

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20200139-WS

UTILITIES INC. OF FLORIDA'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION

UTILITIES, INC. OF FLORIDA (“Utility” or “UIF”) by and through its undersigned counsel, and pursuant to Rule 25-22.006(4), Florida Administrative Code, files this Request for Confidential Classification with regard to Exhibit SME-1 to the prefiled direct testimony of Shawn M. Elicegui on behalf of UIF, which consists of the Corix Cost Allocation Manual, and page 56 of SME-6, to the prefiled direct testimony of Shawn M. Elicegui on behalf of UIF, which consists of specific allocation amounts (“Confidential Information”).

1. In order to ensure that a utility’s ratepayers do not subsidize nonutility activities, the Commission has reasonable access to records of a utility’s parent company regarding transactions and cost allocations between the utility and its parent company. Corix Infrastructure, Inc., the parent company of UIF has developed a Cost Allocation Manual which provides an explanation of services provided by Corix and the methods used to allocate costs to the operating businesses, and has had Baryenbruch & Company, LLC prepare schedules of the calculation of the allocated costs. The Confidential Information is proprietary confidential business information, and has been consistently treated as such by the Corix group of companies and has not been publicly disclosed. The Confidential Information has been treated as confidential in other jurisdictions in which it has been submitted. Under Section 367.156, Florida Statutes, this

Commission has the authority to classify certain material as proprietary confidential business information thereby exempting the material from public disclosure under Section 119.07(1), Florida Statutes.

2. A Justification Matrix is attached as Exhibit "A".

WHEREFORE, UTILITIES, INC. OF FLORIDA requests this Commission issue an Order against public disclosure of the Confidential Information provided by the Utility as Exhibits SME-1 and page 56 of SME-6 to the prefiled direct testimony of Shawn M. Elicegui as identified above, and that pursuant to Rule 25-22.006(8), F.A.C., the Commission take reasonable precautions to segregate the Confidential Information in the record and otherwise protect its integrity at the final hearing.

Respectfully submitted this 30th day of June,
2020.

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For the Firm

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by

E-mail to the following parties this 30th day of June, 2020:

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Exhibit "A"
JUSTIFICATION MATRIX

Location (Document name and location of information)	Justification
Corix Allocation Manual and page 56 of Baryenbruch & Company, LLC Evaluation	<p>§367.156(3)(a): The Confidential Information was prepared at substantial costs to reflect the allocation of costs among the Corix group of companies, and its disclosure would provide an economic value to others. The Confidential meets the definition of trade secret under Section 688.002(4), Florida Statutes.</p> <p>§367.156(3)(e): Allowing competing businesses to have access to the Confidential Information would impair the competitive interest of the Corix group of companies, generally and UIF specifically by allowing them to evaluate the various business entities to which applies for competitive purposes.</p>

Corix Group of Companies

Cost Allocation Manual

July 3, 2019

CONFIDENTIAL

COST ALLOCATION MANUAL

[REDACTED]

