

COMMONWEALTH OF PENNSYLVANIA



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May 11, 2023

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Re: Application of Community Utilities of Pennsylvania  
Inc. for Approval of a Merger of Equals Transaction  
Docket Nos. A-2022-3036744 (Wastewater)  
A-2022-3036745 (Water)

Dear Secretary Chiavetta:

Consistent with 52 Pa. Code § 5.412a of the Commission's regulations, which requires the electronic submission of pre-served testimony, and per Administrative Law Judge Long's attached Interim Order Granting Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record dated May 1, 2023, enclosed for electronic filing please find the following Pre-Served Testimony on behalf of the Office of Consumer Advocate (OCA) in this matter.

OCA Statement 1: Direct Testimony of Morgan N. DeAngelo, Appendices A through H

OCA Statement 1SR: Corrected Surrebuttal Testimony of Morgan N. DeAngelo

OCA Exhibit D-1: Stipulated Updated Discovery Responses to OCA Set 1-1 and 1-2

All testimony and exhibits are accompanied by a witness verification. The OCA's submission also addresses the requirements of the Commission's January 10, 2013 Implementation Order at Docket M-2012-2331973, which requires electronic access to pre-served testimony.

Rosemary Chiavetta, Secretary  
May 11, 2023  
Page 2

All parties and the presiding officer have been served previously with the testimony and exhibits. Copies of this letter have been served per the attached Certificate of Service.

Respectfully submitted,



Erin L. Gannon  
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Enclosures:

cc: The Honorable Mary D. Long (cover letter and Certificate of Service only - **via email only**)  
Certificate of Service

\*345940

CERTIFICATE OF SERVICE

Application of Community Utilities of :  
PA Inc., for Certificates of Public Convenience :  
under Sections 1102(1)(3) and 1103 of the : Docket Nos. A-2022-3036744 (Wastewater)  
Public Utility Code and All Other Approvals : A-2022-3036745 (Water)  
Necessary Under the Public Utility Code for :  
Approval of a Merger of Equals Transaction :

I hereby certify that I have this day served a true copy of the foregoing document, Cover Letter stating the Office of Consumer Advocate has electronically filed its Pre-Served Testimony, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below. The document was filed electronically on the Commission's electronic filing system.

Dated this 11<sup>th</sup> day of May 2023.

**SERVICE BY E-MAIL ONLY**

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Dated: May 11, 2023

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Community Utilities of	:	A-2022-3036744
Pennsylvania Inc., for Certificates of Public	:	A-2022-3036745
Convenience under Sections 1102(a)(3) and	:	
1103 of the Public Utility Code And All	:	
Other Approvals Necessary Under the	:	
Public Utility for Approval of a Merger	:	
Of Equals Transaction	:	

**INTERIM ORDER  
GRANTING JOINT STIPULATION FOR ADMISSION  
OF TESTIMONY AND EXHIBITS INTO THE EVIDENTIARY RECORD**

On November 9, 2022, Community Utilities of Pennsylvania, Inc. (CUPA) filed an Application for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction (Joint Application). CUPA seeks Commission approval for a change of indirect control of CUPA - Water and Wastewater Divisions as a result of the proposed merger of SW Merger Acquisition Corp. (SWMAC) and Corix Infrastructure (US) Inc. (Corix US) and the creation of Intermediate Newco, a holding company that will be a subsidiary of the newly merged SWMAC and Corix US (with Corix US being the surviving entity) and will acquire indirect control of CUPA (Proposed Transaction). The Office of Consumer Advocate (OCA) and Office of Small Business Advocate (OSBA) filed protests.

I convened a prehearing conference on February 2, 2023. The parties agreed to a litigation schedule which included the exchange of written testimony and set the evidentiary hearing for April 27, 2023. By email on April 25, 2023, the Parties notified me that no party had any cross-examination for any witness and requested that I cancel the April 27, 2023 hearing. I granted the request. On April 27, 2023, the Parties filed a Joint Petition for Stipulation for

Admission of Testimony and Exhibits into the Evidentiary Record. The Joint Stipulation was signed by all Parties. The Parties also included verifications by each witness offering testimony in this proceeding. All Parties agreed to the authenticity of the identified evidence. All Parties further stipulated that certain attachments to the Joint Applications should be designated as “Highly Confidential” and protected from the public record.

The Joint Petition will be granted as set forth in the ordering paragraphs below.

THEREFORE,

IT IS ORDERED:

1. That the April 27, 2023, Joint Stipulation and the Testimony and Exhibits is granted.

2. That the following written testimony statements, accompanying exhibits and appendices, and respective executed verifications are hereby admitted into the record of this proceeding on the terms and conditions set forth in the Joint Stipulation:

**Community Utilities of Pennsylvania, Inc.**

Direct Testimony

A. Prepared Direct Testimony of Dana Hill (CUPA Statement No. 1)

B. Prepared Direct Testimony of Ellen Lapson, CFA (CUPA Statement No. 2) and Exhibit EL-1

C. Prepared Direct Testimony of Steven M. Lubertozzi (CUPA Statement No. 3) and Exhibit SML-1

D. Prepared Direct Testimony of Brian D. Bahr (CUPA Statement No. 4)

Rebuttal Testimony

A. Prepared Rebuttal Testimony of Dana Hill (CUPA Statement No. 1R)

B. Prepared Rebuttal Testimony of Steven M. Lubertozi (CUPA Statement No. 3R)

C. Prepared Rebuttal Testimony of Brian D. Bahr (CUPA Statement No. 4R)

Rejoinder Testimony

A. Prepared Rejoinder Testimony of Steven M. Lubertozi (CUPA Statement No. 3RJ)

Other Evidence

A. Application of Community Utilities of Pennsylvania Inc. (Public Version) including all Appendices and Attachments thereto (filed November 9, 2023).

B. Confidential Attachments to Application of Community Utilities of Pennsylvania Inc. – Appendix A, Confidential Exhibit A and Appendix I, Exhibit D (filed November 9, 2023).

**Office of Consumer Advocate**

Direct Testimony

A. Direct Testimony of Morgan N. DeAngelo (OCA Statement 1)

Surrebuttal Testimony

A. Surrebuttal Testimony of Morgan N. DeAngelo (OCA Statement 1SR) Corrected and served April 27, 2023

Other Evidence

A. OCA Exhibit D-1 Stipulated Updated Discovery Responses

3. That copies of the testimony and exhibits identified above be filed with the Secretary's Bureau of the Commission within 10-days of the entry of this order. **A copy of this order should be included with the filing.** 52 Pa. Code § 5.412a.

4. That all filings designated as “Highly Confidential” be filed separately and placed in non-public folders by the Secretary’s Bureau of the Commission.

Date: May 1, 2023

\_\_\_\_\_  
/s/  
Mary D. Long  
Administrative Law Judge

**A-2022-3036744 A-2022-3036745 - Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction**

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Community Utilities of :  
Pennsylvania, Inc. for Certificates of Public :  
Convenience under Sections 1102(a)(3) and : Docket Nos. A-2022-3036744  
1103 of the Public Utility Code and All Other : A-2022-3036745  
Approvals Necessary Under the Public Utility :  
Code for Approval of a Merger of Equals :  
Transaction :

Direct Testimony  
of  
**Morgan N. DeAngelo**

on Behalf of  
the Pennsylvania Office of Consumer Advocate

March 16, 2023

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1           **Introduction**

2   **Q.    Please state your name, business address and occupation.**

3   A.    My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum  
4           Place, 5<sup>th</sup> Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a  
5           Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6   **Q.    Please describe your educational background and qualifications to provide  
7           testimony in this case.**

8   A.    I have a Master’s Degree in Business Administration and a Bachelor of Business  
9           Administration Degree, with a concentration in Finance and a minor in Accounting from  
10          Wilkes University. My educational background and qualifications are further described in  
11          Appendix A.

12 **Q.    On whose behalf are you testifying in this proceeding?**

13 A.    I am testifying on behalf of the OCA.

14 **Purpose of Direct Testimony**

15 **Q.    What is the purpose of your Direct Testimony in this proceeding?**

16 A.    The purpose of my Direct Testimony is to provide my recommendations regarding the  
17          Application of Community Utilities of Pennsylvania Inc.(CUPA or the Company) for  
18          Certificates of Public Convenience under Sections 1102(a)(3) and 1103 for the approval  
19          of a Merger of Equals Transaction between Corix Infrastructure US, Inc. (Corix US) and  
20          SW Merger Acquisition Corp. (SWMAC).

1 **Q. Please describe the general nature of the proposed Application.**

2 A. CUPA seeks approval of a proposed merger of SWMAC and Corix US. SWMAC will  
3 merge with and into Corix US, with Corix US being the surviving entity. Currently,  
4 CUPA is 100% owned by Corix US and Corix US is 100% owned by Corix  
5 Infrastructure Inc. (CII). (Application p. 2, Figure 1). After consummation of the  
6 proposed transaction, (1) CUPA will be 100% owned by a new holding company  
7 (Intermediate Newco) that will be 100% owned by Corix US and (2) Corix US will be  
8 50% owned by CII and 50% owned by SWMAC Holdco (an entity that will be formed by  
9 SWMAC's shareholders before closing). (Application p. 3, Figure 2, p. 7, ¶ 11).

10 **Q. What issues are you addressing in this case?**

11 A. I am providing an analysis of whether the transaction, if approved, would provide  
12 affirmative public benefits.

13 **Benefits Claimed by Applicant**

14 **Q. What public benefits are claimed by the Applicant?**

15 A. CUPA witness Dana Hill believes "The sharing of prudent practices increases a  
16 company's knowledge base and enables improved decision-making through enhanced  
17 efficiency and competence" (CUPA Statement No. 1, p. 8, lines 10-11). Additionally, she  
18 indicated "The merger will result in the companies combining into a larger company that  
19 will benefit customers in Pennsylvania and will enable more advantageous, significant,  
20 long-term investments needed to continue providing high-quality water and wastewater  
21 services" (CUPA Statement No. 1, p. 9, lines 12-14).

1 **Q. Do any other witnesses discuss affirmative public benefits in their testimony?**

2 A. Yes. In CUPA Statement No. 3, witness Steven Lubertozi addresses affirmative public  
 3 benefits. On pages 13-15 of his testimony, Mr. Lubertozi addressed the transaction will  
 4 have benefits including (1) diversity and depth of resources; (2) combining two boards of  
 5 directors and two executive leadership team into a single team will reduce costs; (3)  
 6 increased financial resources and flexibility; (4) improved efficiency and the integration  
 7 of administrative and general functions should result in cost savings; and (5) CUPA will  
 8 continue to be locally managed.

9 **Q. What commitments do the combining companies make?**

10 A. In addition to those mentioned above, the combining companies commit that CUPA will  
 11 continue to provide high-quality water and wastewater utility services to its customers  
 12 (Application p. 18, ¶ 36.1), will not reduce its workforce related to the merger for 12  
 13 months post-closing, and will comply with requirements of the Public Utility Code  
 14 regarding issuing securities and entering any new affiliate interest/shared services  
 15 agreements (Application p. 18-19, ¶36.5, 36.10).

16 **Q. Has CUPA supported that the transaction will produce affirmative public benefits?**

17 A. No. The service received by customers will not change or improve as a result of the  
 18 claimed benefits and commitments. Also, while CUPA has made some commitments to  
 19 mitigate risk, it remains that customers could be harmed by the transaction, as filed. For  
 20 example, the Company does not commit to how long it will keep its headquarters in East  
 21 Stroudsburg or in Pennsylvania. The combining companies could reduce their workforce  
 22 related to the merger as soon as one year post-closing. The Commission should not  
 23 approve this Application without further requirements to protect the public because it

1 does not adequately mitigate risks associated with the changed control and there is no  
2 showing it will affirmatively benefit ratepayers.

3 **Q. Do you have any recommendations?**

4 A. Yes. If the Commission determines to approve this proposed merger, it should only be  
5 approved with the conditions discussed below and summarized in the last section of my  
6 testimony.

7 **Rate Impact**

8 **Q. Will the merger have an impact on rates?**

9 A. The Application indicates “The merger will have no immediate impact on the Company’s  
10 rates” (Application, p. 15, ¶ d). CUPA witness, Dana Hill, stated “CUPA will continue to  
11 operate and charge duly authorized rates under the terms of service previously approved  
12 by this Commission as a Pennsylvania public utility subject to continuing jurisdiction of  
13 the Commission” (CUPA Statement No. 1, p. 6, lines 7-9).

14 **Q. What specific cost savings are anticipated to result from the proposed transaction?**

15 A. The Applicant indicated “While the Proposed Transaction is not driven by net financial  
16 synergies, the combined companies anticipate that the merger will improve efficiency and  
17 the integration of administrative and general functions should result in cost savings”  
18 (Application p. 18, ¶ 36.4). However, the Applicant cautioned that integration will be  
19 “prolonged” and will also have costs. (Application p. 17 at 34). The Applicant has not  
20 quantified any cost savings that would occur as a result of the change in ownership or  
21 indicated whether possible savings would offset the expected costs.

