
1775	00406	Wip-Cap Time Tr Sewer Main
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/Eqpt
1985		Acc Depr-Tool Shop & Misc Eqpt
2000		Acc Depr-Communication Eqpt
2215		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Eqpt
2230		Acc Depr-Tool Shop & Misc Eqpt
2245		Acc Depr-Communication Eqpt
2315		Acc Depr-Desktop Computer Wtr
2320		Acc Depr-Mainframe Comp Wtr
2325		Acc Depr-Mini Comp Wtr
2330		Comp Sys Amortization Wtr
2335		Micro Sys Amortization Wtr
2345		Acc Depr-Desktop Computer Swr
2350		Acc Depr-Mainframe Comp Swr
2355		Acc Depr-Mini Comp Swr
2360		Comp Sys Amortization Swr
2365		Micro Sys Amortization Swr
2950		Def Chgs - Landscaping
2955		Def Chgs - Customer Complaints
2960		Def Chgs - Tank Maint&Rep Wtr
2965		Def Chgs - Relocation Expenses
2970		Def Chgs - Attorney Fee
2975		Def Chgs - Hurricane/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 Maint
3030		Def Chgs - Tr Sewer Mains
3040		Def Chgs - Tank Maint&Rep Swr
3080		Amort - Landscaping
3090		Amort - Customer Complaints

**AFFILIATE AGREEMENT
 APPENDIX A**

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

JDE Object Number Account Description

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

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
3110		Amort - Tank Maint&Rep Wtr
3120		Amort - Relocation Exp
3125		Amort - Attorney Fee
3130		Amort - Hurricane/Storms
3135		Amort - Employee Fees
3140		Amort - Other
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 - Amrt
4395		Def Fed Tax - Pre Acct
4397		Def Fed Tax - Res Cap Fee
4417		Accum Def Income Tax - St
4419		Def St Tax - Clac Pre 1987
4421		Def St Tax - Tap Fee Post 2000
4423		Def St Tax - Idc
4425		Def St Tax - Rate Case
4427		Def St Tax - Def Maint
4429		Def St Tax - Other Operation
4431		Def St Tax - Sold Co
4433		Def St Tax - 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 - Amrt
4445		Def St Tax - Res Cap Fee

**AFFILIATE AGREEMENT
APPENDIX B**

The formula used to calculate all allocations is as follows:

Expenses:

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

Assets/Liabilities:

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

Water Meter

Size	Meter	Cellular Connector	Couplings	Flange	Meter Box	Dual Check	Labor	Total
5/8"	201.75	144.45	10.39		34.00	97.86	103.38	591.83
1"	272.37	144.45	14.88		34.00	110.44	103.38	679.52
1.5"	626.54	144.45		83.41	95.36		103.38	1,053.14
2"	760.29	144.45		98.33	95.36		103.38	1,201.81

Reuse Meter

Size	Meter	Cellular Connector	Couplings	Flange	Meter Box	Dual Check	Labor	Total
5/8"	201.75	144.45	10.39		34.00	97.86	103.38	591.83
1"	272.37	144.45	14.88		34.00	110.44	103.38	679.52
1.5"	626.54	144.45		83.41	95.36		103.38	1,053.14
2"	760.29	144.45		98.33	95.36		103.38	1,201.81

Potable Irrigation Meter

Size	Meter	Cellular Connector	Couplings	Flange	Meter Box	Dual Check	Labor	Total
5/8"	201.75	144.45	10.39		34.00	97.86	103.38	591.83
1"	272.37	144.45	14.88		34.00	110.44	103.38	679.52
1.5"	626.54	144.45		83.41	95.36		103.38	1,053.14
2"	760.29	144.45		98.33	95.36		103.38	1,201.81