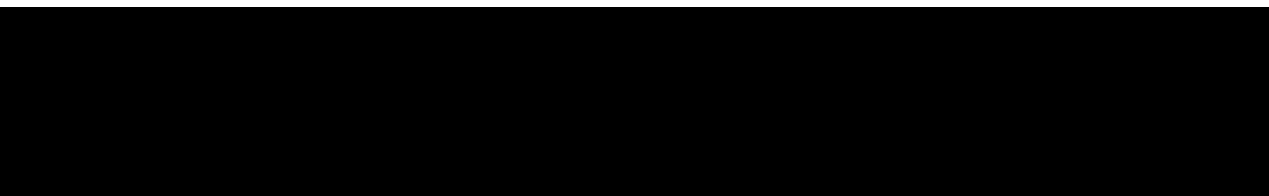
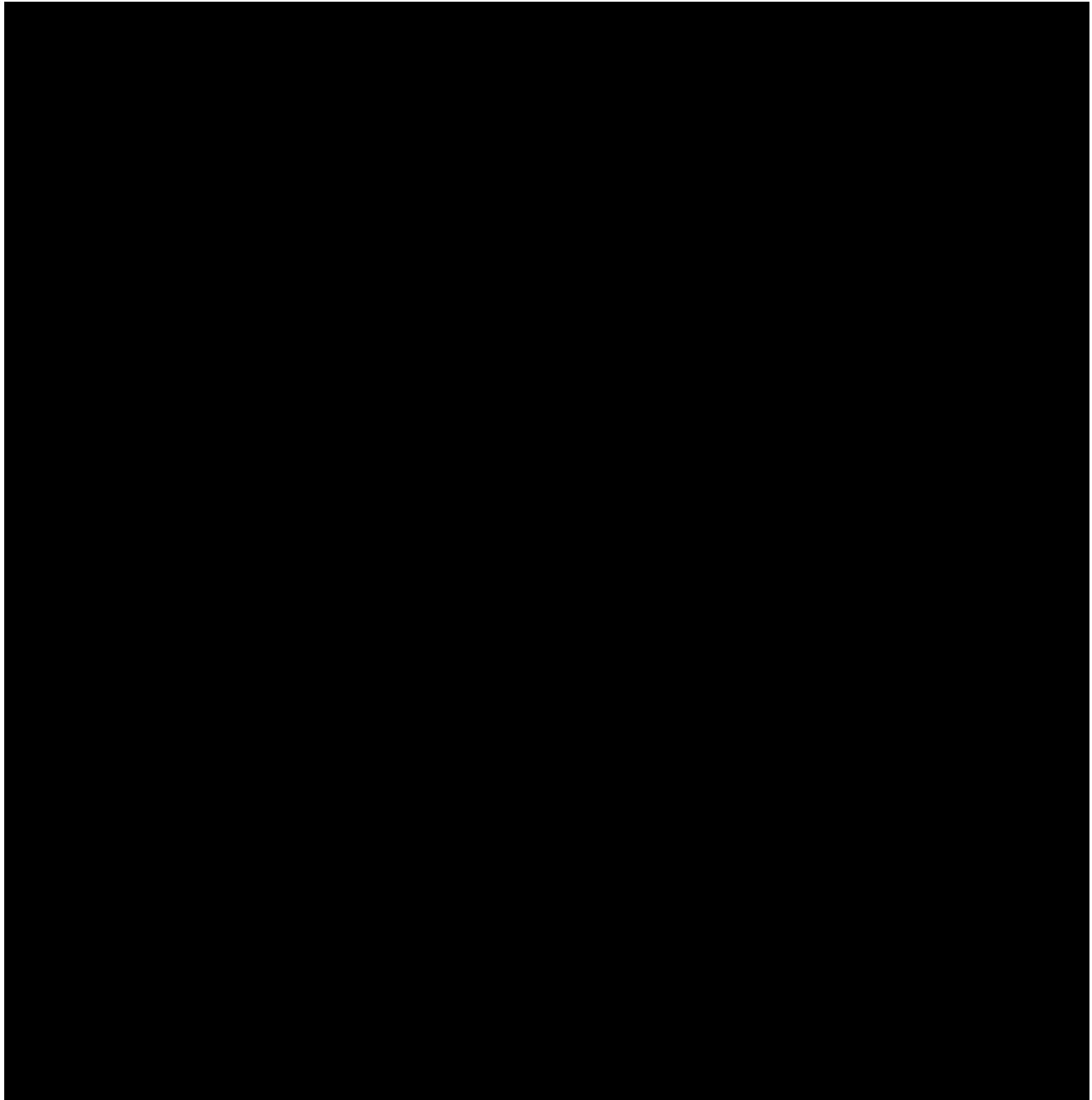
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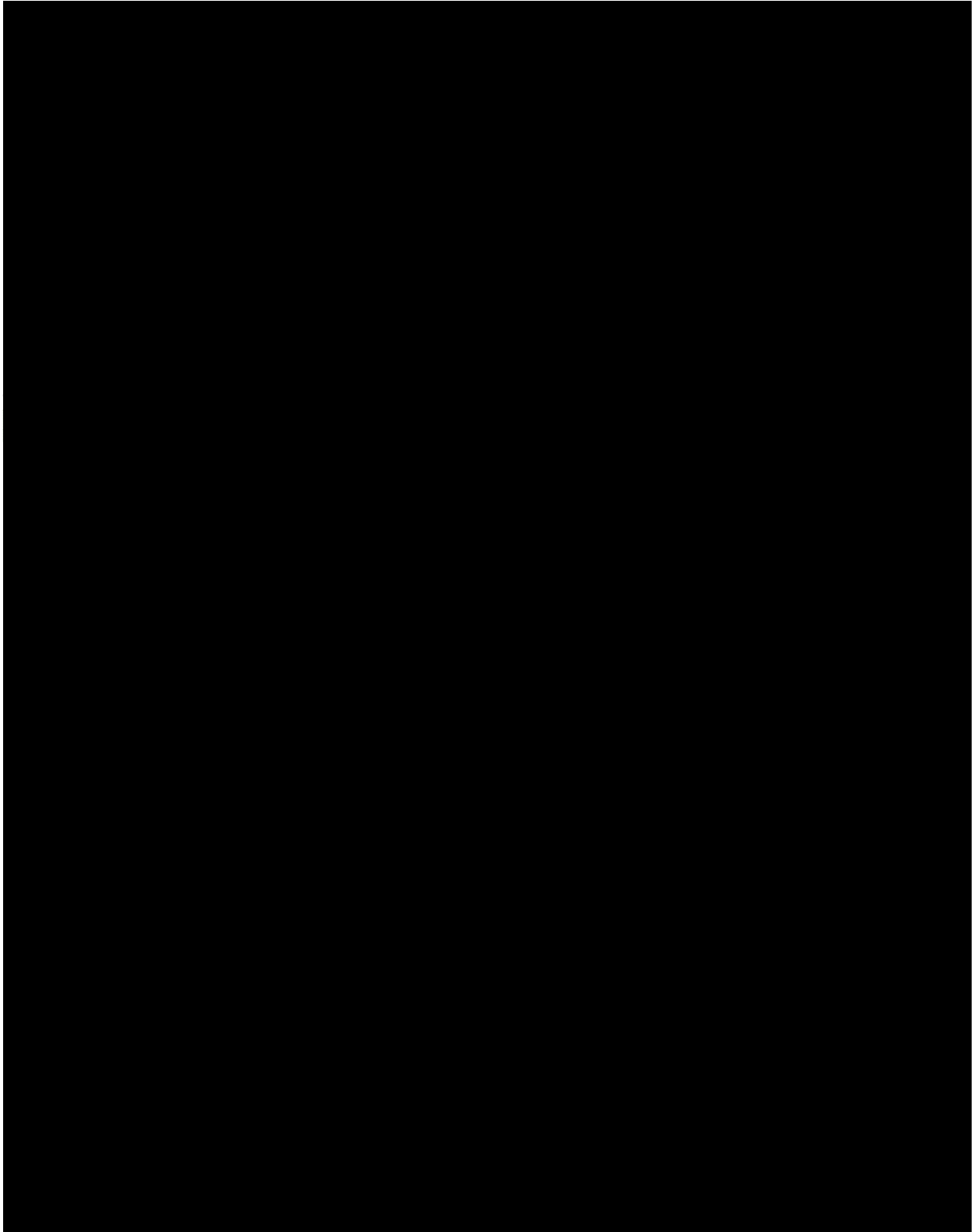
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