1 **Other Potential Risks**

2 **Q. What other risks does the proposed transaction present?**

3 A. The Applicant indicated there would be no immediate change in rates it currently charges  
4 as a result of the transaction. The combining companies commit they will not seek to  
5 recover transaction costs from customers. (Application p. 18, ¶ 36.3). However,  
6 “transaction costs” are not defined so it is not clear whether customers are at risk for  
7 paying costs including termination fees, damages under Section 10.2(c) of the transaction  
8 agreement, acquisition adjustments, and Goodwill adjustments or financing for Goodwill,  
9 related to the proposed transaction.

10 Also, while CUPA commits to continue to provide high-quality water and wastewater  
11 utility services to its customers and says the transaction would improve its access to  
12 capital (Application p. 12, ¶ 32), it is concerning that CORIX US and SWMAC do not  
13 join in making that commitment. As a subsidiary, CUPA cannot access capital that is not  
14 provided by the corporate parents. Thus, the only means of effectuating additional access  
15 to capital is for CORIX US and SWMAC, as the merging entities, to commit to doing so.

16 **Q. How could these risks be mitigated?**

17 A. The risk of ratepayers bearing increased costs resulting from the transaction could be  
18 avoided by (1) defining transaction costs and including termination fees, damages,  
19 acquisition adjustments, Goodwill and financing for Goodwill and (2) specifying those  
20 costs will not be recorded on the books or included in the rates of the regulated public  
21 utility in any way, including but not limited to rate base, operating expenses, or capital  
22 structure.

1 The combining companies should commit that Corix US, SWMAC *and* CUPA should be  
 2 required to adequately fund and maintain the Company’s treatment, transmission and  
 3 distribution and collection systems and supply the service needs of its customers in  
 4 accordance with Pennsylvania statutory, regulatory and Commission requirements.

5 **Q. You mentioned that CUPA does not commit to how long it will keep its**  
 6 **headquarters in East Stroudsburg or in Pennsylvania. Why is that a concern and**  
 7 **what do you recommend?**

8 A. Because CUPA is the only public utility subsidiary of the combining companies that is  
 9 located in Pennsylvania, it is important for the combining companies to show their  
 10 commitment to Pennsylvania customers by committing to keep CUPA’s principal office  
 11 in Pennsylvania and in a location central to its operations (East Stroudsburg) for at least  
 12 three years after closing. If CUPA determines to relocate its principal office, it should  
 13 notify the Commission and parties to this proceeding in advance of that determination. I  
 14 recommend at least 45 days’ notice.

15 **Conditions to Create Affirmative Benefits**

16 **Q. You have discussed ways to protect customers from the risks of the transaction. Is**  
 17 **mitigating harm the same as affirmative benefits?**

18 A. No. The standard for approval under Section 1102 and 1103 is not “no harm.” The  
 19 transaction must provide affirmative public benefits.

20 **Q. Does CUPA currently have a stay out in place?**

21 A. Yes. In the Joint Petition for Full Settlement from CUPA’s 2021 Base Rate Case, Docket  
 22 No. R-2021-3025206, “The Company agrees that it will not file for a general increase

1 pursuant to 66 Pa C.S. § 1308(d) to water or wastewater base rates earlier than September  
2 30, 2023” (Settlement, p. 8, ¶ C.4).

3 **Q. Do you have any recommendations?**

4 A. Yes. CUPA customers experienced significant rate increases that took effect for service  
5 on and after January 12, 2022. Rates for a residential water customer with average usage  
6 in CUPA’s Tamiment service territory increased by 52%. Rates for a wastewater  
7 customer with average usage in CUPA’s Penn Estates and Utilities Inc. of Pennsylvania  
8 service territories increased by 35%. (Settlement, App. I at 14-15). If the proposed  
9 merger is approved, I recommend CUPA be required to extend its stay out for an  
10 additional 12 months after September 30, 2023, to September 30, 2024. The rate case stay  
11 out will ensure that CUPA customers will obtain a near-term financial benefit from the  
12 proposed transaction through the delay in recovery of transaction-related costs that could  
13 otherwise be included in base rates.

14 **Q. Are you aware of any current issues with CUPA’s rates or service?**

15 A. Yes. Currently, CUPA wastewater customers in its Utilities Inc. of Pennsylvania (UIP)  
16 service territory are charged flat rates for service. This was an issue raised in CUPA’s  
17 recent base rate case and addressed in the settlement that was approved by the  
18 Commission on January 13, 2022. CUPA agreed to reach out to the utility that provides  
19 water service to customers in the UIP service territory by February 14, 2022, to establish  
20 an ongoing arrangement to obtain monthly volumetric usage data for the purpose of  
21 proposing metered rates for its UIP wastewater customers in its next base rate filing. (R-  
22 2021-3025206, Settlement, p. 9, ¶ 10). However, that commitment to propose metered  
23 rates in the next base rate filing was based on CUPA obtaining the customer usage data

1 by March 1, 2023 in usable format. As of February 8, 2023, CUPA was still working to  
2 finalize an agreement with the UIP water service provider to obtain the data. CUPA's  
3 response to OCA Set I-4, with that status update, is attached to my testimony as  
4 Appendix B.<sup>1</sup> If CUPA did not receive the customer usage data by March 1, 2023, then it  
5 has no obligation to propose metered rates for UIP wastewater customers in its next base  
6 rate proceeding.

7 **Q. Do you have any recommendations?**

8 A. Yes. If the proposed merger is approved, I recommend it be conditioned on renewing the  
9 requirement that CUPA propose metered rates (made up of fixed and volumetric charges)  
10 in its next base rate proceeding. In the additional time provided by extending the stay out,  
11 CUPA can continue working with the UIP customers' water provider to finalize an  
12 agreement for them to provide customer usage data to support the proposed metered  
13 rates.

14 **Q. Are you aware of any other current issues with CUPA's rates or service?**

15 A. Yes. CUPA's call centers are located in North Carolina, Florida, and Illinois. In the 2021  
16 Base Rate Case, a concern was raised about difficulty reaching CUPA to ask questions.  
17 In rebuttal testimony in that proceeding, CUPA witness LaQuisha Parks explained that,  
18 previously, "if a CUPA customer called seeking support, it was possible that the  
19 customer would be directed to a Corix customer support representative located in any  
20 given Corix location. In contrast, now a CUPA customer will be directed to a customer

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<sup>1</sup> The parties conducted discovery informally but CUPA has agreed that the information provided in its responses can be treated as if it was provided in response to formal discovery. CUPA's sponsoring witnesses provided verifications that are included in the Appendices.

1 service representative responsible for customers in PA” (R-2021-3025206, CUPA  
2 Statement No. 8-R, p. 4, lines 8-10). This is noted in CUPA’s response to OCA Set II-2  
3 in this proceeding, which is attached to my testimony as Appendix C.

4 **Q. Do you have any recommendations?**

5 A. Yes. CUPA has agreed to continue the current process where, when CUPA customers  
6 contact customer service, they are directed to a customer service representative  
7 responsible for customers in Pennsylvania. If the proposed merger is approved, CUPA’s  
8 commitment should be a condition of such approval. As discussed, the call centers that  
9 service CUPA customers are not located in Pennsylvania. It is important the customer  
10 service representatives are familiar with Pennsylvania-specific rights and protections and  
11 that should not change as a result of the merger.

12 **Q. Do you have any other concerns about CUPA’s quality of service?**

13 A. Yes. Between January 2022 and January 2023, CUPA recorded 63 complaints from water  
14 and wastewater customers in the Tamiment service territory. The complaints concerned a  
15 variety of issues, including water quality, high and low pressure, outages, water and  
16 sewer breaks, and problems characterized as “general investigation” and  
17 “miscellaneous”. CUPA’s response to OCA Set II-4 provides CUPA’s summary of the  
18 complaints and is attached to my testimony as Appendix D.

19 **Q. Do you have any recommendations?**

20 A. Yes. If the proposed merger is approved, CUPA should be required to hold a customer  
21 meeting in the Tamiment service territory within 60 days after entry of an order in this

1 proceeding. The meeting should be open to the public and allow for in-person and virtual  
2 participation.

3 CUPA should work with the Glen at Tamiment Property Owners Association (POA) to  
4 schedule the date, time, and location of the meeting and ensure that CUPA and, as  
5 needed, Corix US representatives attend the meeting who have knowledge and authority  
6 to respond to questions and concerns regarding high bill complaints, water quality,  
7 training for call center representatives, and other issues identified in advance by the POA  
8 or customers. Additionally, within 60 days after the meeting, CUPA should file a report  
9 at this docket summarizing its actions to address questions and complaints raised during  
10 the meeting.

11 Holding a public meeting is a reasonable condition because it will provide a benefit to  
12 customers in CUPA's Tamiment service area, where there have been a number of  
13 complaints. The meeting will provide an opportunity for CUPA to hear from and respond  
14 to those customers' concerns, in addition to demonstrating the utility's stated  
15 commitment to providing high-quality service. Furthermore, the report filed post-meeting  
16 will allow the Commission and stakeholders to monitor CUPA's response and will  
17 provide information that can inform review of CUPA's service quality in the next base  
18 rate case.

19 **Q. Does CUPA currently have low-income rates for water and wastewater customers?**

20 A. Yes and no. "As part of the Commission-approved settlement at Docket No. R-2021-  
21 3025206, CUPA was allowed to implement a low-income rate pilot program for water  
22 customers and will propose a similar program in its next base rate proceeding for

1 wastewater customers” (CUPA Statement No. 1, p. 7, lines 1-4). The gallonage used to  
2 calculate the projected revenue shortfall from the low-income discount “represents a total  
3 of 420 monthly participants with an average monthly usage of 3,498 gallons.” (This  
4 information is provided in CUPA’s response to OCA Set I-6, which is attached to my  
5 testimony as Appendix E). According to CUPA’s Low Income Quarterly Update for  
6 Fourth Quarter 2022, filed in Docket No. R-2021-3025206 on January 31, 2023, “CUPA  
7 has had 16 unique customers request participation in the program. CUPA has now  
8 contracted with Dollar Energy for administration of eligibility determinations for the  
9 program. CUPA has submitted the list of low-income applicants to Dollar Energy. Dollar  
10 Energy is currently reviewing applicants for eligibility.” CUPA’s Low Income Quarterly  
11 Report for Fourth Quarter 2022 is attached to my testimony as Appendix F.

12 **Q. Do you have any recommendations?**

13 A Yes. CUPA should take steps to increase enrollment in its low-income program. If the  
14 proposed merger is approved, it should be conditioned on a requirement that within 30  
15 days after entry of an order, CUPA will take the following steps: (1) send a bill insert to  
16 all residential and commercial water customers containing information about CUPA’s  
17 low-income program, eligibility requirements and how to enroll; (2) add and maintain  
18 updated information on its website about the bill discount program in its current or future  
19 forms that is readily accessible from the home page; (3) train call center representatives  
20 on its low-income program and instruct the representatives to provide information about  
21 eligibility and enrollment in response to customers who call about payment issues and  
22 when outgoing calls are made about late payments.

1 On a related matter, CUPA noted in its Low Income Quarterly Update for Fourth Quarter  
2 2022 that “for any of the 16 customers who have requested participation and who are  
3 found to be eligible for the program, CUPA will apply the low income rate retroactively  
4 to the customer’s bill. CUPA will provide the required reporting for any retroactive  
5 application of the low income program in a future quarterly report.” CUPA should be  
6 required to clarify that it will apply the low-income rate retroactively to the date the  
7 customer applied for enrollment. This is reasonable given the length of time some  
8 customers have waited to enroll. Nine of the 16 applicants requested participation prior to  
9 April 29, 2022 when CUPA filed its Low Income Quarterly Update for First Quarter  
10 2022. The nine applicants are referenced in CUPA’s Low Income Quarterly Report for  
11 First Quarter 2022, which is attached to my testimony as Appendix G.

12 **Q. Does CUPA have a hardship grant fund?**

13 A. No. CUPA does not currently have a hardship grant fund.

14 **Q. Do you have any recommendations?**

15 A. Yes. I recommend that, if the proposed merger is approved, it should be conditioned on  
16 the requirement that CUPA establish a hardship program that applies one-time (per year)  
17 assistance grants directly to customer water and wastewater bills, to which its  
18 shareholders will contribute \$20,000 annually. Amounts not expended in one year will be  
19 rolled over to the next year. These contributions shall not be recovered in rates and shall  
20 be made available to customers with income at or below 200% of the federal poverty  
21 guidelines (FPL).

1 **Q. Why do you recommend a hardship grant fund and why do you recommend \$20,000**  
2 **annually?**

3 A. It is my understanding that CUPA's low-income rate pilot program is limited to  
4 customers at or below 100% of FPL. In the 2021 Base Rate Case, CUPA witness Andrew  
5 Dickson indicated in his water direct testimony "CUPA customers whose annual income  
6 falls below the federal poverty level, for a household of their size, will be eligible for the  
7 proposed low-income rate" (CUPA W Statement No. 4, p. 6, lines 10-11).