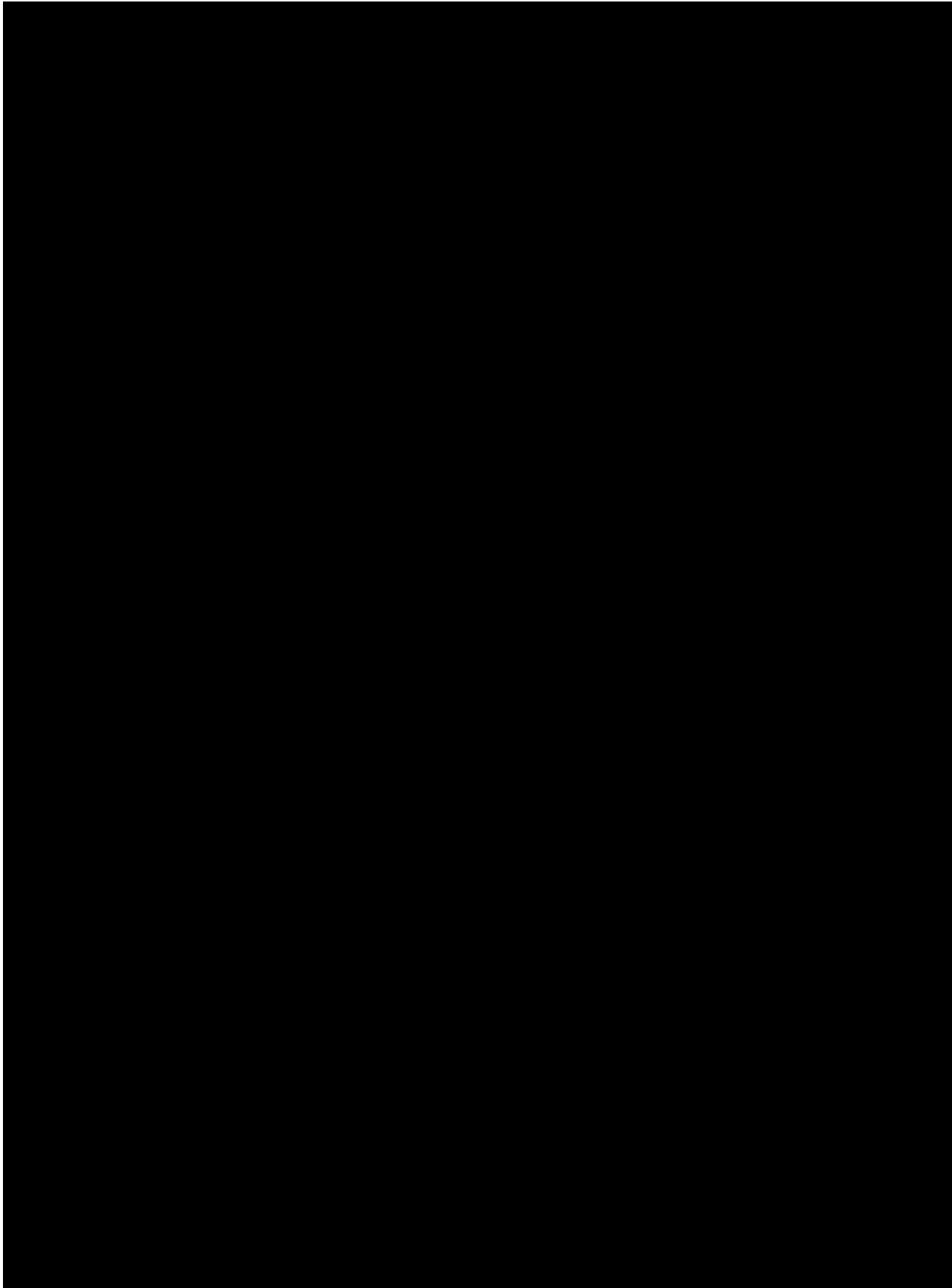
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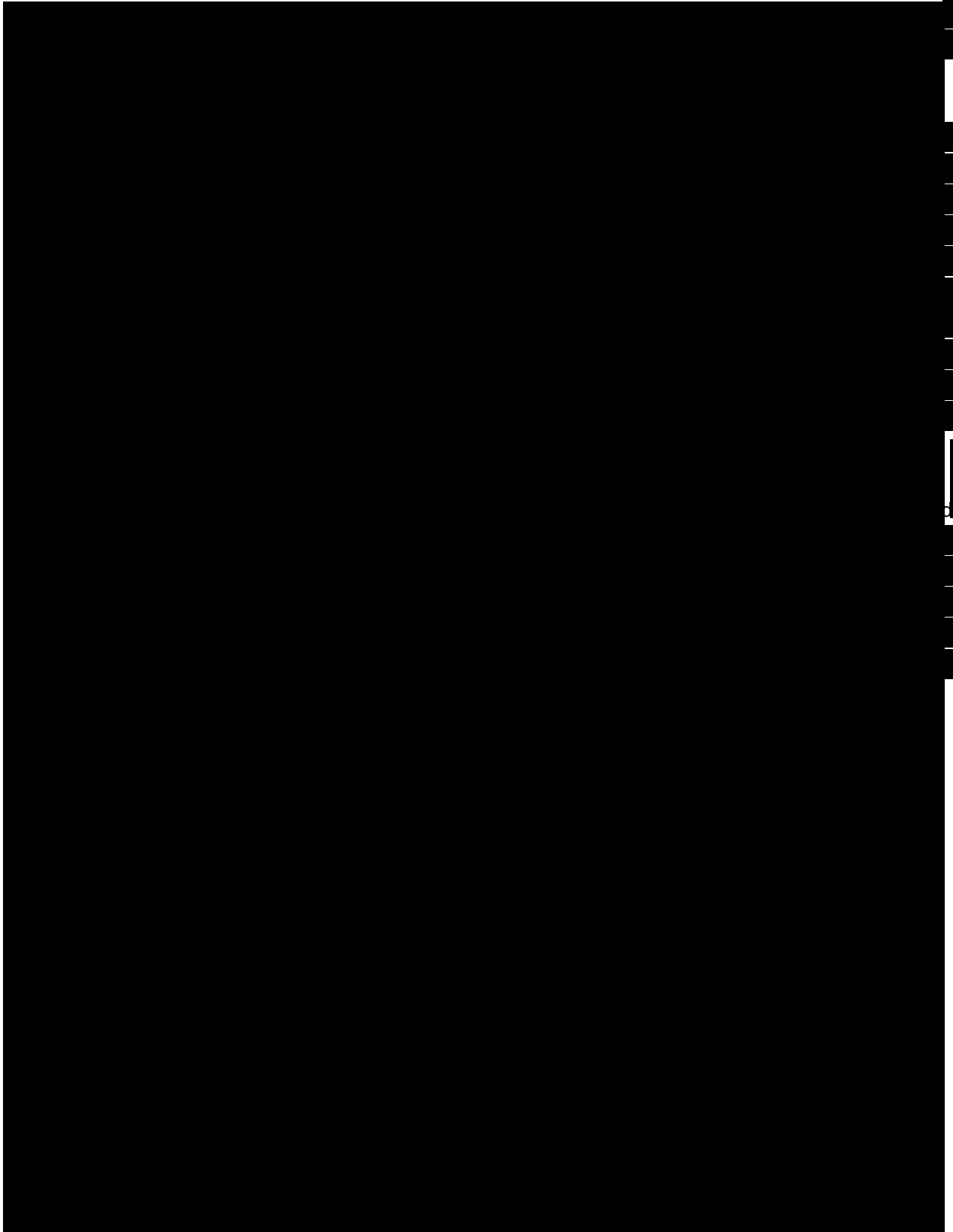
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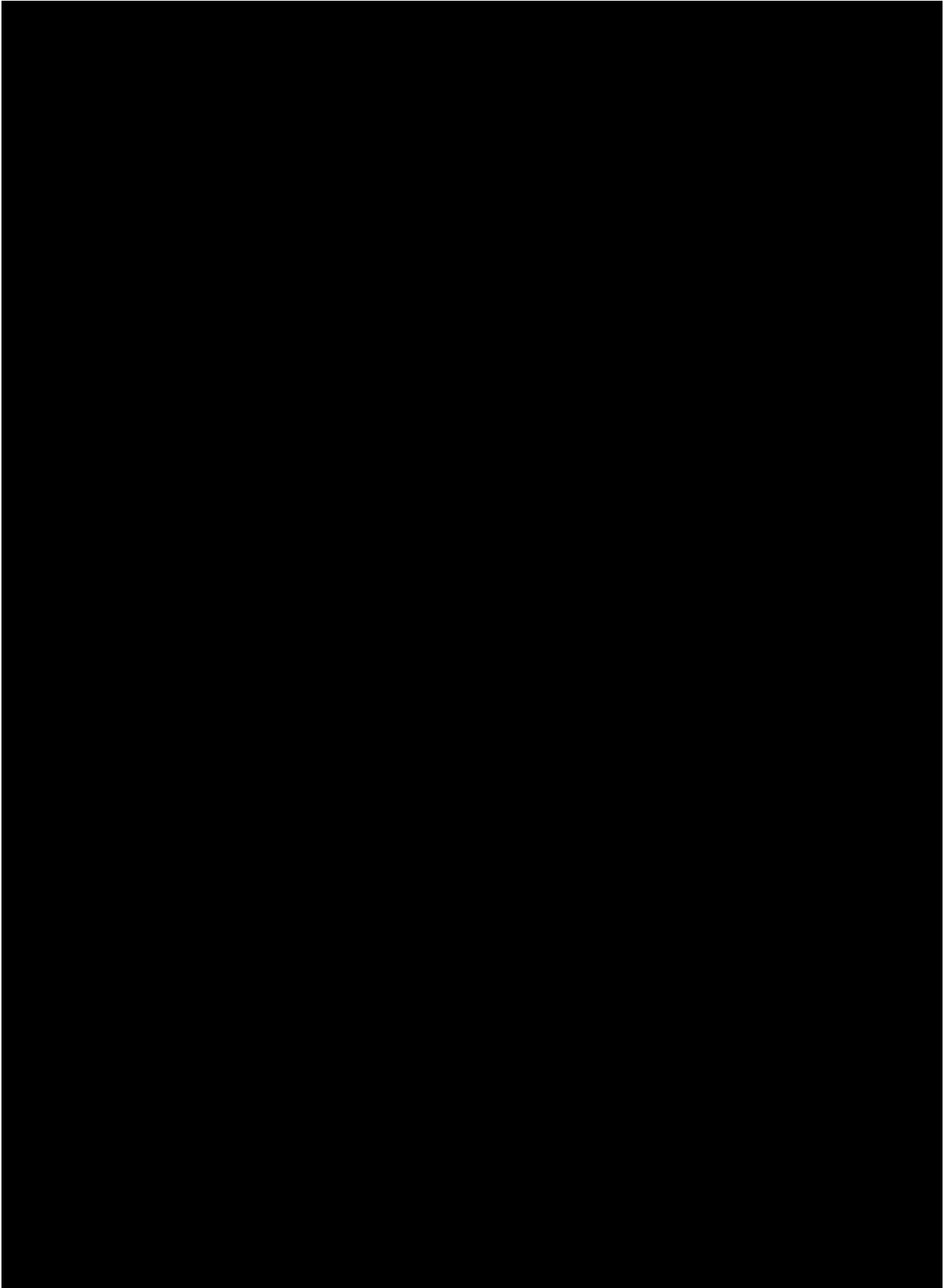


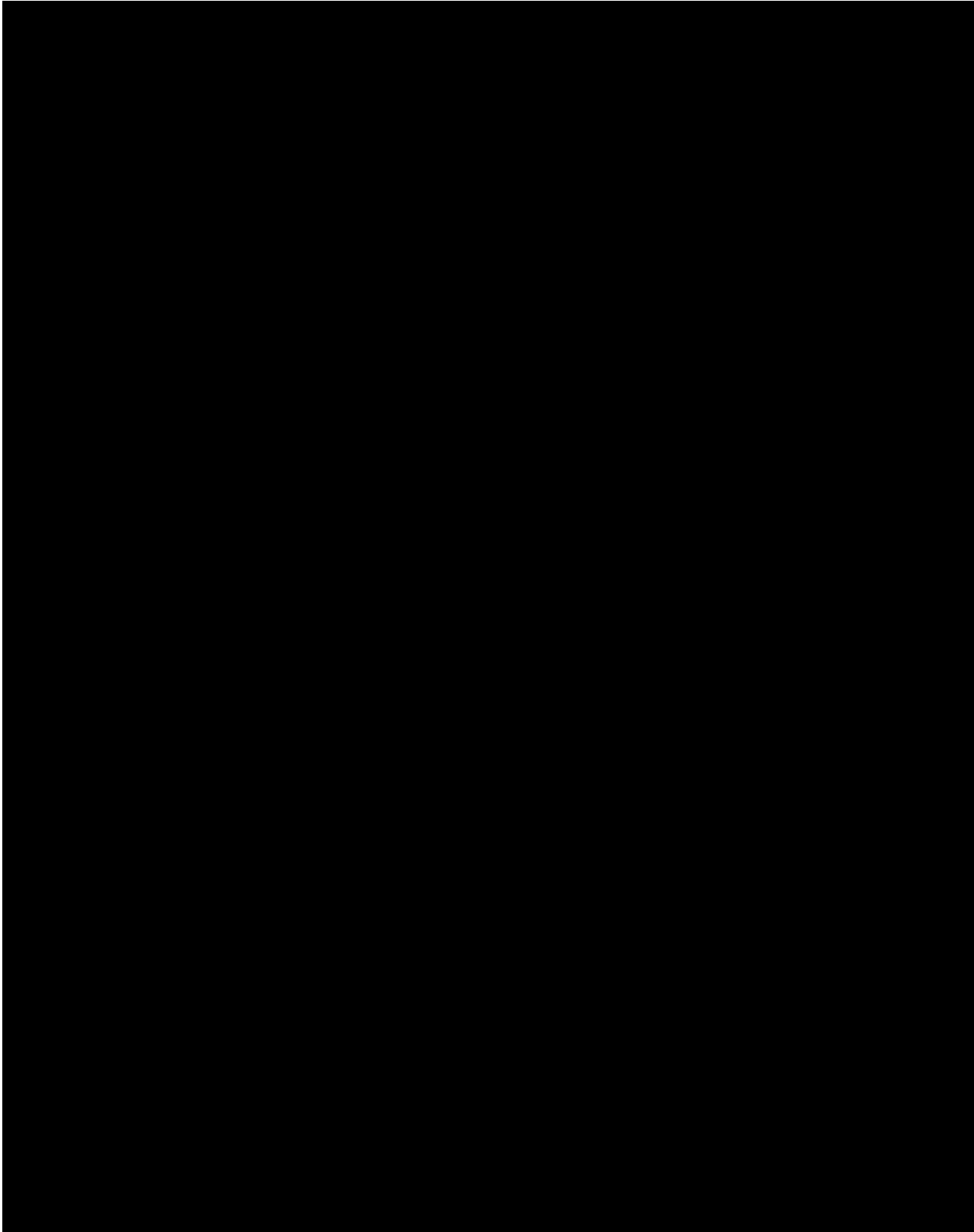


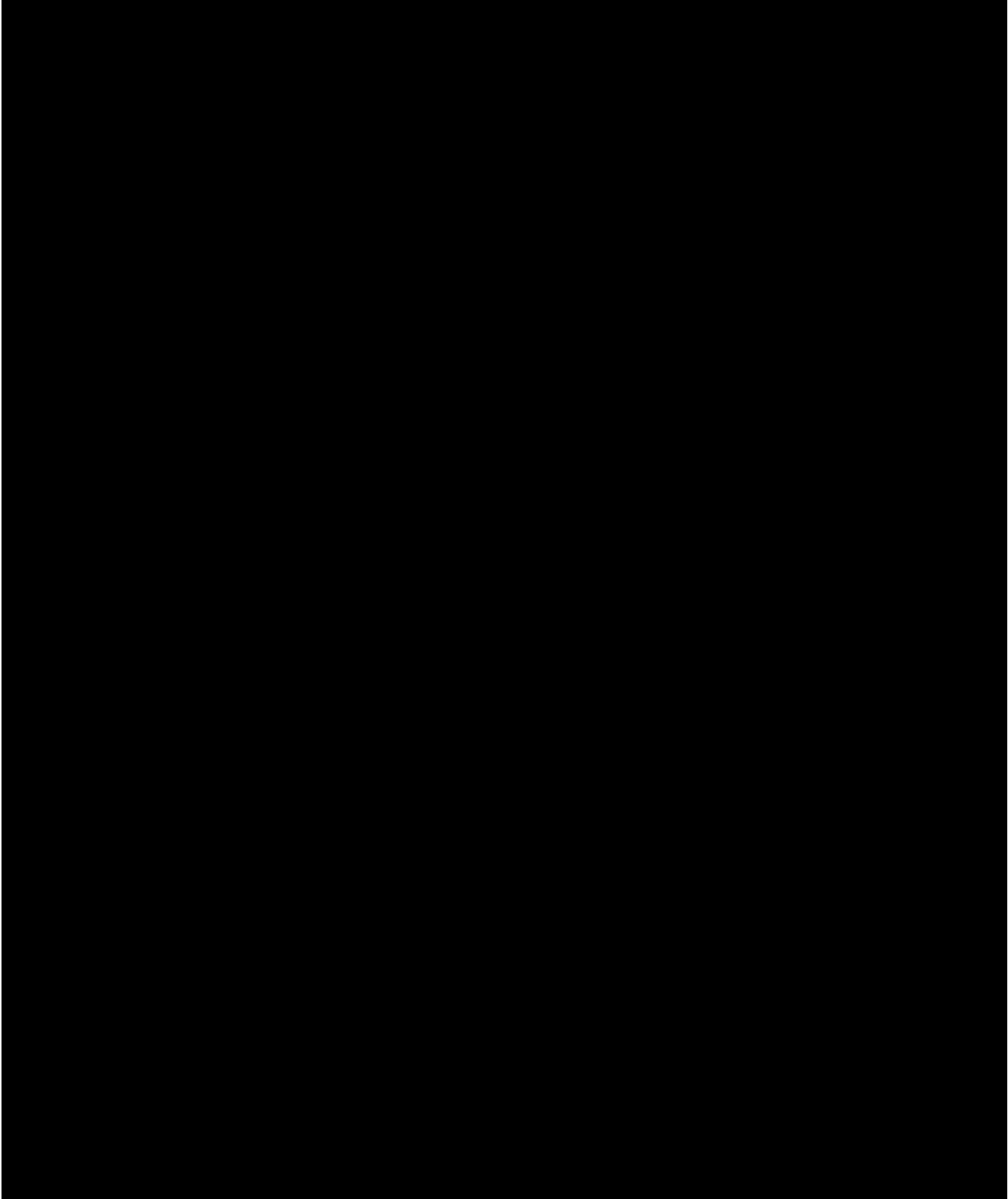


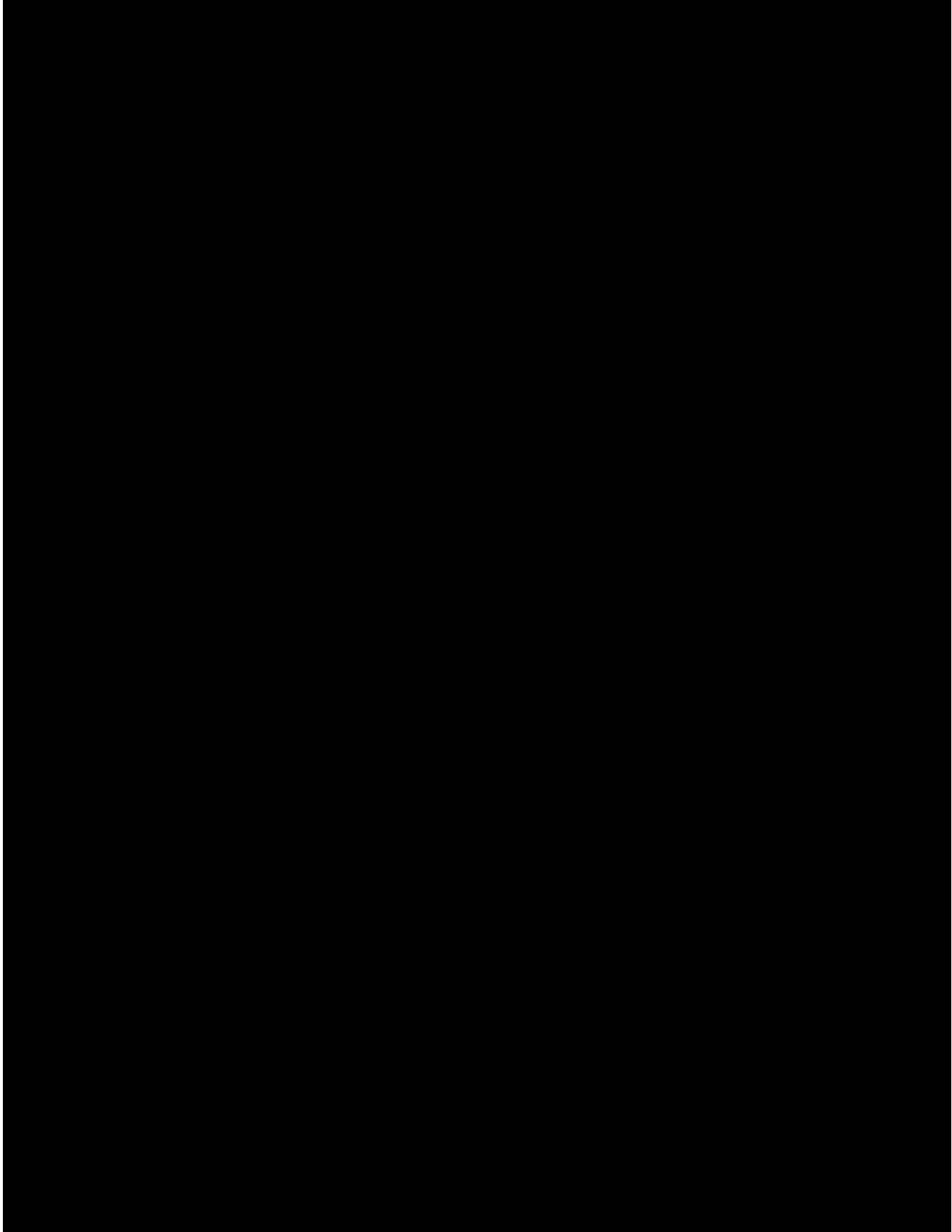


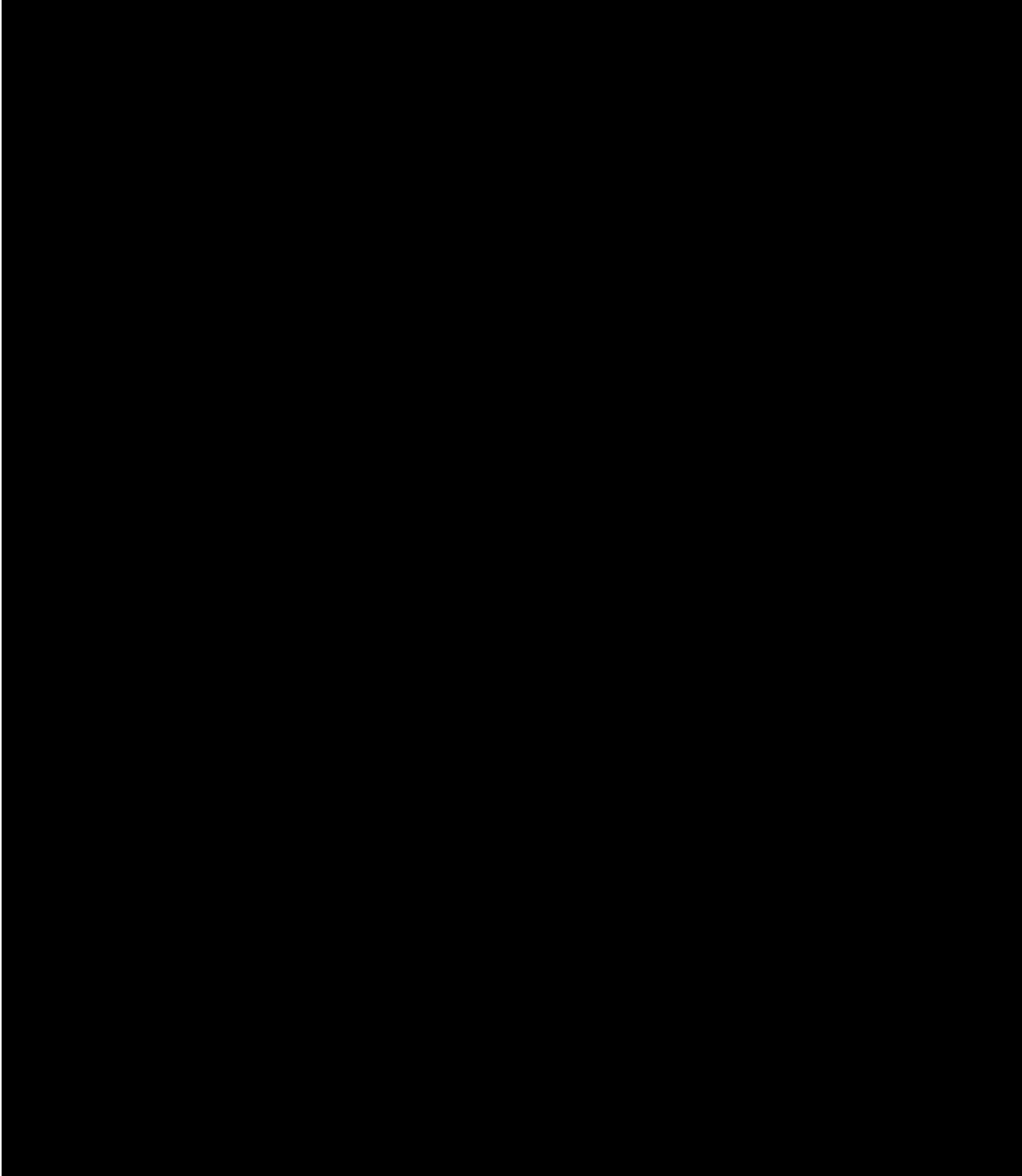
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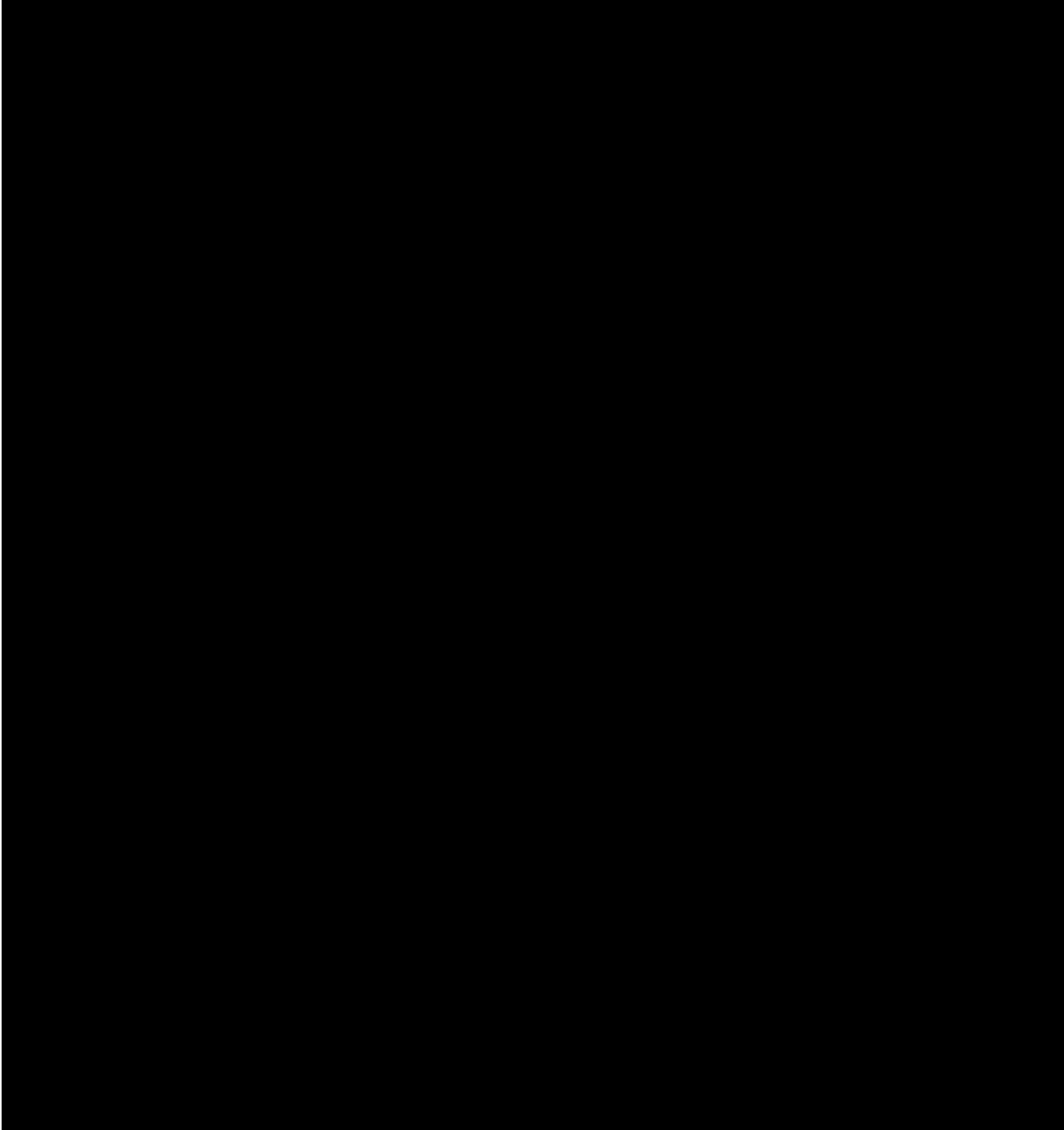