8 Establishing a hardship grant fund would be a benefit for CUPA customers who are  
9 between 101% and 200% of FPL and who do not qualify for the low-income rate at 100%  
10 of federal poverty guidelines and it would benefit those customers, in addition to those  
11 who qualify for the low-income rate. Also, now that Dollar Energy is under contract with  
12 CUPA, Dollar Energy could administer the hardship grant program. This is another way,  
13 combined with the other conditions I recommend, that CUPA and its parent companies  
14 could establish that the merger will provide affirmative public benefits. I recommended  
15 an annual shareholder contribution of \$20,000 as a reasonable percentage of the value of  
16 the merger transaction.<sup>2</sup> (Application, CONFIDENTIAL Appendix A).

17 **Conclusion and Summary of Recommendations**

18 **Q. Please summarize your conclusions regarding the claimed benefits of the**  
19 **Application.**

20 A. The Commission should not approve this Application as filed because it fails to mitigate  
21 risks associated with the transfer of ownership and does not provide substantial

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<sup>2</sup> CUPA designated Application Appendix A as confidential but does not object to the OCA treating this reference to Appendix A as public.

1 affirmative public benefits. The transaction proposed would create additional costs and  
2 present risks of higher rates to Pennsylvania ratepayers, due solely to the change in  
3 ownership.

4 **Q. Please summarize your recommendations.**

5 A. I recommend the Commission deny the proposed transaction. However, in the event that  
6 the Commission were considering accepting the proposed transaction, approval should  
7 only be granted if sufficient conditions are met to protect customers and clearly establish  
8 substantial affirmative benefits of the transaction. Specifically, I recommend the  
9 following conditions should be required:

- 10 • No costs associated with the transaction will be recorded on the books or included in  
11 the rates of CUPA in any way, including but not limited to rate base, operating  
12 expenses, or capital structure. Transaction costs include but are not limited to  
13 consulting, advisory and legal fees, termination fees (if the transaction is not  
14 consummated), money damages, acquisition adjustments, Goodwill and financing for  
15 Goodwill. In future rate proceedings, any direct or indirect impact of the transaction  
16 on any component of the ratemaking formula will be subject to review and challenge.
- 17 • Corix US, SWMAC and CUPA will adequately fund and maintain the Company's  
18 treatment, transmission and distribution and collection systems and supply the service  
19 needs of its customers in accordance with Pennsylvania statutory, regulatory and  
20 Commission requirements.
- 21 • CUPA will maintain its principal office in Pennsylvania and in a location central to its  
22 operations (East Stroudsburg) for at least three years after closing.
- 23 • CUPA will provide 45-day notice to the Commission, at a minimum, if CUPA  
24 decides to move its principal office.
- 25 • Extension of CUPA's stay out for filing a base rate case by an additional 12 months,  
26 to September 30, 2024.
- 27 • In its next base rate case, CUPA will propose metered rates (made up of fixed and  
28 volumetric charges) for wastewater customers in its Utilities Inc. of Pennsylvania  
29 system.
- 30 • When CUPA customers call customer service, they will continue to be directed to a  
31 customer service representative responsible for customers in Pennsylvania.

- 1           • CUPA will hold a customer meeting in the Tamiment service territory within 60 days  
2           after entry of an order, as described in the OCA’s testimony.
- 3                 ○ The meeting will be open to the public and allow for in-person and virtual  
4                 participation.
- 5                 ○ CUPA will work with the Glen at Tamiment Property Owners Association  
6                 (POA) to 1) schedule the date, time, and location of the meeting and 2) ensure  
7                 that CUPA and, as needed, Corix US representatives attend the meeting who  
8                 have knowledge and authority to respond to questions and concerns regarding  
9                 high bill complaints, water quality, training for call center representatives, and  
10                other issues identified in advance by the POA or customers.
- 11           • Within 60 days, post-meeting, CUPA will file a report with the Commission  
12           summarizing its actions to address questions and complaints raised during the  
13           customer meeting.
- 14           • CUPA will take steps to increase enrollment in its low-income program, by: (1)  
15           sending a bill insert to all residential and commercial water customers containing  
16           information about CUPA’s low-income program, eligibility requirements and how to  
17           enroll; (2) adding and maintaining updated information on its website about the bill  
18           discount program in its current or future forms that is readily accessible from the  
19           home page; (3) training call center representatives on its low-income program and  
20           instruct the representatives to provide information about eligibility and enrollment in  
21           response to customers who call about payment issues and when outgoing calls are  
22           made about late payments.
- 23           • For customers who are found to be eligible for the low-income program, CUPA will  
24           apply the low-income rate retroactively to the date the customer applied for  
25           enrollment.
- 26           • CUPA will establish a hardship program that applies one-time (per year) assistance  
27           grants directly to customer bills, to which its shareholders will contribute \$20,000  
28           annually. Amounts not expended in one year will be rolled over to the next year.  
29           These contributions will not be recovered in rates and will be made available to  
30           customers with income at or below 200% of the federal poverty guidelines.

31           In addition, I note that the proposed transaction requires 15 regulatory approvals in the  
32           United States and two in Canada. Thirteen of those applications are still pending. If those  
33           other jurisdictions receive favorable commitments, the same protections should be  
34           afforded to Pennsylvania customers also. I recommend that CUPA should be required to  
35           provide an update at the close of record identifying the approvals to date and listing the

1 commitments adopted in those jurisdictions that were not included in CUPA's application  
2 or testimony in this proceeding. That will allow the Commission to include those  
3 commitments as conditions if it approves the transaction. CUPA's response to OCA Set  
4 I-1 (Updated) provides CUPA's summary of the status of the transaction approvals in  
5 other jurisdictions as of March 15, 2023 and is attached to my testimony as Appendix H.

6 **Q. Does this conclude your Direct Testimony?**

7 A. Yes. However, I reserve the right to modify my testimony if necessary.

# Appendix A

**QUALIFICATIONS OF  
MORGAN N. DEANGELO**

**Education:**

2020 M.B.A., Wilkes University

2018 B.B.A. concentration in Finance, minor in Accounting, Wilkes University

**Positions:**

June 2020 – Present      Regulatory Analyst, Pennsylvania Office of Consumer Advocate

2018 – 2020              Graduate Assistant, Office of Student Development,  
Wilkes University

**Experience:**

I am currently employed by the Pennsylvania Office of Attorney General, Office of Consumer Advocate (OCA) as a Regulatory Analyst. In this position, my responsibilities of reviewing utility company filings with the Pennsylvania Public Utility Commission (Commission) and analyzing the financial, economic, rate of return, and policy issues that are relevant to the filings.

Additionally, I am tasked with preparing recommendations for the OCA's involvement in utility filings with the PA PUC, writing testimony and presenting oral testimony on behalf of the OCA.

**Relevant Training:**

IPU Regulatory Studies - Intermediate Course, August 2020

IPU Accounting and Ratemaking Course, February 2021

**Previous Cases where testimony was submitted:**

- Petition of Twin Lakes Utilities, Inc., P-2020-3020914
- Application of Pennsylvania American Water Company, A-2020-3019634
- PaPUC v. UGI Utilities, Inc. – Electric Division, R-2021-3023618
- PaPUC v. Pittsburgh Water and Sewer Authority, R-2021-3024773, R-2021,3024774, R-2021-3024779
- PaPUC v. Aqua Pennsylvania, Inc., Aqua Pennsylvania Wastewater, Inc., R-2021-3027285, R-2021-3027186
- PaPUC v. City of Lancaster – Water Department, R-2021-3026682
- Application of Aqua Pennsylvania Wastewater, Inc., A-2021-3027268
- PaPUC v. Borough of Ambler – Water, R-2022-3031704
- PaPUC v. Citizens' Electric Company of Lewisburg, PA, R-2022-3032369, C-2022-3032529
- PaPUC v. Valley Energy, R-2022-3032300, C-2022-3032533
- PaPUC v. Pennsylvania American Water Company, R-2022-3031672, C-2022-3032485, R-2022-3031673, C-2022-3032487
- PaPUC v. The York Water Company, R-2022-3031340, C-2022-3032868, C-2022-3032902, R-2022-3032806, C-2022-3032869, C-2022-3033016

# Appendix B

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience  
under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals  
Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.'s Responses to Office of Consumer Advocate Set I  
Informal Discovery Requests Sent February 3, 2023

4. In its last base rate case, CUPA agreed, for its Utilities Inc of PA system, to try to set up an ongoing arrangement to obtain usage data so that it can proposed metered rates. Where does that stand?

**RESPONSE:**

CUPA has made initial contact with representatives from Aqua Pennsylvania and will be working on finalizing an agreement for them to provide customer usage data so that metered rates can be proposed in the next rate case filing.

**PROVIDED BY:** Dana Hill

**DATE:** February 8, 2023

## DISCOVERY VERIFICATION

I, Dana Hill, President of Community Utilities of Pennsylvania Inc., hereby verify that the discovery responses identified below are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at hearing. This Verification is made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

### Identified Discovery Responses

OCA Informal Set I Nos. 4, 5 and 6  
OCA Informal Set 2 Nos. 1 and 4



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Dana Hill, President  
Community Utilities of Pennsylvania Inc.

# Appendix C

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.'s Responses to Office of Consumer Advocate  
Set II Informal Discovery Requests Sent February 17, 2023

2. How will the transaction impact CUPA's current customer call handling?

**RESPONSE:** Consistent with LaQuisha Park's rebuttal testimony in Docket Nos. R-2021-3025206 & R-2021-3025207, when CUPA customers contact customer service, they are directed to a customer service representative responsible for customers in Pennsylvania. At closing, the current process will continue to be in place.

**PROVIDED BY:** Steve Lubertozzi

**DATE:** February 22, 2023

## DISCOVERY VERIFICATION

I, Steve M. Lubertozi, Senior Vice President of Rates, Regulatory & Legislative Affairs, Corix Infrastructure, Inc., on behalf of Community Utilities of Pennsylvania Inc. hereby verify that the discovery responses identified below are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at hearing. This Verification is made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

### Identified Discovery Responses

OCA Informal Set I Nos. 1, 2 and 3

OCA Informal Set 2 Nos. 2 and 3



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Steve M. Lubertozi,  
Senior Vice President of Rates, Regulatory &  
Legislative Affairs, Corix Infrastructure, Inc., on  
behalf of Community Utilities of Pennsylvania Inc.

# Appendix D

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience  
under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals  
Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.’s Responses to Office of Consumer Advocate  
Set II Informal Discovery Requests Sent February 17, 2023

4. For the Tamiment water and wastewater systems: Please quantify and describe complaints (for example but not limited to, high bills, water quality, failure of hot water tank or grinder pump) made to CUPA by month in 2022 and 2023 to date. Please identify whether the complaints relate to water, wastewater, or both.

**RESPONSE:**

Community Utilities of Pennsylvania Inc.  
Docket No. A-2022-3036744 and A-2022-3036745  
Informal Discovery Request

Description	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Total
Clogged Sewer	0	1	0	0	1	0	0	0	0	0	0	0	0	2
Discolored Water	0	0	0	0	0	0	2	0	0	0	0	0	0	2
General Investigation	0	2	1	0	0	3	2	1	1	4	0	0	0	14
High or Low Pressure in the Water	0	0	3	0	0	0	3	2	0	0	1	0	0	9
Lift Station Problems	0	0	0	0	0	1	0	0	0	0	0	0	0	1
No Water	0	3	0	0	0	0	0	0	1	0	1	0	1	6
Sewer Miscellaneous Complaint	0	0	0	0	0	1	0	5	0	0	0	0	0	6
Sewer Service Line Break	0	0	0	1	1	1	0	1	0	1	0	0	0	5
Water Main Break	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Water Miscellaneous Complaint	0	1	3	1	0	0	1	0	2	1	0	1	0	10
Water Quality	0	0	0	0	0	0	0	0	0	0	1	0	0	1
Water Service Line Break	0	0	1	0	1	1	1	0	0	0	1	0	1	6
<b>Total</b>	<b>0</b>	<b>7</b>	<b>8</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>63</b>

**PROVIDED BY:** Dana Hill

**DATE:** February 22, 2023

# Appendix E

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.'s Responses to Office of Consumer Advocate Set I  
Informal Discovery Requests Sent February 3, 2023

6. The gallonage used to calculate the projected revenue shortfall from the low-income discount was the CUPA residential low-income gallonage of 15,066.541 kilogallons plus the projected Tamiment low-income gallonage of 2,590.588. How many low-income program participants does that gallonage represent?

**RESPONSE:**

The gallonage represents a total of 420 monthly participants with an average monthly usage of 3,498 gallons.

**PROVIDED BY:** Dana Hill

**DATE:** February 8, 2023

# Appendix F



Thomas J. Sniscak  
(717) 236-1300 x224  
[tjsniscak@hmslegal.com](mailto:tjsniscak@hmslegal.com)

Whitney E. Snyder  
(717) 236-1300 x260  
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---

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 [www.hmslegal.com](http://www.hmslegal.com)

January 31, 2023

*By Electronic Filing*

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street – Second Floor North  
Harrisburg, PA 17120

RE: Community Utilities of Pennsylvania Inc. Water Division;  
Docket No. R-2021-3025206  
  
Community Utilities of Pennsylvania Inc. Wastewater Division;  
Docket No. R-2021-3025207

**COMMUNITY UTILITIES OF PENNSYLVANIA INC. WATER DIVISION  
COMPLIANCE FILING – LOW INCOME QUARTERLY UPDATE FOR  
FOURTH QUARTER 2022**

Dear Secretary Chiavetta:

Pursuant to the Commission-approved settlement at the above referenced docket, CUPA is submitting this quarterly report regarding its low income pilot program for water customers.