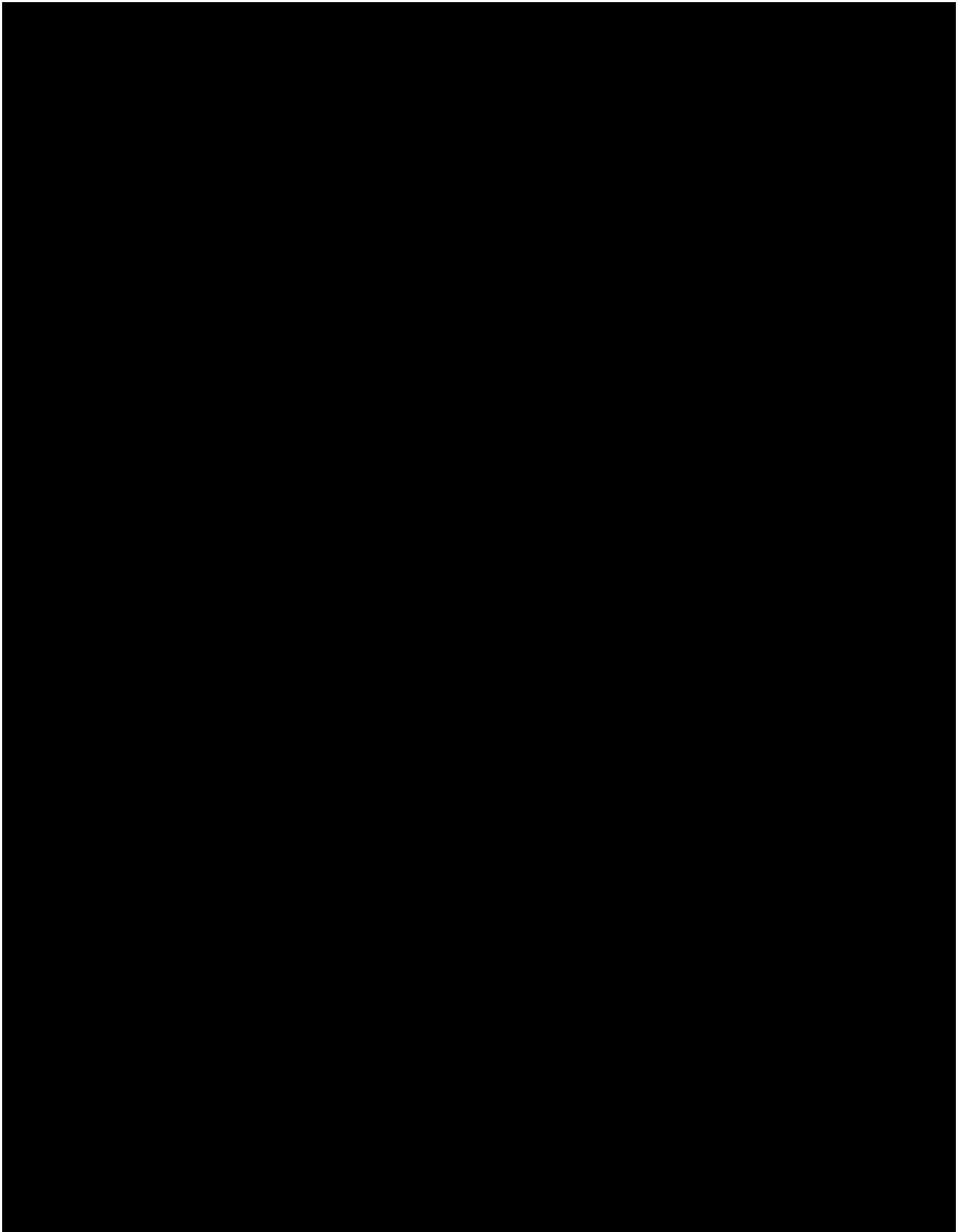


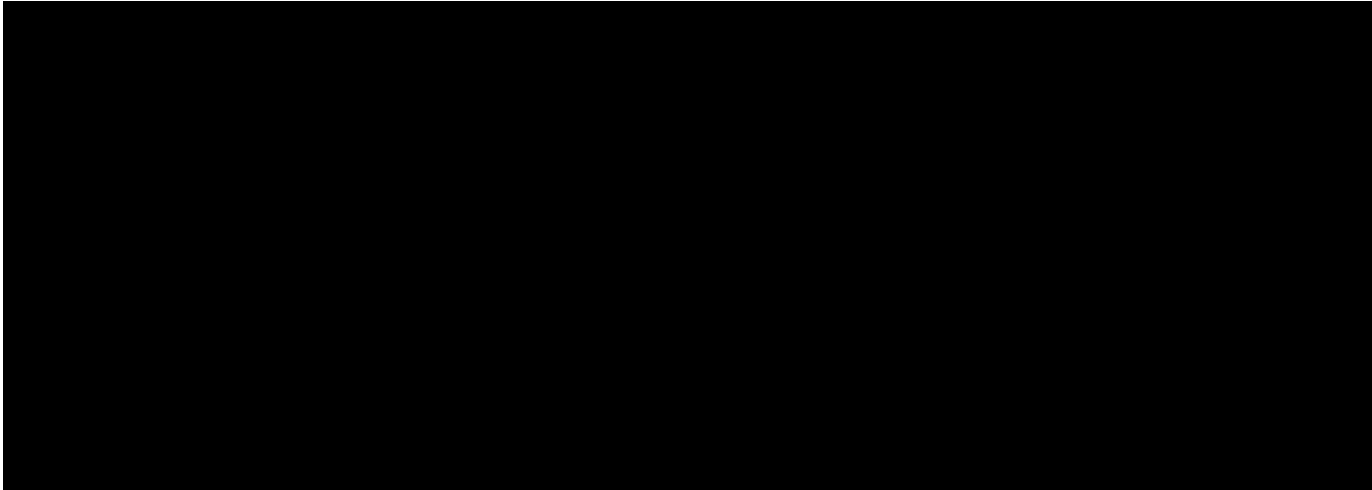




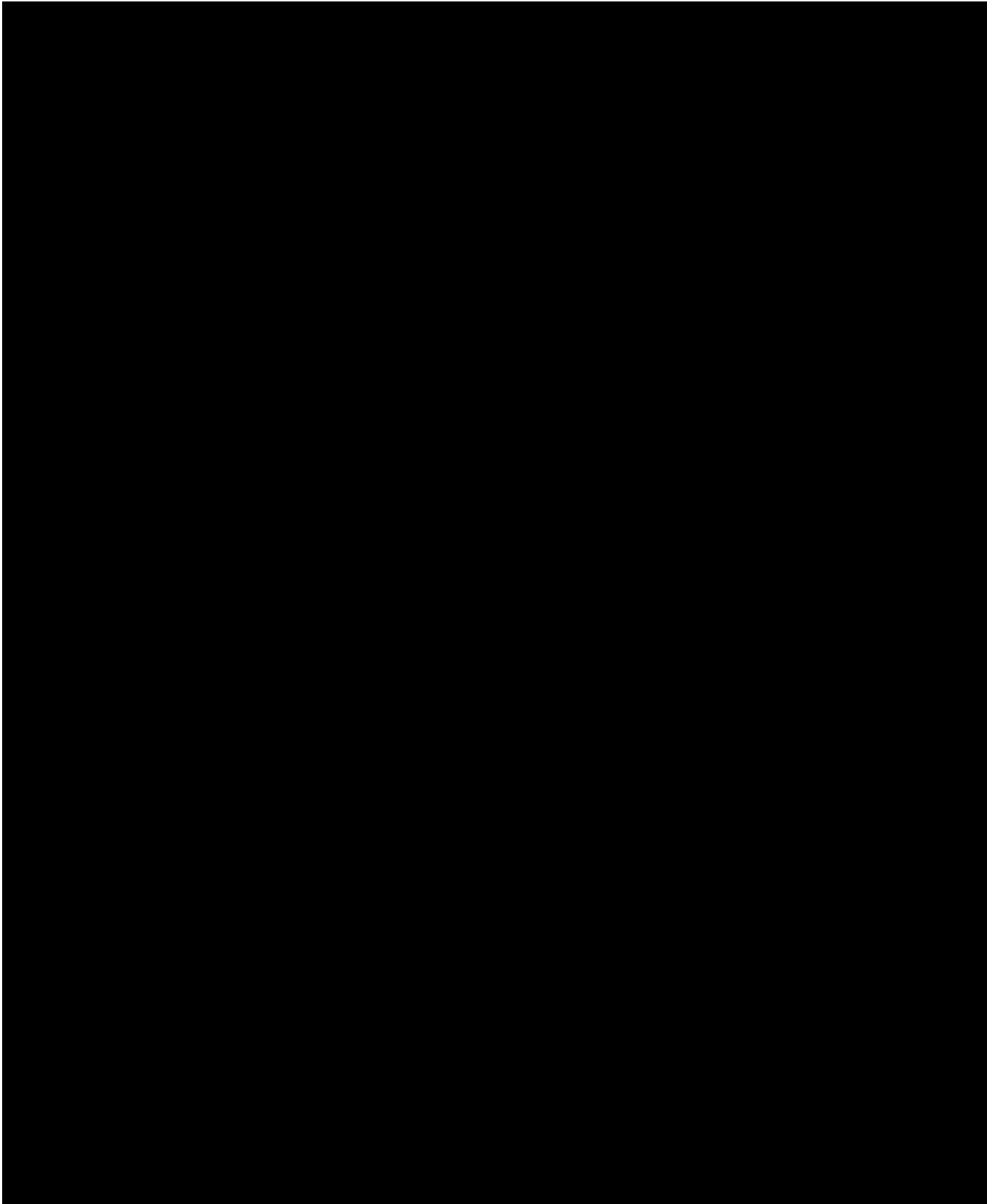


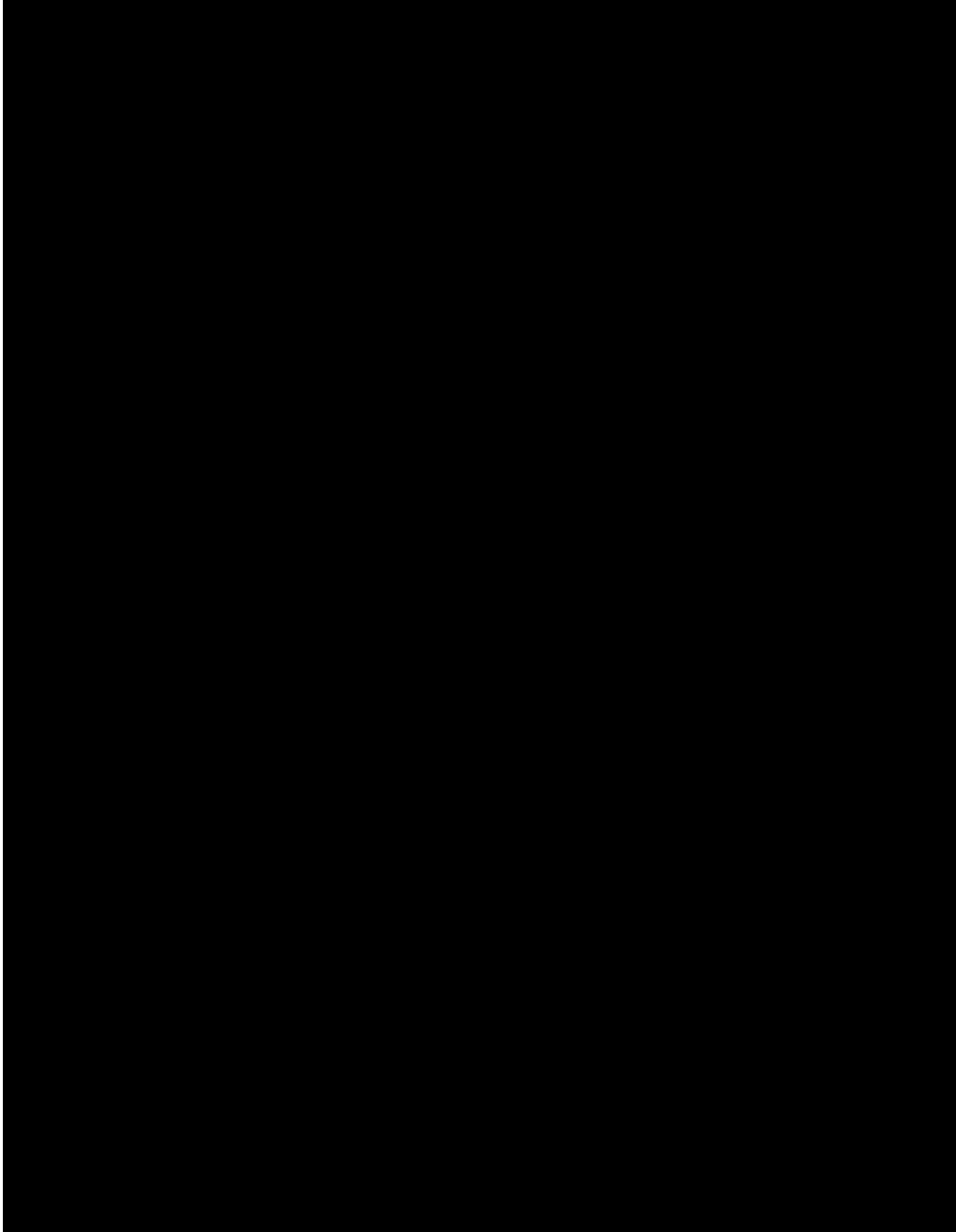


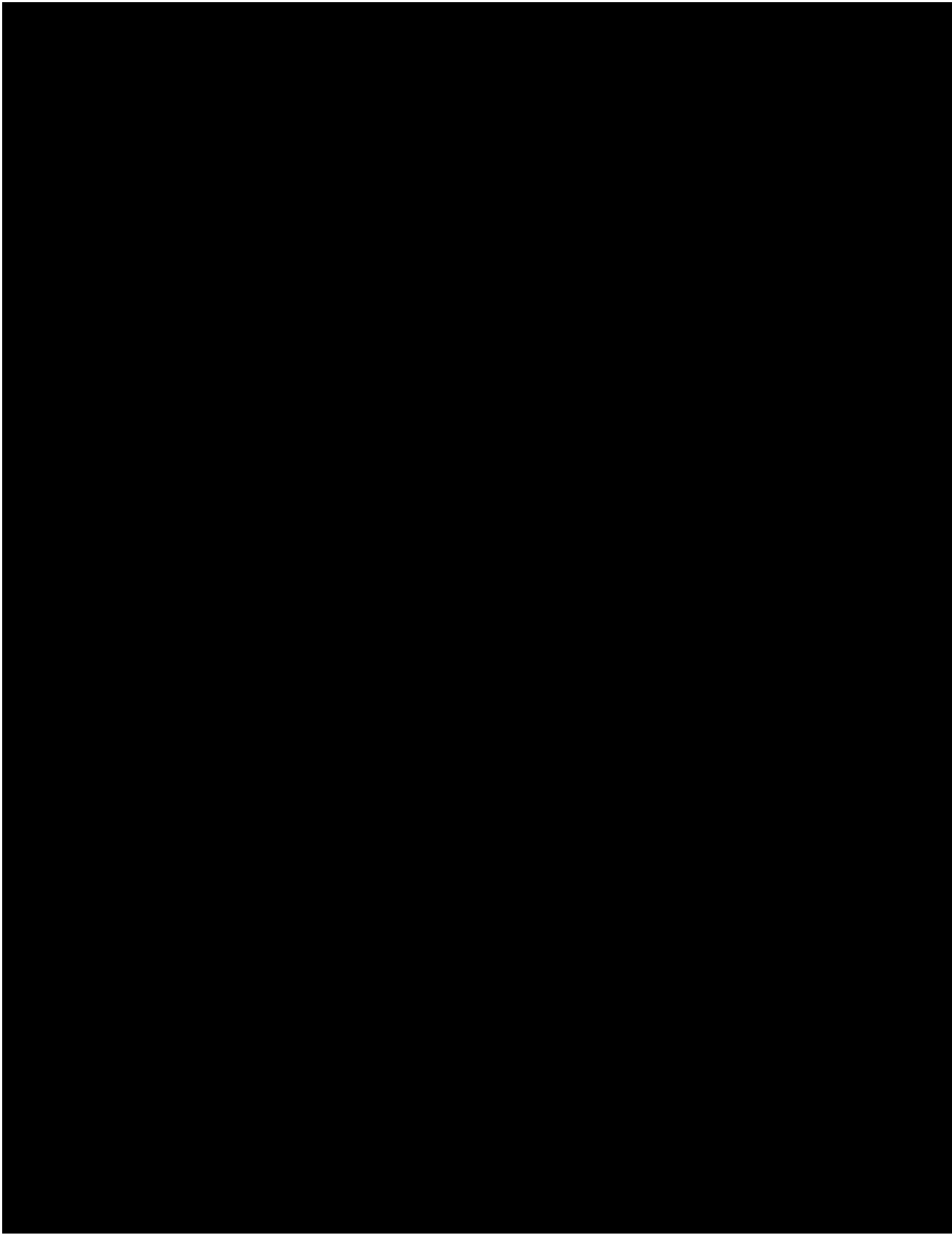


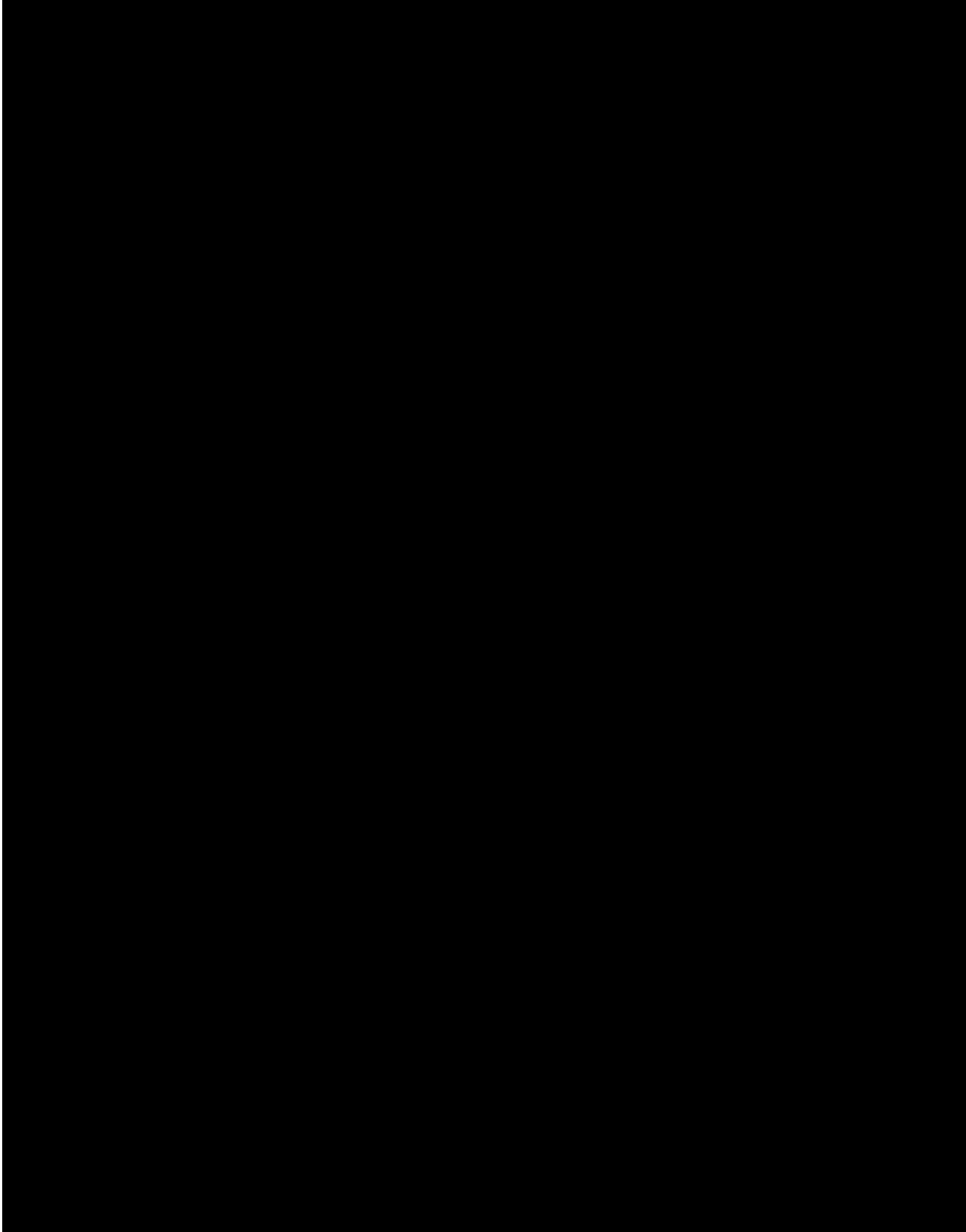


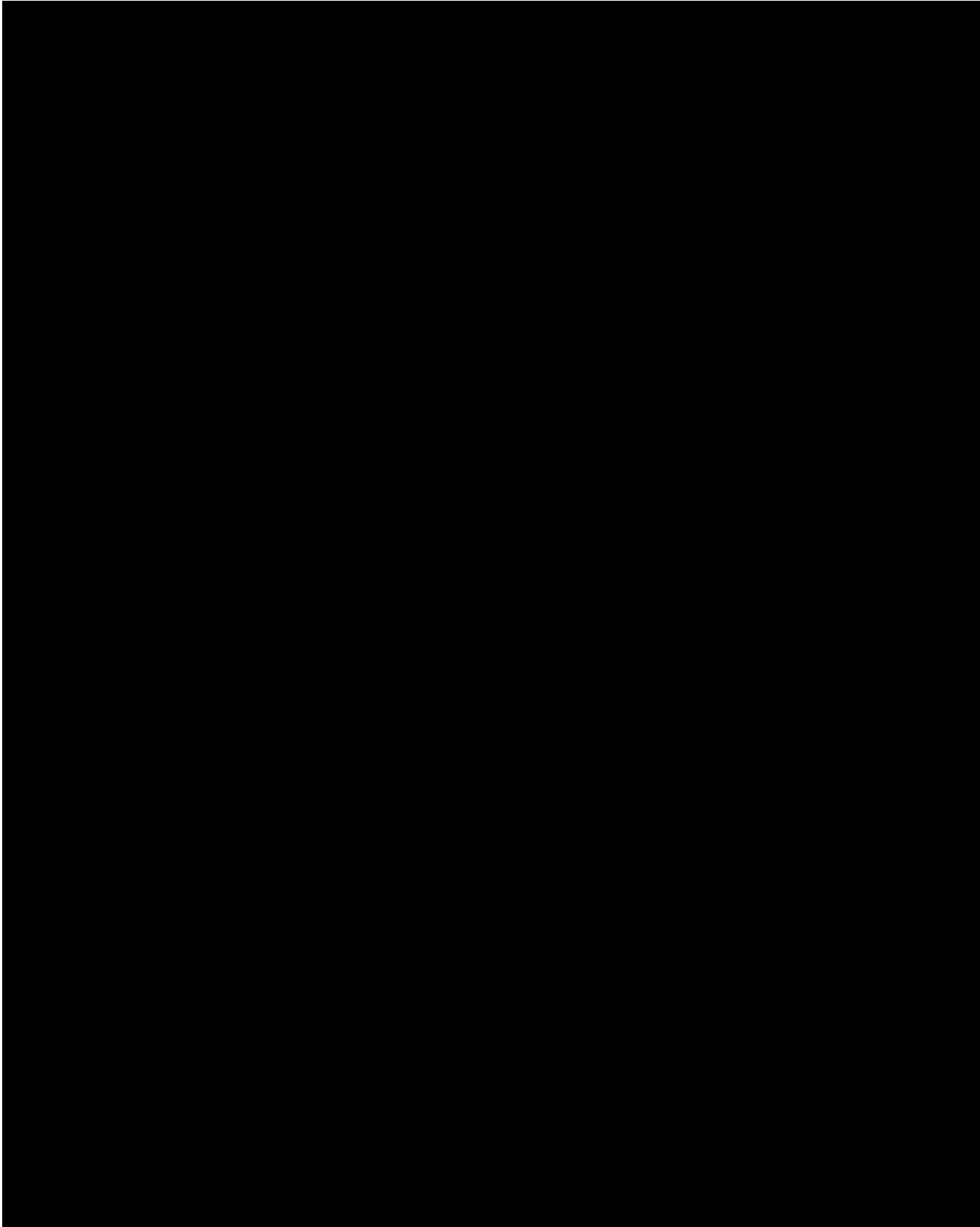
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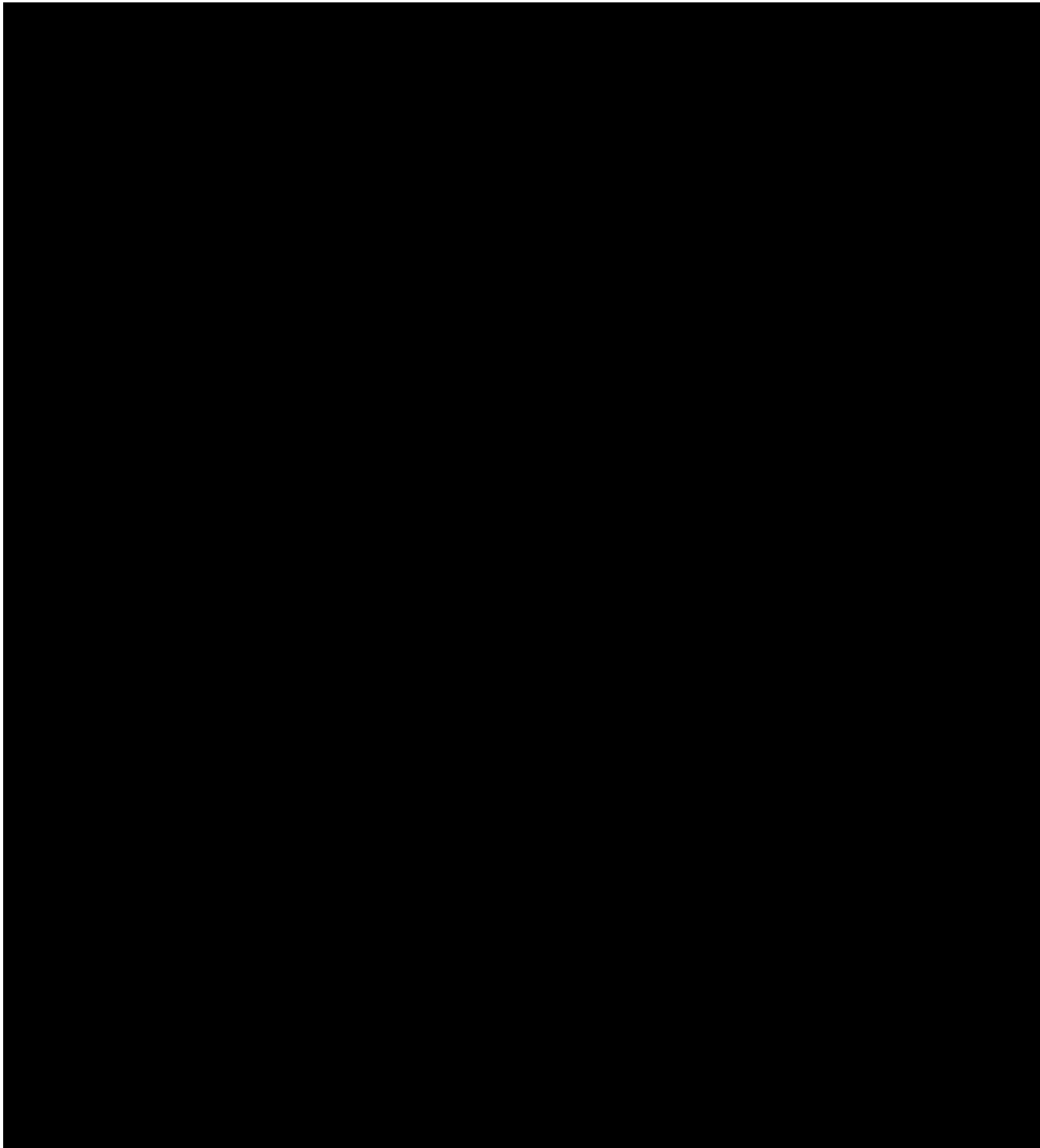