CUPA has had 16 unique customers request participation in the program. CUPA has now contracted with Dollar Energy for administration of eligibility determinations for the program. CUPA has submitted the list of low-income applicants to Dollar Energy. Dollar Energy is currently reviewing applicants for eligibility.

CUPA notes that for any of the 16 customers who have requested participation and who are found to be eligible for the program, CUPA will apply the low income rate retroactively to the customer's bill. CUPA will provide the required reporting for any retroactive application of the low income program in a future quarterly report.

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
January 31, 2023  
Page 2

Thank you for your attention to this matter. If you have any questions, please contact me at (717) 236-1300.

Very truly yours,

*/s/ Whitney E. Snyder*

Thomas J. Sniscak (Attorney ID No. 33891)  
Whitney E. Snyder (Attorney ID No. 316625)

*Counsel for  
Community Utilities of Pennsylvania Inc.*

WES/das

cc: Per Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

### BY ELECTRONIC MAIL ONLY

Allison C. Kaster, Esquire  
Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120  
[akaster@pa.gov](mailto:akaster@pa.gov)

Erin L. Gannon, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1921  
[egannon@paoca.org](mailto:egannon@paoca.org)

Steven C. Gray, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
Forum Place, 1<sup>st</sup> Floor  
Harrisburg, PA 17101-1921  
[sgray@pa.gov](mailto:sgray@pa.gov)

/s/ Whitney E. Snyder  
Thomas J. Sniscak  
Whitney E. Snyder

Dated this 31<sup>st</sup> day of January, 2023.

# **Appendix G**



Thomas J. Sniscak  
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Bryce R. Beard  
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---

100 North Tenth Street, Harrisburg, PA 17101 Phone: 717.236.1300 Fax: 717.236.4841 [www.hmslegal.com](http://www.hmslegal.com)

April 29, 2022

***By Electronic Filing***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street – Second Floor North  
Harrisburg, PA 17120

RE: Community Utilities of Pennsylvania Inc. Water Division;  
Docket No. R-2021-3025206

Community Utilities of Pennsylvania Inc. Wastewater Division;  
Docket No. R-2021-3025207

**COMMUNITY UTILITIES OF PENNSYLVANIA INC. WATER DIVISION  
COMPLIANCE FILING – LOW INCOME QUARTERLY UPDATE FOR  
FIRST QUARTER 2022**

Dear Secretary Chiavetta:

Pursuant to the Commission-approved settlement at the above referenced docket, CUPA is submitting this quarterly report regarding its low income pilot program for water customers.

CUPA has had nine customers request participation in the program. However, CUPA is still in the process of implementing the low income pilot program because it is having issues securing a third party to administer the income evaluation and approval process portion of the program. CUPA initiated contacts with third party vendors within one month of Commission approval of the settlement. Over the past month, CUPA has been in discussion with Dollar-Energy and is making significant progress, but has not been able to finalize the process yet. CUPA will continue to work as expeditiously as possible to get the low income program approval process implemented.

CUPA notes that for any of the nine customers who have requested participation and who are found to be eligible for the program, CUPA will apply the low income rate retroactively to the customer's bill. CUPA will provide the required reporting for any retroactive application of the low income program in a future quarterly report.

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
April 29, 2022  
Page 2

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (717) 236-1300.

Very truly yours,

*/s/ Whitney E. Snyder*

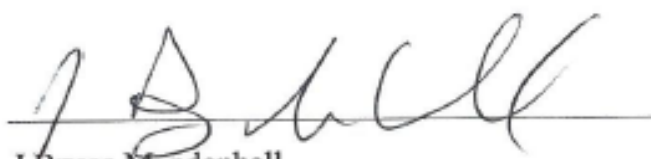
Thomas J. Sniscak (Attorney ID No. 33891)  
Whitney E. Snyder (Attorney ID No. 316625)  
Bryce R. Beard (Attorney ID No. 325837)

*Counsel for  
Community Utilities of Pennsylvania Inc.*

WES/das  
Enclosures  
cc: Per Certificate of Service

## VERIFICATION

I, J Bryce Mendenhall, on behalf of Community Utilities of Pennsylvania, Inc. hereby state that the facts set forth in the foregoing document are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing in this matter. This verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

A handwritten signature in cursive script, appearing to read "J Bryce Mendenhall", is written over a horizontal line.

J Bryce Mendenhall  
President  
Community Utilities of Pennsylvania, Inc.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

### BY ELECTRONIC MAIL ONLY

Allison C. Kaster, Esquire  
Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
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[efure@pa.gov](mailto:efure@pa.gov)

/s/ Whitney E. Snyder  
Thomas J. Sniscak  
Whitney E. Snyder  
Bryce R. Beard

Dated this 29<sup>th</sup> day of April, 2022.

# **Appendix H**

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.; Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.’s Responses to Office of Consumer Advocate Set I Informal Discovery Requests Sent February 3, 2023

1. From how many other states does the proposed transaction need approvals and what is the status of that process?

**ORIGINAL RESPONSE:**

STATE/PROVINCE	Docket No.	Status
Alaska - FSW	U-22-091	Pending
Alaska - Doyon (District Energy carve out only)	U-22-092	Pending
California	A.22-11-010	Pending
Illinois	22-0670	Pending
Kentucky	2022-00396	Pending
Louisiana	S-36603	Pending
Maryland	ML# 300276, S-2072	Approved
New Jersey	WM22110690	Pending
North Carolina	W-354 Sub 412	Pending
Ohio (District Energy carve out only)	22-1090-HT-UNC; 22-1091-HT-ATA; 22-1092-CC-UNC; 22-1093-CC-ATA	Pending
Tennessee	22-00114	Pending
Texas	54316	Pending
Virginia - Colchester	PUR-2022-00204	Pending
Virginia - Massanutten	PUR-2022-00203	Pending

Elements of the transaction also require approval in Alberta and British Columbia; applications are pending in those provinces.

**PROVIDED BY:** Steve Lubertozzi, Brian Bahr

**DATE:** February 8, 2023

**UPDATED RESPONSE:**

STATE/PROVINCE	Docket No.	Status
Alaska - FSW	U-22-091	Pending
Alaska - Doyon (District Energy carve out only)	U-22-092	Pending

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.’s Responses to Office of Consumer Advocate Set I Informal Discovery Requests Sent February 3, 2023

California	A.22-11-010	Pending
Illinois	22-0670	Pending
Kentucky	2022-00396	Pending
<b>Louisiana</b>	<b>S-36603</b>	<b>Non-Opposition Issued</b>
Maryland	ML# 300276, S-2072	Approved
<b>Nevada</b>	<b>22-11030</b>	<b>Stipulation Executed</b>
New Jersey	WM22110690	Pending
North Carolina	W-354 Sub 412	Pending
Ohio (District Energy carve out only)	22-1090-HT-UNC; 22-1091-HT-ATA; 22-1092-CC-UNC; 22-1093-CC-ATA	Pending
Tennessee	22-00114	Pending
Texas	54316	Pending
Virginia - Colchester	PUR-2022-00204	Pending
Virginia - Massanutten	PUR-2022-00203	Pending

Elements of the transaction also require approval in Alberta and British Columbia; **The Alberta application was approved on February 23, 2023 (See attached UPDATED OCA 1-2 – Alberta Order), and the British Columbia application is pending.**

**PROVIDED BY:** Steve Lubertozzi, Brian Bahr

**DATE:** March 15, 2023

## **DISCOVERY VERIFICATION**

I, Steve M. Lubertozi, Senior Vice President of Rates, Regulatory & Legislative Affairs, Corix Infrastructure, Inc., on behalf of Community Utilities of Pennsylvania Inc. hereby verify that the discovery responses identified below are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at hearing. This Verification is made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

### **Identified Discovery Responses**

OCA Informal Set I Nos. 1, 2 First Supplemental Response



---

Steve M. Lubertozi,  
Senior Vice President of Rates, Regulatory &  
Legislative Affairs, Corix Infrastructure, Inc., on  
behalf of Community Utilities of Pennsylvania Inc.

## **DISCOVERY VERIFICATION**

I, Brian D. Bahr, Director of Rates and Regulatory Affairs for SouthWest Water Company, on behalf of Community Utilities of Pennsylvania Inc. hereby verify that the discovery responses identified below are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at hearing. This Verification is made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

### **Identified Discovery Responses**

OCA Informal Set I Nos. 1, 2 First Supplemental Response



Brian D. Bahr,  
Director of Rates and Regulatory  
Affairs for SouthWest Water Company

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Community Utilities of :  
Pennsylvania Inc., for Certificates of Public :  
Public Convenience under Sections 1102(1)(3) :  
and 1103 of the Public Utility Code and All : Docket Nos. A-2022-3036744 (WW)  
Other Approvals Necessary Under the Public : A-2022-3036745 (Water)  
Utility Code for Approval of a Merger of :  
Equals Transaction :

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: March 16, 2023  
\*342963

Signature: *Morgan N. DeAngelo*  
Morgan N. DeAngelo

Consultant Address: Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Community Utilities of :  
Pennsylvania, Inc. for Certificates of Public :  
Convenience under Sections 1102(a)(3) and : Docket Nos. A-2022-3036744  
1103 of the Public Utility Code and All Other : A-2022-3036745  
Approvals Necessary Under the Public Utility :  
Code for Approval of a Merger of Equals :  
Transaction :

Surrebuttal Testimony  
of  
**Morgan N. DeAngelo**

on Behalf of  
the Pennsylvania Office of Consumer Advocate

April 14, 2023

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1 **Introduction**

2 **Q. Please state your name, business address and occupation.**

3 A. My name is Morgan N. DeAngelo. My business address is 555 Walnut Street, Forum  
4 Place, 5<sup>th</sup> Floor, Harrisburg, Pennsylvania 17101. I am currently employed as a  
5 Regulatory Analyst by the Pennsylvania Office of Consumer Advocate (OCA).

6 **Q. Have you previously provided testimony in this case?**

7 A. Yes. I provided direct testimony in this case on March 16, 2023, in OCA Statement  
8 1.

9 **Q. What is the purpose of your surrebuttal testimony?**

10 A. In my surrebuttal testimony, I will comment on the rebuttal testimony submitted by  
11 Community Utilities of Pennsylvania Inc. (CUPA or Company) witnesses Dana Hill,  
12 CUPA Statement No. 1R, Steven Lubertozi, CUPA Statement No. 3R, and Brian  
13 Bahr, CUPA Statement No. 4R, which respond to issues discussed in my direct  
14 testimony.

15 **Q. Did any of the rebuttal testimony you reviewed cause you to change your  
16 positions and recommendations as stated in your direct testimony?**

17 A. Generally, no. In addition, to the extent I do not address a particular statement or  
18 position raised in the rebuttal testimonies filed in this case, it does not constitute my  
19 agreement with the same.

1 **Response to CUPA Rebuttal Testimony**

2 **Q. Please address CUPA’s response to your first recommended condition.**

3 A. The first condition I recommended was that no costs associated with the transaction  
4 be recorded on the books or included in the rates of CUPA in any way. Mr.  
5 Lubertozzi responded to my recommendation on pages 9-11 of his rebuttal  
6 testimony, where he defined “Transaction Costs” according to CUPA as:

- 7 • The costs of securing formal written evaluations of the transaction;
- 8 • The costs of structuring the transaction and obtaining tax advice on the  
9 structure of the transaction;
- 10 • The costs of negotiating, preparing, and reviewing the Transaction  
11 Agreement;
- 12 • The costs of retained consultants and advisors to evaluate the transaction  
13 and perform due diligence;
- 14 • Legal and other fees of completing pre-closing restructuring;
- 15 • Legal and other fees to close the proposed transaction;
- 16 • Financial advisor fees; and
- 17 • The costs of securing regulatory approvals.

18 **Q. Does Mr. Lubertozzi indicate CUPA will commit to any additional**  
19 **commitments?**

20 A. Yes. He indicated the following:

21 CUPA will not seek to recover Transaction Costs.

22 CUPA will not seek recovery from customers of the Transaction Costs  
23 or incentive and retention payments directly related to and paid solely  
24 because of the Proposed Transaction.

25 If Corix US become obligated to make, and subsequently makes, a  
26 termination payment to IIF Subway pursuant to Section 10.2(c) of the  
27 Transaction Agreement, CUPA will not seek to recover any portion of  
28 such payment from its customers.

29 CUPA does not anticipate the Proposed Transaction will be reflected in  
30 CUPA’s books.

31 (CUPA St. No. 3R, p. 10, ln. 12, 14-16, 17-19, 20).