Corix Regulated Utilities (US) Inc.
Evaluation of Necessity of Services and
Reasonableness of Charges from
Water Services Corporation
During the 12 Months Ended December 31, 2019

April 2020

Corix Regulated Utilities (US) Inc.

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

Table of Contents

	<u>Page</u>
I – Executive Summary	1
Purpose of This Evaluation	
Evaluation Results	
II – Background	4
Description of Corix Infrastructure, Inc.	
Description of Water Services Corporation	
III – Evaluation Approach for Corix and WSC Services	16
Regulatory Requirements	
Baryenbruch & Company, LLC, Evaluation Methodology	
Interviews of Corix and WSC Personnel	
Benchmarking and Cost Comparison Groups	
IV – Necessity of Services	21
Question 1 – Prevalence of Services	
Question 2 – Benefits from Services	
Question 3 – Redundancy of Services	
Question 4 – Governance Structures and Processes	
V – Reasonableness of Services	34
Question 5 – Reasonableness of Charges	
Question 6 – Lower of Cost or Market Pricing	
Question 7 – Customer Accounts Services Cost Comparison	
Question 8 – Provision of Services at the Same Cost	

I – Executive Summary

Purpose of This Evaluation

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

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

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

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

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

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

Source: Company information

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

Necessity of Corix/WSC Support Services

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

Reasonableness of Corix/WSC Support Services

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

I – Executive Summary

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

Evaluation Results

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

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

I – Executive Summary

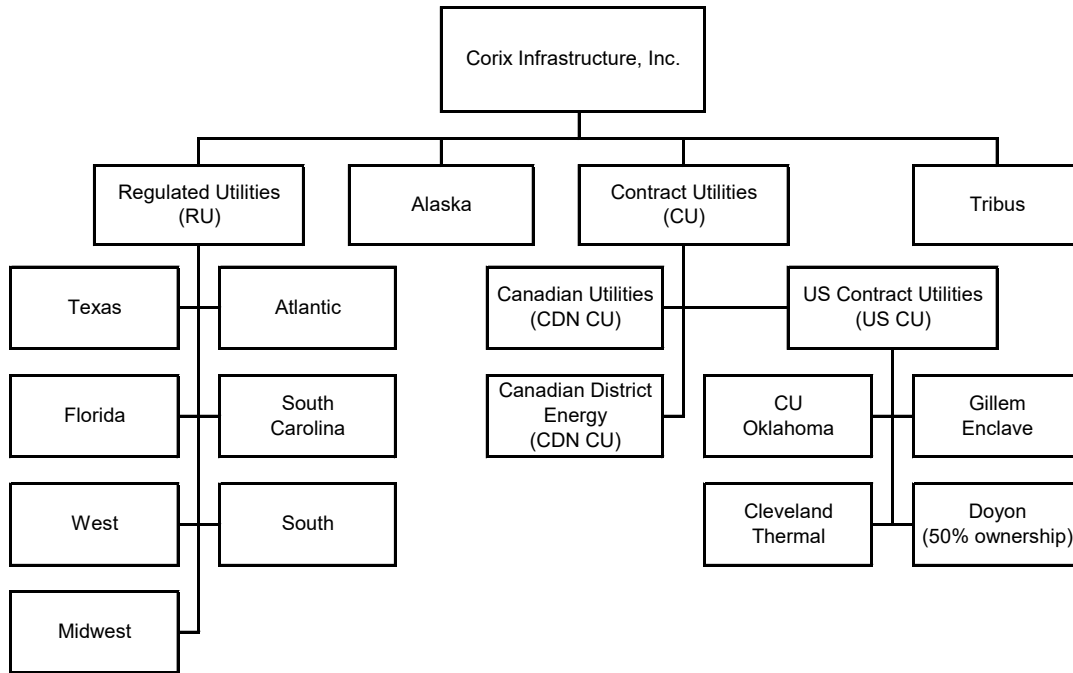
- Question 8: Services provided by WSC directly and as supported through Corix to all CRU US utilities are priced comparably, as evidenced by the following:
 - Separate books of accounts and records are maintained for WSC and Corix
 - WSC and Corix costs are allocated and assigned on a fully distributed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

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

II - Background

Description of Corix Infrastructure, Inc.

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



Source: Company Information

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

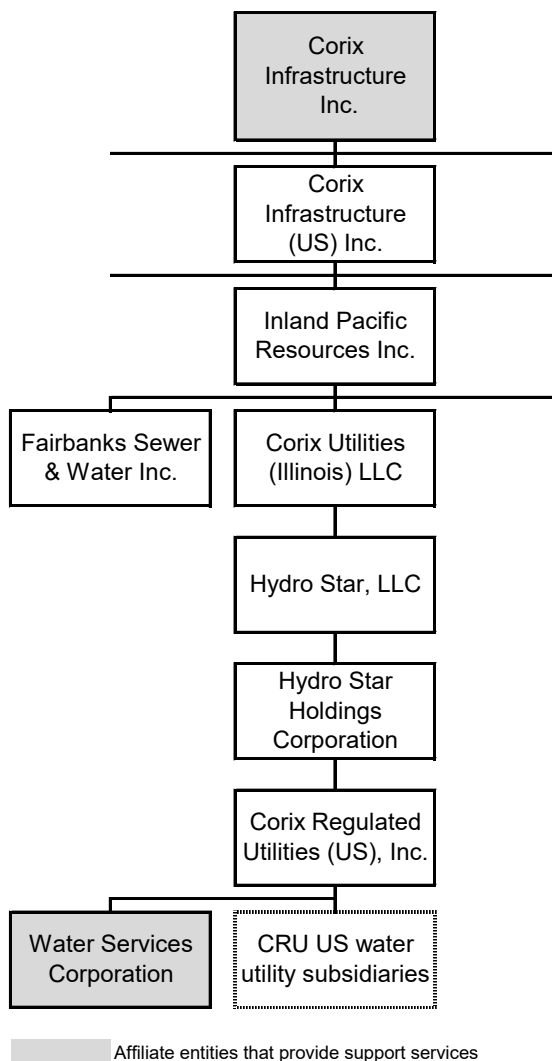
Corporate Office (CEO)	Health, Safety and Environmental
Finance	Corporate Communications
Human Resources	Corporate Development (these costs are currently not included in revenue requirement)
Information Technology	
Legal	Continuous Improvement

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

- British Columbia
- Alberta
- Ontario
- United States

Exhibit 1

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



Source: Company information

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

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

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

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

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

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

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

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

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

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

Source: Cost Allocation Manual

II - Background

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

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

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

Source: Company information

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

Exhibit 3

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

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

Source: Company information

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

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

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

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

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

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

Source: Standard WSC Affiliate Interest Agreement

III – Evaluation Approach for Corix and WSC Services

Regulatory Requirements

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

NARUC Guidelines

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

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

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

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

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

State Regulatory Commission Guidelines

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

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

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

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

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

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

III – Evaluation Approach for Corix and WSC Services

Baryenbruch & Company, LLC, Evaluation Methodology

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

Necessity of Corix/WSC Support Services

- Question 1 – Prevalence of Services

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

- Question 2 – Benefits from Services

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

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

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

- Question 3 - Redundancy of Services

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

III – Evaluation Approach for Corix and WSC Services

- Question 4 – Governance Structures and Processes

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

Reasonableness of Corix/WSC Support Services

- Question 5 – A&G Cost Comparison

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

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

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

- Question 7 – Customer Accounts Cost Comparison

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

- Question 8 – Provision of Services at the Same Cost

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

III – Evaluation Approach for Corix and WSC Services

Interviews of Corix and WSC Personnel

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

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

Benchmarking and Cost Comparison Groups

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

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

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

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

III – Evaluation Approach for Corix and WSC Services

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

Source: FERC Form 60

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

Regulated Utilities (total customer accounts services cost per customer)

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

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

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

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

IV – Necessity of Corix and WSC Services

Question 1 – Prevalence of Services

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

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

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

Exhibit 5

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

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

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

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

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

IV – Necessity of Corix and WSC Services

Question 2 – Benefits from Services

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

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

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

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

Question 3 – Redundancy of Services

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

IV – Necessity of Corix and WSC Services

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

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

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

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

Note A: Excludes Business Development charges

WSC Shared Services

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

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

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

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

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

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

Corix Regulates Utilities (US) Inc. Responsibility Matrix

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

Source: Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc. Responsibility Matrix