1 **Q. Is there anything additional you suggest CUPA adds to its Transaction Cost**  
2 **definition?**

3 A. Yes. It is important for CUPA to also add money damages, acquisition adjustments,  
4 Goodwill and financing for Goodwill to their Transaction Cost definition. CUPA,  
5 Corix US, and SWMAC should be required to adequately fund any and all costs  
6 resulting from the transaction in order to mitigate risks the ratepayers may face.

7 **Q. Please address CUPA’s response to your second recommended condition.**

8 A. The second condition I recommended was that Corix US, SWMAC and CUPA  
9 adequately fund and maintain the Company’s treatment, transmission and  
10 distribution and collection systems and supply the service needs of its customers in  
11 accordance with Pennsylvania statutory, regulatory and Commission requirements.  
12 Mr. Lubertoizzi said, “as stated in the Application at Page 8, paragraph 12, SWMAC  
13 will cease to exist when it merges with and into Corix US, and Corix US survives  
14 the merger” (CUPA St. No. 3R, p. 11, ln.17-19). He also stated “CUPA will  
15 continue to have access to capital needed to support proper service to Pennsylvania  
16 customers (CUPA St. No 3R, p. 12, ln. 3-5). Mr. Bahr does not believe there is any  
17 risk that CUPA would not have access to capital through its parent corporations  
18 (CUPA St. No. 4R, p. 2, ln. 3-6).

19 **Q. Do you have a response?**

20 A. Yes. I understand that SWMAC will no longer exist when it merges with Corix US  
21 and Corix US survives. However, Corix US is a part of this case, and has the ability  
22 to also commit capital, if needed. The importance of a Pennsylvania subsidiary  
23 having access to capital from out-of-state corporate parents is shown by the ongoing

1 litigation regarding Twin Lakes Utilities, Inc. and Middlesex Water Company.

2 There, the Commission found that the attempt to terminate operational and financial  
3 support by the corporate parent triggered an abandonment proceeding and  
4 precipitated the necessity of a receivership to ensure continuing water service to the  
5 customers. (November 18, 2021 Order, Docket Nos. P-2020-3020914, G-2020-  
6 3020941, G-2020-3021018, G-2020-3021021, G-2020-3021024).

7 **Q. Please address CUPA’s response to your third and fourth recommended**  
8 **conditions.**

9 A. The third condition I recommended was that CUPA maintains its principal office in  
10 Pennsylvania and in a location central to its operations (East Stroudsburg) for at least  
11 three years after closing. The fourth condition I recommended was that CUPA  
12 should provide 45-day notice to the Commission, at a minimum, if CUPA decides to  
13 move its principal office. Mr. Lubertozi stated “CUPA will maintain its principal  
14 business address in East Stroudsburg, Pennsylvania and will notify the Commission  
15 within 15 days if it relocates its principal office” CUPA St. No. 3R, p. 13, ln. 6-7).  
16 Additionally, CUPA witness Mr. Hill indicated in his rebuttal testimony that  
17 “CUPA’s primary business address in Pennsylvania is a field office for operations,  
18 including areas for testing, office space, and materials storage. Also, this location  
19 contains an active wastewater treatment facility.” (CUPA St. No. 1R, p. 2, ln. 3). Mr.  
20 Hill also stated “CUPA will always require a location to base Pennsylvania  
21 employees and store utility equipment and materials” (CUPA St. No. 4R, p. 2, ln.  
22 14-15). Both Mr. Lubertozi and Mr. Hill state that CUPA needs to maintain its

1 discretion to change the location of its primary business address in the future if  
2 necessary to manage day-to-day utility operations.

3 **Q. Do you have anything to say in response?**

4 A. As I stated in my direct testimony, it is important for the combining companies to  
5 show their commitment to having a physical presence in Pennsylvania for customers  
6 to have access to the Company and the ability to speak with someone in person. I  
7 appreciate the testimony by CUPA's witnesses indicating there are no plans to  
8 change the physical headquarters.

9 **Q. Would you like to make any changes to your recommendations?**

10 A. I continue to recommend that CUPA should keep its principal office in Pennsylvania  
11 and in a location central to its operations for at least three years after closing. This is  
12 consistent with what CUPA's witnesses indicate are the Company's plans and needs.  
13 In my direct testimony, I recommended at least 45 days' notice if CUPA decided to  
14 relocate its principal office. I am changing my recommendation to 30 days, meeting  
15 in the middle of my original 45-day recommendation and Mr. Lubertozi's 15-day  
16 proposal in rebuttal.

17 **Q. Please address CUPA's response to your fifth recommended condition.**

18 A. The fifth condition I recommended was an extension of CUPA's stay out for filing a  
19 base rate case by an additional 12 months, to September 30, 2024. Mr. Lubertozi  
20 said "a stayout prevents CUPA from making and, therefore, the Commission from  
21 entertaining, a rate change application, assessing the relevant operating and financial  
22 conditions of CUPA and setting just and reasonable rates" (CUPA St. No. 3R, p. 14,

1 ln. 2-4). He also indicated “a stay out could have the unintended consequences of  
2 inhibiting reasonable investments in utility facilities that are necessary to provide  
3 safe and reliable service to customers, especially if present-rate revenues are not  
4 adequate to support such investments” (CUPA St. No. 3R, p. 14, ln. 8-9).

5 **Q. What is your response?**

6 A. Not having a rate case does not mean CUPA cannot make investments. CUPA had a  
7 significant rate increase as a result of the 2021 Base Rate Case that went into effect  
8 in 2022. Further, in that case, CUPA used a fully-projected future test year.  
9 Extending the stay out by an additional 12 months would be a tangible, near-term  
10 benefit for CUPA customers through the delay in recovery of transaction-related  
11 costs that could otherwise be included in base rates.

12 **Q. Please address CUPA’s response to your sixth recommended condition.**

13 A. The sixth condition I recommended was that in its next base rate case, CUPA will  
14 propose metered rates (made up of fixed and volumetric charges) for wastewater  
15 customers in its Utilities Inc. of Pennsylvania system. In his rebuttal testimony, Mr.  
16 Hill discussed that CUPA needs historical usage data to project future usage and to  
17 design rates, indicated a few months of data is not sufficient enough to do so (CUPA  
18 St. No. 1R, p. 3, ln. 27-28). He also indicated that “CUPA expects that it will be able  
19 to obtain two years of historical usage data plus ongoing monthly usage data from  
20 the water utility within the next couple of months” (CUPA St. No. 1R, p. 4, 8-10).  
21 Mr. Lubertozzi stated “CUPA will undertake commercially reasonable efforts to  
22 obtain the information that I needs to develop and bill volumetric rates for  
23 wastewater customers who do not receive water service from CUPA in the service

1 territory formerly known as Utilities, Inc. of Pennsylvania” (CUPA St. No. 3R, p.  
2 15, ln. 7-10). He also stated “if CUPA obtains at least six months’ worth of usage  
3 data for the relevant customers at least two months before the next base rate case  
4 filing, it will propose volumetric rates in that proceeding” (CUPA St. No. 3R, p. 15,  
5 ln. 10-12). On April 12, 2023, CUPA informed the OCA that “CUPA has received a  
6 month of data and has determined the data is in a usable format. The contract with  
7 Aqua is still being negotiated.” CUPA’s supplemental response to OCA Set I-4, with  
8 that status update, is attached to my testimony as Appendix I.<sup>1</sup> Ultimately, CUPA is  
9 in control of whether it files its next base rate case before obtaining the data, and  
10 should take into consideration the significance and importance of developing  
11 volumetric rates for these customers.

12 **Q. Please address CUPA’s response to your seventh recommended condition.**

13 A. My seventh condition I recommended was that when CUPA customers call customer  
14 service, they will continue to be directed to a customer service representative  
15 responsible for customers in Pennsylvania. Mr. Lubertozi indicated “Consistent  
16 with CUPA’s rebuttal testimony in Docket Nos. R-2021-3025206 & R-2021-  
17 3025707, when CUPA customers contact customer service, they are directed to a  
18 customer service representative responsible for customers in Pennsylvania.  
19 Therefore, at closing, the current process will continue to be in place.” (CUPA St.  
20 No. 3R, p. 16, ln. 6-9). As discussed in my direct testimony, it is important that

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<sup>1</sup> The parties conducted discovery informally but CUPA has agreed that the information provided in its responses can be treated as if it was provided in response to formal discovery. CUPA’s sponsoring witness provided a verification that is included in the Appendix.

1 customer service representatives are familiar with Pennsylvania-specific rights and  
2 protections, and appreciate CUPA’s commitment to maintain its current process.

3 **Q. Please address CUPA’s response to your eighth and ninth recommended**  
4 **conditions.**

5 A. My eighth condition I recommended was CUPA hold a customer meeting in the  
6 Tamiment service territory within 60 days after entry of an order, as described in my  
7 testimony. The meeting will be open to the public and allow for in-person and virtual  
8 participation. CUPA will work with the Glen at Tamiment Property Owners  
9 Association (POA) to 1) schedule the date, time, and location of the meeting and 2)  
10 ensure that CUPA and, as needed, Corix US representatives attend the meeting who  
11 have knowledge and authority to respond to questions and concerns regarding high  
12 bill complaints, water quality, training for call center representatives, and other  
13 issues identified in advance by the POA or customers. The ninth condition I  
14 recommended was that, within 60 days, post-meeting, CUPA will file a report with  
15 the Commission summarizing its actions to address questions and complaints raised  
16 during the customer meeting. Mr. Lubertozi stated “CUPA is willing to commit to  
17 OCA proposed conditions eight and nine as conditions to approval of the Proposed  
18 Transaction” (CUPA St. No. 3R, p. 17, ln. 14-15).

19 **Q. In your direct testimony you discussed CUPA’s response to OCA’s data request**  
20 **for customer complaints in the Tamiment service territory. Did CUPA reply to**  
21 **this in rebuttal?**

22 A. Yes. In his rebuttal testimony, Mr. Hill indicated “not all of the [63] customer  
23 contacts listed were complaints” (CUPA St. No. 1R, p. 4, ln. 21) and that “CUPA’s

1 records indicate only 16 out of 63 contacts were complaints from Tamiment  
2 customers related to CUPA's service (CUPA St. No. 1R, p. 4, ln. 22-23).

3 **Q. Do you have anything additional to say?**

4 A. Yes. I appreciate the additional details about the contact complaints. I note that Mr.  
5 Hill states that the 16 "Customer inquiries" were not "complaints," but that category  
6 includes situations where the customer "believes they may have a service issue but  
7 further investigation shows no issue" (CUPA St. No. 1R, p. 5, ln.1-4 and fn. 2). That  
8 situation seems like a "complaint" that was resolved by the Company. Regardless of  
9 the specific number of complaints, CUPA received 63 contacts from customers in  
10 the Tamiment service territory in 13 months. The Company has an obligation to  
11 provide reasonable and adequate water and wastewater utility service to its  
12 customers. Furthermore, Mr. Hill states "the Proposed Transaction will strengthen  
13 CUPA's access to affiliates and partners that share common values and practices  
14 centered on . . . excellence in serving customers" (CUPA St. No. 1, p. 6, ln. 19-22).  
15 Holding a meeting for Tamiment customers, open to the public, to hear and be  
16 responsive to their concerns is consistent with this statement. I appreciate that CUPA  
17 has committed to doing so.

18 **Q. Please address CUPA's response to your tenth recommended condition.**

19 A. My tenth condition I recommended was CUPA will take steps to increase enrollment  
20 in its low-income program, by: (1) sending a bill insert to all residential and  
21 commercial water customers containing information about CUPA's low-income  
22 program, eligibility requirements and how to enroll; (2) adding and maintaining  
23 updated information on its website about the bill discount program in its current or

1 future forms that is readily accessible from the home page; and (3) training call  
2 center representatives on its low-income program and instruct the representatives to  
3 provide information about eligibility and enrollment in response to customers who  
4 call about payment issues and when outgoing calls are made about late payments.

5 **Q. Do you have any concerns in response to CUPA's rebuttal testimony?**

6 A. Yes. [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]

I continue to recommend the original language I recommended in paragraph (3) of condition ten. Not only is it important to provide reasonable training about the low-income program to customer service representatives, but the representatives should be instructed to provide information about eligibility and enrollment to customers who call about payment issues. This is an additional way to ensure customers are aware and understanding of available programs, which in turn will help to increase enrollment. As discussed in my direct testimony, only 16 customers have requested to enroll in the program, although rates were set in the base rate case assuming participation of 420 customers.

21 **Q. Please address CUPA's response to your eleventh recommended condition.**

22 A. My eleventh condition I recommended was for customers who are found to be  
23 eligible for the low-income program, CUPA will apply the low-income rate

1 retroactively to the date the customer applied for enrollment. Mr. Lubertozzi stated  
2 “CUPA is already retroactively applying eligibility to the application date, and  
3 CUPA is willing to commit to OCA proposed condition eleven as a condition to  
4 approve of the Proposed Transaction” (CUPA St. No. 3R, p. 19, ln. 11-13).

5 **Q. Please address CUPA’s response to your twelfth recommended condition.**

6 A. My twelfth condition I recommended was that CUPA establish a hardship program  
7 that applies one-time (per year) assistance grants directly to customer bills, to which  
8 its shareholders will contribute \$20,000 annually. Amounts not expended in one year  
9 will be rolled over to the next year. These contributions will not be recovered in rates  
10 and will be made available to customers with income at or below 200% of the  
11 federal poverty guidelines. Mr. Lubertozzi stated “CUPA, as a condition to the  
12 approval of the Proposed Transaction, is willing to commit to continuing to propose  
13 low-income water and wastewater rates in its next two base rate cases” (CUPA St.  
14 No. 3R, p. 21, ln. 5-7).

15 **Q. Do you have anything additional to add?**

16 A. Yes. I acknowledge the commitment to continue proposing low-income water and  
17 wastewater rates. However, as I said in my direct testimony, establishing a hardship  
18 grant fund would benefit those customers who are between 101-200% of the FPL,  
19 and do not qualify for CUPA’s low-income discount rate. This is important given the  
20 significant rate increases in 2022.

1 **Q. What was your thirteenth recommended condition?**

2 A. In my direct testimony, I noted that the proposed transaction requires 15 regulatory  
3 approvals in the United States and two in Canada. At that time, thirteen of those  
4 applications were still pending. If those other jurisdictions receive favorable  
5 commitments, the same protections should be afforded to Pennsylvania customers  
6 also. I recommended that CUPA should be required to provide an update at the close  
7 of record identifying the approvals to date and listing the commitments adopted in  
8 those jurisdictions that were not included in CUPA's application or testimony in this  
9 proceeding. That will allow the Commission to include those commitments as  
10 conditions if it approves the transaction. CUPA's response to OCA Set I-1 (Updated)  
11 provides CUPA's summary of the status of the transaction approvals in other  
12 jurisdictions as of March 15, 2023 and is attached to my direct testimony as  
13 Appendix H.

14 **Q. How did CUPA respond?**

15 A. Mr. Lubertozi states that the condition is overbroad because different states have  
16 different standards, jurisdiction and authority and there may be different facts and  
17 concerns raised that may not be applicable to the proposed transaction in  
18 Pennsylvania (CUPA St. No. 3R, p. 21, ln. 16-23, p. 22, ln. 1-4).

19 **Q. Does this cause you to change your recommendation?**

20 A. No. I have been informed by counsel for the OCA that, if CUPA's update shows that  
21 there have been commitments have been made in other jurisdictions, the parties can  
22 address in their briefs whether or not the commitments should be adopted.

1 **Conclusion**

2 **Q. Please summarize your conclusion regarding this transaction.**

3 A. As stated in my direct testimony, the Commission should not approve this  
4 Application as filed because it fails to mitigate the risks associated with the transfer  
5 of ownership and does not provide substantial affirmative public benefits. I  
6 recommended the Commission only considers accepting the proposed transaction if  
7 sufficient conditions are met to protect customers and clearly establish substantial  
8 affirmative public benefits. Those conditions can be found on pages 14-16 of my  
9 direct testimony.

10 **Q. Please summarize your recommended conditions including any changes you**  
11 **made in this surrebuttal.**

12 A. My recommendations are as follows:

- 13 • One - No costs associated with the transaction will be recorded on the books or  
14 included in the rates of CUPA in any way, including but not limited to rate base,  
15 operating expenses, or capital structure. Transaction costs include but are not  
16 limited to consulting, advisory and legal fees, termination fees (if the transaction  
17 is not consummated), money damages, acquisition adjustments, Goodwill and  
18 financing for Goodwill. In future rate proceedings, any direct or indirect impact  
19 of the transaction on any component of the ratemaking formula will be subject to  
20 review and challenge.
- 21 • Two - Corix US, SWMAC and CUPA will adequately fund and maintain the  
22 Company's treatment, transmission and distribution and collection systems and  
23 supply the service needs of its customers in accordance with Pennsylvania  
24 statutory, regulatory and Commission requirements.
- 25 • Three - CUPA will maintain its principal office in Pennsylvania and in a location  
26 central to its operations (East Stroudsburg) for at least three years after closing.
- 27 • Four - CUPA will provide 30-day notice to the Commission, at a minimum, if  
28 CUPA decides to move its principal office.
- 29 • Five - Extension of CUPA's stay out for filing a base rate case by an additional  
30 12 months, to September 30, 2024.

- 1           • Six - In its next base rate case, CUPA will propose metered rates (made up of  
2 fixed and volumetric charges) for wastewater customers in its Utilities Inc. of  
3 Pennsylvania system.
- 4           • Seven - When CUPA customers call customer service, they will continue to be  
5 directed to a customer service representative responsible for customers in  
6 Pennsylvania.
- 7           • Eight - CUPA will hold a customer meeting in the Tamiment service territory  
8 within 60 days after entry of an order, as described in the OCA's testimony.
- 9           ○ The meeting will be open to the public and allow for in-person and virtual  
10 participation.
- 11           ○ CUPA will work with the Glen at Tamiment Property Owners Association  
12 (POA) to 1) schedule the date, time, and location of the meeting and 2)  
13 ensure that CUPA and, as needed, Corix US representatives attend the  
14 meeting who have knowledge and authority to respond to questions and  
15 concerns regarding high bill complaints, water quality, training for call center  
16 representatives, and other issues identified in advance by the POA or  
17 customers.
- 18           • Nine – Within 60 days, post-meeting, CUPA will file a report with the  
19 Commission summarizing its actions to address questions and complaints raised  
20 during the customer meeting.
- 21           • Ten – CUPA will take steps to increase enrollment in its low-income program,  
22 by: (1) sending a bill insert to all residential [REDACTED] water customers  
23 containing information about CUPA's low-income program, eligibility  
24 requirements and how to enroll; (2) adding and maintaining updated information  
25 on its website about the bill discount program in its current or future forms that is  
26 readily accessible from the home page; and (3) training call center  
27 representatives on its low-income program and instruct the representatives to  
28 provide information about eligibility and enrollment in response to customers  
29 who call about payment issues and when outgoing calls are made about late  
30 payments.
- 31           • Eleven - For customers who are found to be eligible for the low-income program,  
32 CUPA will apply the low-income rate retroactively to the date the customer  
33 applied for enrollment.
- 34           • Twelve - CUPA will establish a hardship program that applies one-time (per  
35 year) assistance grants directly to customer bills, to which its shareholders will  
36 contribute \$20,000 annually. Amounts not expended in one year will be rolled  
37 over to the next year. These contributions will not be recovered in rates and will  
38 be made available to customers with income at or below 200% of the federal  
39 poverty guidelines.

- 1           • Thirteen - CUPA should be required to provide an update at the close of record  
2           identifying the approvals to date and listing the commitments adopted in those  
3           jurisdictions that were not included in CUPA's application or testimony in this  
4           proceeding so the Commission can include those commitments as conditions if it  
5           approves the transaction.

6   **Q.   Does this conclude your surrebuttal testimony?**

7   A.   Yes. However, I reserve the right to modify my testimony if necessary.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Community Utilities of :  
Pennsylvania Inc., for Certificates of Public :  
Public Convenience under Sections 1102(1)(3) :  
and 1103 of the Public Utility Code and All : Docket Nos. A-2022-3036744 (WW)  
Other Approvals Necessary Under the Public : A-2022-3036745 (Water)  
Utility Code for Approval of a Merger of :  
Equals Transaction :

VERIFICATION

I, Morgan N. DeAngelo, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: April 26, 2023  
\*344929

Signature: Morgan N. DeAngelo  
Morgan N. DeAngelo

Consultant Address: Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923

**OCA Exhibit D-1**

Stipulated Updated Discovery Responses to  
OCA Set 1-1 and OCA Set 1-2



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April 26, 2023

*By Email Only*

Erin L. Gannon, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1921  
[egannon@paoca.org](mailto:egannon@paoca.org)

RE: Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.; Docket No. A-2022-3036744 and A-2022-3036745; **COMMUNITY UTILITIES OF PENNSYLVANIA, INC.'S SUPPLEMENT NO. 2 RESPONSES TO OFFICE OF CONSUMER ADVOCATE SET 1 INFORMAL DISCOVERY, NOS. 1 AND 2**

Dear Ms. Gannon:

Enclosed you will find Community Utilities of Pennsylvania Inc.'s Supplement No. 2 Responses to Office of Consumer Advocate Set I Informal Discovery, Nos. 1 and 2.

Thank you for your attention to this matter. If you have any questions, please feel free to call either me or undersigned counsel.

Very truly yours,

*/s/ Whitney E. Snyder*

Thomas J. Sniscak  
Whitney E. Snyder  
Phillip D. Demanchick Jr.

*Counsel for  
Community Utilities of Pennsylvania Inc.*

WES/das  
Enclosures

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.; Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.’s Supplement No. 2 Second Updated Responses to Office of Consumer Advocate Set I Nos. 1-2 Informal Discovery Requests Sent February 3, 2023

1. From how many other states does the proposed transaction need approvals and what is the status of that process?

**ORIGINAL RESPONSE:**

STATE/PROVINCE	Docket No.	Status
Alaska - FSW	U-22-091	Pending
Alaska - Doyon (District Energy carve out only)	U-22-092	Pending
California	A.22-11-010	Pending
Illinois	22-0670	Pending
Kentucky	2022-00396	Pending
Louisiana	S-36603	Pending
Maryland	ML# 300276, S-2072	Approved
New Jersey	WM22110690	Pending
North Carolina	W-354 Sub 412	Pending
Ohio (District Energy carve out only)	22-1090-HT-UNC; 22-1091-HT-ATA; 22-1092-CC-UNC; 22-1093-CC-ATA	Pending
Tennessee	22-00114	Pending
Texas	54316	Pending
Virginia - Colchester	PUR-2022-00204	Pending
Virginia - Massanutten	PUR-2022-00203	Pending

Elements of the transaction also require approval in Alberta and British Columbia; applications are pending in those provinces.

**PROVIDED BY:** Steve Lubertozzi, Brian Bahr

**DATE:** February 8, 2023

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.’s Supplement No. 2 Second Updated Responses to Office of Consumer Advocate Set I Nos. 1-2 Informal Discovery Requests Sent February 3, 2023

**UPDATED RESPONSE:**

STATE/PROVINCE	Docket No.	Status
Alaska - FSW	U-22-091	Pending
Alaska - Doyon (District Energy carve out only)	U-22-092	Pending
California	A.22-11-010	Pending
Illinois	22-0670	Pending
Kentucky	2022-00396	Pending
Louisiana	S-36603	Non-Opposition Issued
Maryland	ML# 300276, S-2072	Approved
Nevada	22-11030	Stipulation Executed
New Jersey	WM22110690	Pending
North Carolina	W-354 Sub 412	Pending
Ohio (District Energy carve out only)	22-1090-HT-UNC; 22-1091-HT-ATA; 22-1092-CC-UNC; 22-1093-CC-ATA	Pending
Tennessee	22-00114	Pending
Texas	54316	Pending
Virginia – Colchester	PUR-2022-00204	Pending
Virginia – Massanutten	PUR-2022-00203	Pending

Elements of the transaction also require approval in Alberta and British Columbia; The Alberta application was approved on February 23, 2023 (See attached UPDATED OCA 1-2 – Alberta Order), and the British Columbia application is pending.

**PROVIDED BY:** Steve Lubertozi, Brian Bahr

**DATE:** March 15, 2023

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.; Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.’s Supplement No. 2 Second Updated Responses to Office of Consumer Advocate Set I Nos. 1-2 Informal Discovery Requests Sent February 3, 2023

**SECOND SUPPLEMENTAL RESPONSE:**

STATE/PROVINCE	Docket No.	Status
Alaska - FSW	U-22-091	Pending
Alaska - Doyon (District Energy carve out only)	U-22-092	Pending
California	A.22-11-010	Pending
Illinois	22-0670	Pending
Kentucky	2022-00396	Pending
Louisiana	S-36603	Non-Opposition Issued
Maryland	ML# 300276, S-2072	Approved
<b>Nevada</b>	<b>22-11030</b>	<b>Approved</b>
New Jersey	WM22110690	Pending
North Carolina	W-354 Sub 412	Pending
Ohio (District Energy carve out only)	22-1090-HT-UNC; 22-1091-HT-ATA; 22-1092-CC-UNC; 22-1093-CC-ATA	Pending
Tennessee	22-00114	Pending
Texas	54316	Pending
<b>Virginia – Colchester</b>	<b>PUR-2022-00204</b>	<b>Deemed Approved</b>
Virginia – Massanutten	PUR-2022-00203	Pending

Elements of the transaction also require approval in Alberta and British Columbia; The Alberta application was approved on February 23, 2023 (See attached UPDATED OCA 1-2 – Alberta Order), and the British Columbia applications are pending. **The Virginia – Colchester application was deemed approved on April 21, 2023.**

**PROVIDED BY:** Steve Lubertozi, Brian Bahr

**DATE:** April 26, 2023

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.'s Supplement No. 2 Second Updated Responses to Office of Consumer Advocate Set I Nos. 1-2 Informal Discovery Requests Sent February 3, 2023

2. In those other states, have any settlements been filed and have any orders been entered approving, modifying, or denying the proposed transaction? If so, please provide an electronic copy.