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

Source: Baryenbruch & Company, LLC, analysis

Corix Regulates Utilities (US) Inc. Responsibility Matrix

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

Source: Baryenbruch & Company, LLC, analysis

IV – Necessity of Corix and WSC Services

Question 4 – Governance Structures and Processes

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

Management Oversight

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

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

Audit Review

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

IV – Necessity of Corix and WSC Services

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

Budgeting

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

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

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

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

Variance Analysis

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

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

IV – Necessity of Corix and WSC Services

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

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

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

Accounting Controls/Transaction Validation

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

Cost Allocation Manual

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

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

V – Reasonableness Charges for Corix and WSC Services

Question 5 – Reasonableness of Charges

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

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

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

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

Corix/WSC Administrative and General Charges per Customer

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

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

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

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

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

V – Reasonableness Charges for Corix and WSC Services

Comparison Group Administrative and General Charges per Customer

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

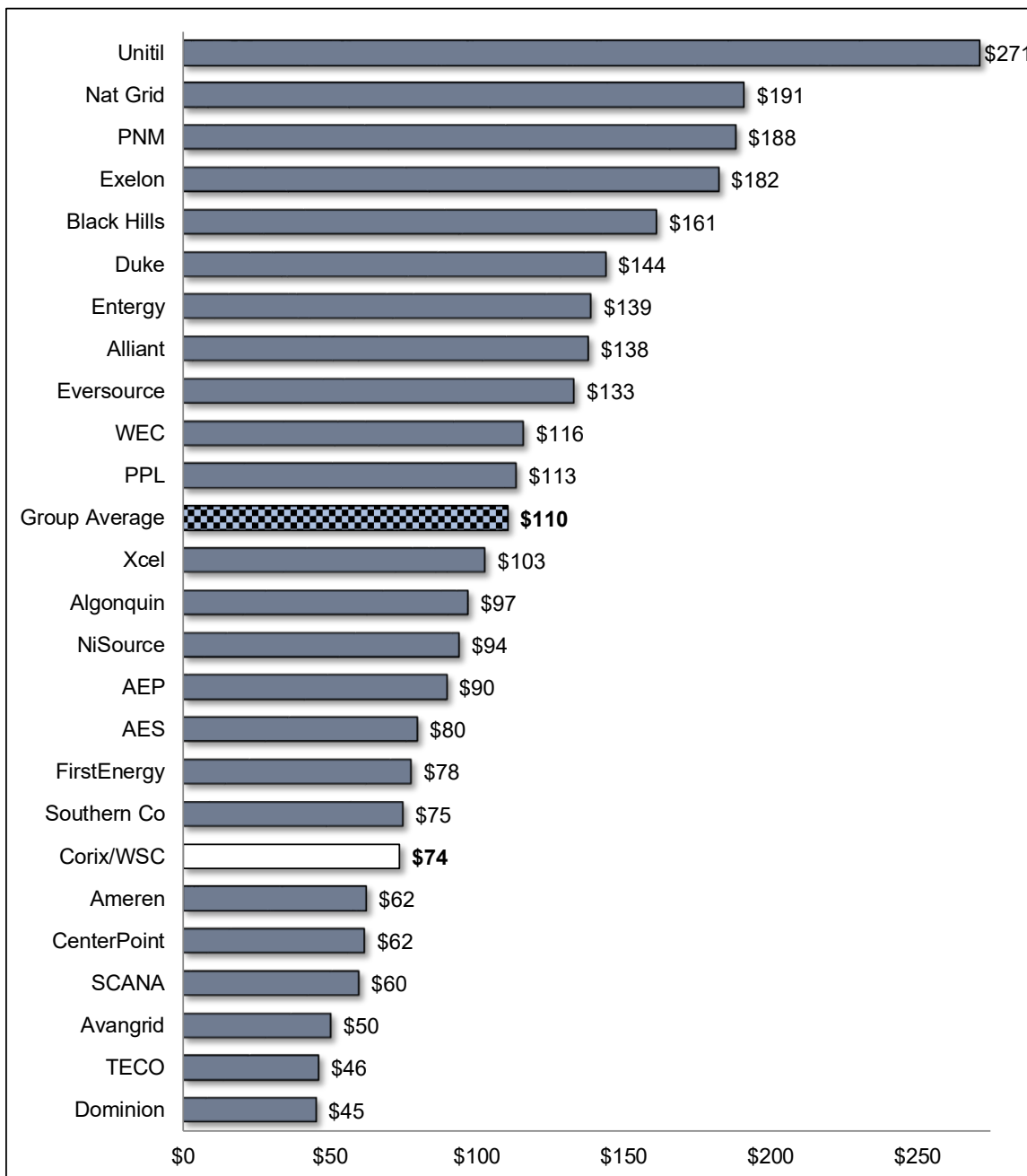
Utility Company	2018 Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Customer
AEP	\$484,049,781	5,400,000	\$ 90
AES	\$60,595,090	760,363	\$ 80
Algonquin	\$58,060,459	599,000	\$ 97
Alliant	\$190,233,088	1,380,688	\$ 138
Ameren	\$205,559,876	3,300,000	\$ 62
Avangrid	\$160,829,920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

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

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

Exhibit 9

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



V – Reasonableness Charges for Corix and WSC Services

Question 6 – Lower of Cost or Market Pricing

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

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

Corix/WSC Hourly Rates

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

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

V – Reasonableness Charges for Corix and WSC Services

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

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

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

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

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

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

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

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

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

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

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

Exhibit 11

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

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

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

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

Exhibit 12

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

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

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

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

V – Reasonableness Charges for Corix and WSC Services

Outside Service Provider Hourly Rates

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

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

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

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

Management Consultants

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

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

Certified Public Accountants

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

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

V – Reasonableness Charges for Corix and WSC Services

Information Technology Consultants

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

Exhibit 13

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

Survey billing rates in effect in 2018 (Note A)

A. Calculation of Average Hourly Billing Rate by Consultant Position

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

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)	\$ 217	\$ 244	\$ 303	\$ 461	\$ 540	
Percent of Consulting Assignment	30%	30%	25%	10%	5%	Weighted Average
	\$ 65	\$ 73	\$ 76	\$ 46	\$ 27	\$ 287

Escalation to 2019 Midpoint (June 30, 2019)

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

Note A: Source is ALM Intelligence

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

Exhibit 14

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

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

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

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

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

Exhibit 15

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

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

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

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

V – Reasonableness of Corix and WSC Services

Comparison of Hourly Rates

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

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

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

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

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

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

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

V – Reasonableness of Charges for Corix and WSC Services

Question 7 – Customer Accounts Services Cost Comparison

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

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

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

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

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

Comparison Group

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

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

Corix Regulates Utilities (US) Inc.
FERC Account Descriptions

903 – Customer Records and Collection Expenses

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

Labor

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

Materials and expenses

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

905 – Miscellaneous Customer Accounts Expenses

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

Labor

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

Materials and expenses

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

V – Reasonableness of Charges for Corix and WSC Services

WSC's Cost per Customer

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

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

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

Electric Utility Group Cost per Customer

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

Summary of Results

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

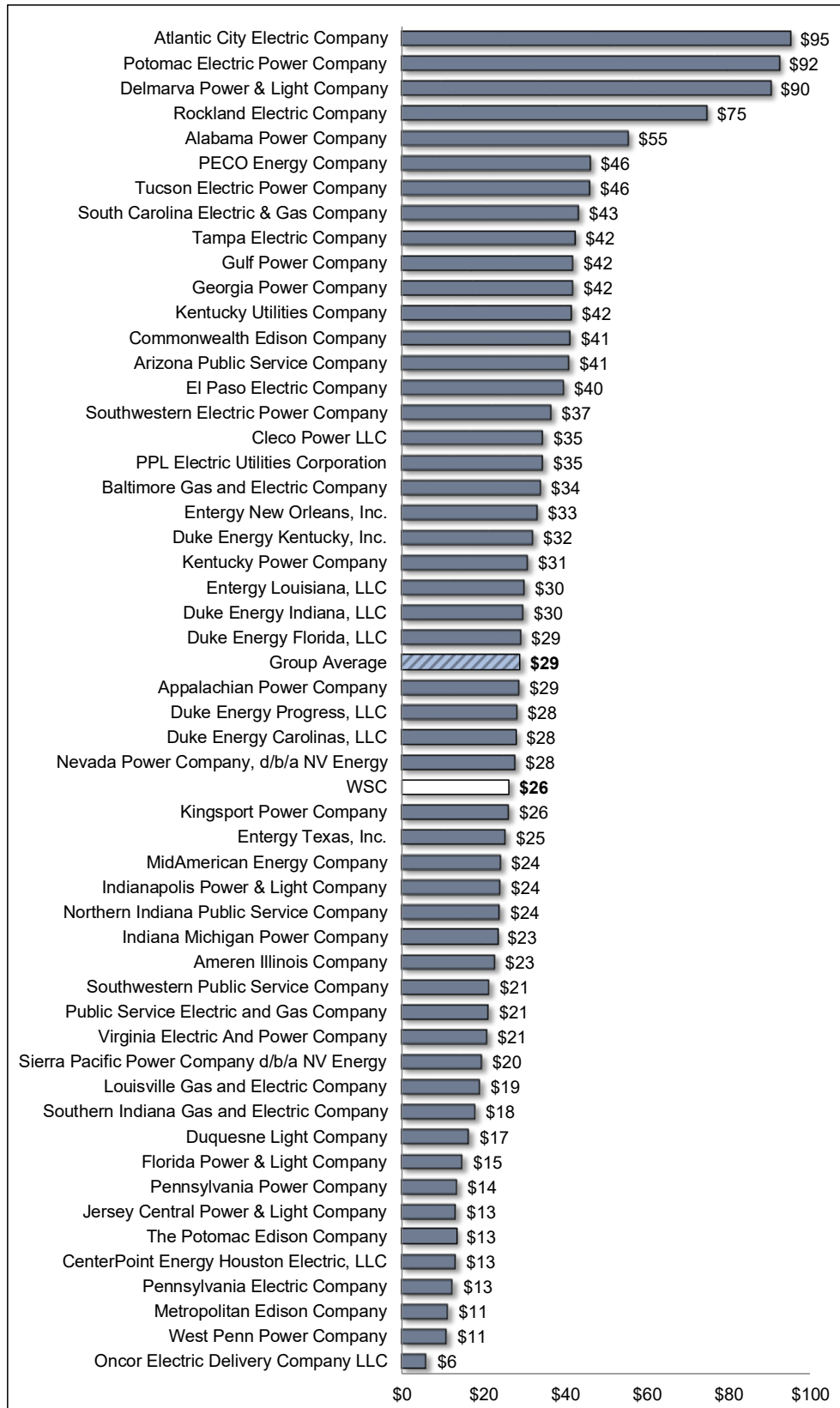
Exhibit 17

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

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

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

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



V – Reasonableness of Charges for Corix and WSC Services

Question 8 – Provision of Services at the Same Cost

Financial Systems Descriptions - Corix

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

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

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

Financial Systems Descriptions – WSC

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

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

V – Reasonableness of Charges for Corix and WSC Services

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

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

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

Cost Allocation

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

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

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

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

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

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

Exhibit 19

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

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

Tier 1 Allocation of Corix Indirect Expenses (B)

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

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

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

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

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

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

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

attributed to it for purposes of calculating its composite allocator.

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

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

Calculation of 2019 Composite Allocation for Tier 1 Allocation

(USD)

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

Overall Weighted Average

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

Tier 1 Allocation of 2019 Corix Corporate Services Charges

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

Calculation of 2019 Recoverable Charges to CRU US Utilities

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

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

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

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

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

V – Reasonableness of Charges for Corix and WSC Services

Baryenbruch & Company, LLC, Evaluation

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

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

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

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

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