**ORIGINAL RESPONSE:**

In the states listed in response to No. 1, no settlements have been filed. The Maryland Public Service Commission approved the transaction on January 11, 2023. See attached the OCA 1-2 - MD PSC Merger date January 11, 2023.

**PROVIDED BY:** Steve Lubertozzi, Brian Bahr

**DATE:** February 8, 2023

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience  
under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals  
Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.'s Supplement No. 2 Second Updated Responses to  
Office of Consumer Advocate Set I Nos. 1-2 Informal Discovery Requests Sent February 3, 2023

**UPDATED RESPONSE:**

In the states listed in response to No. 1, a Stipulation was executed in Nevada on March 3, 2023,  
and the Louisiana Public Service Commission issued a letter of Non-Opposition authorizing the  
Proposed Transaction on February 28, 2023. See attached UPDATED OCA 1-2 – NV Stipulation  
and UPDATED OCA 1-2 – LA Non-Opposition.

**PROVIDED BY:** Steve Lubertozzi, Brian Bahr

**DATE:** March 15, 2023

Application of Community Utilities of Pennsylvania Inc., for Certificates of Public Convenience under Sections 1102(a)(3) and 1103 of the Public Utility Code And All Other Approvals Necessary Under the Public Utility Code for Approval of a Merger of Equals Transaction.;  
Docket No. A-2022-3036744 and A-2022-3036745

Community Utilities of Pennsylvania Inc.'s Supplement No. 2 Second Updated Responses to Office of Consumer Advocate Set I Nos. 1-2 Informal Discovery Requests Sent February 3, 2023

**SECOND SUPPLEMENTAL RESPONSE:**

In the states listed in response to No. 1, a settlement agreement was filed in Nevada (see First Supplemental Response) and **the Public Utilities Commission of Nevada approved the Proposed Transaction on March 23, 2023 (see OCA 1-2 – Nevada Order and Stipulation).** No other settlement agreements have been filed.

**The Virginia State Corporation Commission Staff (“Staff”) issued their Report on March 21, 2023. The Report recommended approval of the Proposed Transaction and contained specific conditions (see Report Appendix A). Colchester Utilities, Inc. (“Colchester”) responded (“Response”) to the Report on March 28, 2023. The Response modified two of Staff’s conditions, and, as noted in the Response, Staff did not oppose the modifications. However, the Commission did not issue an order as required, and Colchester’s application was deemed approved on April 21, 2023. It is unknown if these modified conditions are surviving conditions. See attached the OCA 1-2 – VA Staff Report and OCA 1-2 Colchester Response.**

**PROVIDED BY:** Steve Lubertozi, Brian Bahr

**DATE:** April 26, 2023



**GreeneHurlocker**  
Attorneys at Law

Brian R. Greene  
[BGreene@GreeneHurlocker.com](mailto:BGreene@GreeneHurlocker.com)  
Direct Dial: 804.672.4542

March 28, 2023

**BY Electronic Filing**

The Honorable Bernard Logan, Clerk  
Virginia State Corporation Commission  
Document Control Center  
Tyler Building, First Floor  
1300 East Main Street  
Richmond, Virginia 23219

**Re: Joint Petition of Colchester Utilities, Inc., Corix Infrastructure, Inc., Corix Infrastructure (US) Inc., IIF Subway Investment LP, SW Merger Acquisition Corp., and Southwest Water Company for Approval of Change in Control Under Chapter 5 of Title 56 of the Code of Virginia  
Case No. PUR-2022-00204**

Dear Mr. Logan:

Enclosed for filing in the above-referenced proceeding please find Joint Petitioners' Response to Staff Report.

Please do not hesitate to contact me if you have any questions about this filing.

Sincerely,

*/s/ Brian R. Greene*

Brian R. Greene

cc: William H. Chambliss, Esq. ([William.Chambliss@scc.virginia.gov](mailto:William.Chambliss@scc.virginia.gov))  
Kelli Cole, Esq. ([Kelli.Cole@scc.virginia.gov](mailto:Kelli.Cole@scc.virginia.gov))  
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Elaine S. Ryan, Esq. ([eryan@mcquirewoods.com](mailto:eryan@mcquirewoods.com))

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**

**JOINT PETITION OF**

**COLCHESTER UTILITIES, INC.,  
CORIX INFRASTRUCTURE INC.,  
CORIX INFRASTRUCTURE (US) INC.,  
IIF SUBWAY INVESTMENT L.P.,  
SW MERGER ACQUISITION CORP., and  
SOUTHWEST WATER COMPANY**

**For Approval of Change of Control Under  
Chapter 5 of Title 56 of the *Code of Virginia***

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**CASE NO. PUR-2022-00204**

**RESPONSE TO STAFF REPORT**

Colchester Utilities, Inc. (“Colchester” or “Company”), along with Corix Infrastructure Inc. (“CII”), Corix Infrastructure (US) Inc. (“Corix US”), IIF Subway Investment LP (“IIF Subway”), SW Merger Acquisition Corp. (“SWMAC”), and Southwest Water Company (“SouthWest”) (collectively, the “Joint Petitioners”), by counsel, hereby respond to the Staff Report filed on March 21, 2023, in this proceeding (the “Staff Report”):

1. On November 28, 2022,<sup>1</sup> the Joint Petitioners filed a Joint Petition (“Joint Petition”) with the State Corporation Commission (“Commission”) pursuant to Chapter 5 of Title 56 of the Code of Virginia for approval of a change in control of the Company based on a proposed merger transaction involving the Company’s indirect parent company, Corix US, and SWMAC.

2. On January 27, 2023, the Commission issued an Order for Notice and Comment (the “Order”) that, among other things, directed Staff to investigate the Joint Petition and file a

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<sup>1</sup> The initial Petition filing was on November 28, 2022, with additional information filed on December 22, 2022.

Staff Report on or before March 21, 2023.<sup>2</sup> The Commission also permitted the Joint Petitioners to file a response to the Staff Report on or before March 28, 2023.<sup>3</sup>

3. On March 21, 2022, Staff filed the Staff Report, recommending approval of the proposed change-in-control transaction subject to certain conditions that were specified in Appendix A to the Staff Report.

4. The Joint Petitioners appreciate Staff's recommendation in the Staff Report that the Commission approve the proposed change-in-control transaction. Further, the Joint Petitioners support the proposed conditions in Appendix A to the Staff Report, but request the following limited modifications:

5. **Condition (3):** The Joint Petitioners request that the Commission modify Staff's proposed Condition (3) to allow limited flexibility to manage contract modifications typical for a transaction of this nature, as this complex transaction moves forward to closing, including: (1) potential modification of the closing date for the transaction; and (2) modifications of internal dates by which certain tasks necessary for closing must occur but without requiring further approval from the Commission. This proposed change to Condition No. 3 does not impact the material commercial terms defining the Proposed Transaction that is the subject of the Commission's approval. Rather, the proposed change recognizes the practical realities of managing a Transaction Agreement governing a complex, multi-jurisdictional transaction that, pursuant to the terms of the Transaction Agreement, could close as late as May 26, 2024. The failure to provide the Joint Applicants with sufficient flexibility to manage the Transaction Agreement (without altering material commercial terms) could result in the inefficient use of

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<sup>2</sup> Order at Ordering Paragraph (14).

<sup>3</sup> *Id.* at Ordering Paragraph (15).

administrative resources. To address this concern, the Joint Petitioners propose the following modification to Condition (3):

- (3) The Commission's approval should be contingent upon closing the Transfer pursuant to the terms and conditions (“Terms”) of the Transaction Agreement reviewed by this Commission. No changes to the Terms of the Transaction Agreement should be made before or at closing **other than interim deadline dates, which shall not be extended beyond closing, and an extension of time to close the transaction of up to sixty (60) days,** without prior Commission approval. **Written notice of all such interim deadline date extensions shall be provided to the Director of the Utility Accounting and Finance Division within five days of each interim deadline date extension.**

6. **Condition (4):** The Joint Petitioners request that the Commission modify Staff’s proposed Condition (4) to specify a five-year period for the Company to track and quantify the qualitative and quantitative benefits of the change-in-control transaction. As proposed, Staff’s Condition (4) did not include an end date. Specifically, the Joint Petitioners propose a five-year sunset date to track the benefits of the transaction:<sup>4</sup>

- (4) **For a period of five (5) years following the effective date of the Transfer,** Colchester should be required to track and quantify all the benefits (both qualitative and quantitative) customers in their service territory are receiving under its new ownership.

7. The Joint Petitioners have discussed the above proposed revisions to Conditions 3 and 4 with Staff, and are authorized to represent that Staff does not oppose them.

8. For the reasons explained above, the Joint Petitioners request that the Commission grant the Joint Petition and approve the proposed change-in-control transaction as recommended

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<sup>4</sup> Note that Colchester only has one governmental customer, Fairfax County, and Colchester is not considered a public service company. See Staff Report at 5.

in the Staff Report, subject to the Joint Petitioners' proposed modifications to Staff's proposed conditions contained in Appendix A to the Staff Report.

*[signature on following page]*

Respectfully submitted,

COLCHESTER UTILITIES, INC.  
CORIX INFRASTRUCTURE INC.  
CORIX INFRASTRUCTURE (US) INC.  
IIF SUBWAY INVESTMENT LP  
SW MERGER ACQUISITION CORP.  
and  
SOUTHWEST WATER COMPANY

By Counsel

/s/ Brian R. Greene

Brian R. Greene  
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*Counsel for Colchester Utilities, Inc.;  
Corix Infrastructure Inc.; and  
Corix Infrastructure (US) Inc.*

/s/ Jontille D. Ray

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*Counsel for IIF Subway Investment LP;  
SW Merger Acquisition Corp.; and Southwest  
Water Company*

Date: March 28, 2023

**CERTIFICATE OF SERVICE**

I certify that a true copy of the foregoing was emailed on March 28, 2023, to each person listed below:

William H. Chambliss, Esq.  
Kelli Cole, Esq.  
Simeon Brown, Esq.  
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*/s/ Brian R. Greene*  
\_\_\_\_\_  
Brian R. Greene

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Joint Application of Great Basin Water Co., Corix )  
Infrastructure (US) Inc., and SW Merger Acquisition ) Docket No. 22-11030  
Corp. for approval of a proposed transaction that will )  
result in the transfer of control of a water company. )  
\_\_\_\_\_ )

At a general session of the Public Utilities  
Commission of Nevada, held at its offices  
on March 23, 2023.

PRESENT: Chair Hayley Williamson  
Commissioner C.J. Manthe  
Commissioner Tammy Cordova  
Assistant Commission Secretary Trisha Osborne

**ORDER**

The Public Utilities Commission of Nevada (“Commission”) makes the following  
findings of fact and conclusions of law:

**I. INTRODUCTION**

On November 22, 2022, Great Basin Water Co. (“GBWC”), Corix Infrastructure (US) Inc. (“Corix US”), and SW Merger Acquisition Corp. (“SWMAC” and together with GBWC and Corix US the “Joint Applicants”), filed with the Commission a joint application, designated as Docket No. 22-11030 (“Joint Application”), for approval of a proposed transaction that will result in the transfer of control of a water company.

On March 3, 2023, the Joint Applicants and the Regulatory Operations Staff of the Commission (“Staff” and collectively with the Joint Applicants, the “Parties”) filed a stipulation, attached hereto as Attachment 1 (the “Stipulation”).

**II. SUMMARY**

The Commission accepts the Stipulation and grants the Joint Application, as provided by and consistent with the Stipulation.

**III. PROCEDURAL HISTORY**

- On November 22, 2022, the Joint Applicants filed the Joint Application.
- Staff participates as a matter of right pursuant to Nevada Revised Statutes (“NRS”) 703.301.

- The Joint Applicants filed the Joint Application pursuant to the NRS and the Nevada Administrative Code (“NAC”), Chapters 703 and, including, but not limited to, NRS 704.329.
- On December 1, 2022, the Commission issued a Notice of Joint Application for Approval of a Proposed Transaction Pursuant to NRS 704.329 and Notice of Prehearing Conference.
- On January 4, 2023, the Commission held a prehearing conference, attended by the Parties, wherein a procedural schedule was discussed and a continued prehearing conference was set for March 7, 2023.
- On January 5, 2023, the Commission issued a Procedural Order, adopting a procedural schedule.
- On March 3, 2023, the Parties filed the Stipulation.
- On March 7, 2023, the Commission held a continued prehearing conference, attended by the Parties, wherein the Stipulation was discussed. At the conclusion of the continued prehearing conference, the Presiding Officer granted an oral motion to accept Exhibit Nos. 1 and 2 into the record pursuant to NAC 703.730. The Joint Application is marked as Exhibit No. 1, and the Stipulation is marked as Exhibit No. 2.

#### **IV. STIPULATION**

##### **Parties’ Positions**

1. The Parties request that the Commission accept the Stipulation. (Stipulation at 1.)

The Parties agree that accepting the Stipulation would be in the public interest (as required by NRS 704.329). (*Id.* at 3.)

2. The Parties provide that Corix US and Corix Infrastructure Inc. (“CII”) entered into a transaction agreement (“Transaction Agreement”) with IIF Subway, SWMAC, and SouthWest Water Company (“SouthWest”) that provides a framework for combining CII’s water, wastewater, and related businesses with the water and wastewater businesses owned by SWMAC. (*Id.* at 2.)

3. The Parties provide that when the transactions contemplated by the Transaction Agreement are completed, CII and an affiliate or affiliates of CII will own 50% of Corix US, and

that SWMAC Holdco (an entity that will be formed by SWMAC's shareholders before closing) will own the other 50% of Corix US (the "Proposed Transaction"). (*Id.*)

4. The Parties provide that as a result of the Proposed Transaction, the surviving entity, Corix US, will indirectly own and control all of the utility operating subsidiaries comprising the CII water, wastewater, and related businesses (including GBWC) as well as the SWMAC water and wastewater businesses. (*Id.*) The Parties state that Corix US will continue to indirectly own 100% of GBWC. (*Id.*)

5. The Parties state that the Proposed Transaction will not negatively impact GBWC's commitment to providing high-quality water and wastewater utility services to its Nevada customers. (*Id.* at 3.)

6. The Parties state that GBWC will not seek to recover from GBWC's customers the transaction costs incurred to consummate the Proposed Transaction and will demonstrate in future Nevada general rate cases that such transaction costs are not included in GBWC's revenue requirement. (*Id.*)

7. The Parties state that until the later of (1) the effective date of GBWC's third general rate case after the close of the Proposed Transaction or (2) December 31, 2030: GBWC will track and defer all costs and benefits of integrating administrative and general functions related to the Proposed Transaction, including costs associated with planning for integration; GBWC will conduct and submit an analysis of the costs and benefits associated with the integration of administrative and general functions in any future Nevada general rate case in which such costs and benefits accrue in the test period applicable to that particular general rate case; and GBWC may recover the costs of integrating administrative and general functions to the

extent that the benefits of integrating administrative and general functions meet or exceed such costs (“Net Benefits”). (*Id.* at 3-4.)

8. The Parties further state that to the extent the costs of integrating administrative and general functions exceed benefits (“Net Costs”), the Joint Applicants acknowledge that GBWC will not recover Net Costs, and that after costs and benefits of integrating administrative and general functions are reflected in a general rate case, GBWC will discontinue deferring those costs and benefits and will track and defer only incremental costs and benefits to those reflected in rates. (*Id.* at 3.)

9. The Parties state that GBWC will continue to maintain a strong local presence in Nevada in terms of employees, facilities and offices, and community support, and will refrain from involuntary reductions in force related to the Proposed Transaction for 12 months after the closing of the Proposed Transaction, which is now anticipated to occur in the fourth quarter of 2023. (*Id.* at 4.)

10. The Parties represent that GBWC will not seek to recover from Nevada its customers’ allocation of corporate costs, unless such allocations are just and reasonable. (*Id.*) With respect to the allocation of corporate costs, GBWC will satisfy the following obligations: (1) provide appropriate supporting documentation, such as receipts or invoices, upon request, when requesting recovery of corporate allocations in future Nevada general rate cases; and (2) file contemporaneously with its future rate case applications the detailed information agreed to in Paragraph 16 of the Stipulation dated May 24, 2022, in Docket No. 21-12025; and affirmatively explain the rationale for, and benefits to Nevada customers, of any methodology for allocating corporate expenses that apportions expenses to GBWC that could be directly allocated entirely to

other jurisdictions, when requesting recovery of corporate allocations in future Nevada general rate cases. (*Id.*)

11. The Parties aver that the proceeds of any debt incurred by GBWC will only be used for purposes specific to GBWC's Nevada systems or operations, and that GBWC will provide a discussion detailing what the proceeds of such debt was used for in future Nevada general rate cases. (*Id.*)

12. The Parties maintain that GBWC will continue to comply with the requirements of Nevada law, and with applicable decisions of the Commission in its future proposed treatment of debt and credit instruments and transfers of any material asset. (*Id.* at 5.) The Parties provide that the Proposed Transaction does not qualify for exemption under NRS 704.329(6)(c) and will not change GBWC's status as a public utility subject to regulation by the Commission pursuant to Chapters 703 and 704 of the NRS and the Commission's regulations. (*Id.*)

13. The Parties agree that approval of the Proposed Transaction will be in the public interest, as required by NRS 704.329 (3)(a), and that the other requirements of NRS 704.329 are met with respect to the Proposed Transaction.

14. The Parties recommend that the Commission grant the Joint Application. (*Id.*)

15. The Parties recommend that acceptance of the Stipulation and the granting of the Joint Application be subject to the satisfaction of the following two compliance items: (1) within 90 calendar days after the closing of the Proposed Transaction, GBWC must file with the Commission the details of the transaction costs incurred as of the closing of the Proposed Transaction, including any costs resulting from pre-closing restructuring; and (2) 15 calendar days after the completion of the roadmap, which is being produced by PricewaterhouseCoopers Advisory Services, LLC ("PWC"), GBWC must file with the Commission the PWC roadmap.

**Commission Discussion and Findings**

16. The Commission finds that the Stipulation complies with the requirements of NAC 703.845, in that it settles only issues relating to the instant proceeding and does not seek relief the Commission is not otherwise empowered to grant. The Stipulation is a consensus resolution of the issues pursuant to the Parties' negotiations and is a reasonable recommendation and resolution of the issues in this proceeding. Accordingly, the Commission accepts the Stipulation and grants the Joint Application as provided by the Stipulation.

17. All arguments of the Parties raised in these proceedings not expressly addressed herein have been considered and either rejected or found to be non-essential for further discussion in this Order. Any agreements and recommendations contained in the Stipulation, but not expressly addressed herein, are either agreements by the Parties regarding matters non-essential to the disposition of this Docket or are recommendations for specific findings that do not require delineation given the Commission's acceptance of the Stipulation and corresponding approval of the Joint Application.

Therefore, it is ordered:

1. The Stipulation filed by Great Basin Water Co., Corix Infrastructure (US) Inc., SW Merger Acquisition Corp, and the Regulatory Operations Staff of the Commission, attached hereto as Attachment 1, is accepted.

2. The Joint Application of Great Basin Water Co., Corix Infrastructure (US) Inc., and SW Merger Acquisition Corp. for approval of a proposed transaction that will result in the transfer of control of a water company, designated as Docket No. 22-11030, is granted, as provided by and consistent with this Order and the Stipulation.

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**Compliances:**

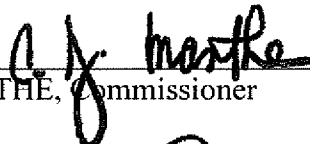
3. Within 90 calendar days after the closing of the Proposed Transaction (as that term is defined in this Order), Great Basin Water Co. must file with the Commission the details of the transaction costs incurred as of the closing of the Proposed Transaction, including any costs resulting from pre-closing restructuring.

4. Within 15 calendar days after the completion of the roadmap, which is being produced by PricewaterhouseCoopers Advisory Services, LLC, Great Basin Water Co. must file with the Commission the PricewaterhouseCoopers Advisory Services, LLC roadmap.


5. The Commission’s acceptance of the Stipulation does not constitute precedent regarding any legal or factual issue.

By the Commission,

  
\_\_\_\_\_  
HAYLEY WILLIAMSON, Chair

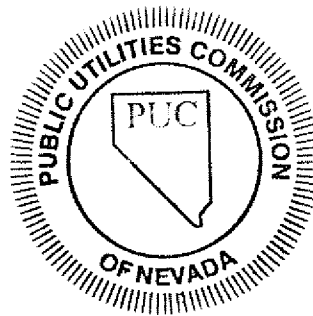
  
\_\_\_\_\_  
C.J. MANTHE, Commissioner

  
\_\_\_\_\_  
TAMMY CORDOVA, Commissioner

Attest:   
\_\_\_\_\_  
TRISHA OSBORNE,  
Assistant Commission Secretary

Dated: Carson City, Nevada

3/23/23  
\_\_\_\_\_  
(SEAL)



# ATTACHMENT 1

**BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

Joint Application of Great Basin Water Co.,  
Corix Infrastructure (US) Inc., and SW  
Merger Acquisition Corp. for approval of a  
proposed Transaction under Nevada Revised  
Statutes section 704.329.

Docket No. 22-11030

**PROPOSED STIPULATION**

Great Basin Water Co. (“GBWC”), Corix Infrastructure (US) Inc. (“Corix US”), and SW Merger Acquisition Corp. (“SWMAC”), (collectively the “Joint Applicants”) and the Regulatory Operations Staff of the Public Utilities Commission of Nevada (“Staff”) (collectively, the “Parties”), pursuant to Nevada Administrative Code (“NAC”) 703.750 and 703.845, hereby submit this Stipulation to the Public Utilities Commission of Nevada (the “Commission”), and respectfully request and recommend that the Commission approve this Stipulation.

**Recitals**

WHEREAS, GBWC is a regulated public utility corporation incorporated under the laws of Nevada that is engaged in the production, treatment, and distribution of water in Cold Springs and Spanish Springs, and the production, treatment, and distribution of water and collection and disposal of wastewater in Spring Creek and Pahrump, pursuant to certificates of public convenience and necessity issued by the Commission.

WHEREAS, Corix US is a Delaware corporation that indirectly owns 100% of GBWC. Corix US is owned by Corix Infrastructure Inc. (“CII”). CII, through its operating subsidiaries, owns and operates approximately 385 water, 310 wastewater, two electricity distribution, one propane, three geothermal, one municipal, and three natural gas distribution systems in the United States and Canada. CII’s water and wastewater utilities and its related businesses serve over 800,000 people in 18 U.S. states and two Canadian provinces.

WHEREAS, SWMAC is a Delaware corporation that owns 100% of SouthWest Water Company (“SouthWest”). SWMAC, through its operating subsidiaries, owns and operates 18 water and wastewater utility companies that provide service to over 500,000 people in seven U.S.

1 states (Alabama, California, Florida, Louisiana, Oregon, South Carolina, and Texas). SWMAC is  
2 owned by IIF Subway Investment LP and Bazos CIV, L.P.

3 WHEREAS, on August 26, 2022, Corix US and CII entered into a transaction agreement  
4 (the "Transaction Agreement") with IIF Subway, SWMAC, and SouthWest that provides a  
5 framework for combining CII's water, wastewater, and related businesses with the water and  
6 wastewater businesses owned by SWMAC.

7 WHEREAS, when the transactions contemplated by the Transaction Agreement are  
8 completed, CII and an affiliate or affiliates of CII will own 50% of Corix US and SWMAC Holdco,  
9 an entity that will be formed by SWMAC's shareholders before closing, will own the other 50%  
10 of Corix US (the "Proposed Transaction").

11 WHEREAS, as a result of the Proposed Transaction, the surviving entity, Corix US, will  
12 indirectly own and control all of the utility operating subsidiaries comprising the CII water,  
13 wastewater, and related businesses (including GBWC) as well as the SWMAC water and  
14 wastewater businesses. Corix US will continue to indirectly own 100% of GBWC.

15 WHEREAS, on November 22, 2022, the Joint Applicants filed with the Commission a  
16 Joint Application for approval of the Proposed Transaction under Nevada Revised Statutes section  
17 704.329 (the "Application").

18 WHEREAS, the Joint Applicants filed the Application pursuant to Chapters 703 and 704  
19 of the Nevada Revised Statutes ("NRS") and NAC, including, but not limited to NRS 704.329.

20 WHEREAS, on December 1, 2022, the Commission issued a Notice notifying the public  
21 of the Application, and providing that petitions for leave to intervene could be filed on or before  
22 December 28, 2022, and scheduling a prehearing conference for January 4, 2023.

23 WHEREAS, Staff participates as a matter of right pursuant to NRS 703.301.

24 WHEREAS, no petitions for leave to intervene have been filed.

25 WHEREAS, on January 4, 2023, the Commission conducted a Prehearing Conference in  
26 accordance with NAC 703.655.

27 WHEREAS, the Parties have met to address issues regarding the Application.

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d. The conditions of subparagraphs 3(a) and 3(b) above will cease upon the later of (1) the effective date of GBWC's third general rate case after the close of the Proposed Transaction or (2) December 31, 2030.

4. GBWC will continue to maintain a strong local presence in Nevada in terms of employees, facilities and offices, and community support.

5. GBWC will refrain from involuntary reductions in force related to the Proposed Transaction for 12 months after the closing of the Proposed Transaction, now anticipated in the fourth quarter of 2023.

6. GBWC will not seek to recover from Nevada its customers' allocation of corporate costs, unless such allocations are just and reasonable. With respect to the allocation of corporate costs:

a. GBWC will provide appropriate supporting documentation, such as receipts or invoices, upon request, when requesting recovery of corporate allocations in future Nevada general rate cases.

b. GBWC will file contemporaneously with its future rate case applications the detailed information agreed to in Paragraph 16 of the Stipulation dated May 24, 2022, in Docket No. 21-12025. GBWC will affirmatively explain the rationale for, and benefits to Nevada customers, of any methodology for allocating corporate expenses that apportion to GBWC expenses that could be directly allocated entirely to other jurisdictions, when requesting recovery of corporate allocations in future Nevada general rate cases.

7. The proceeds of any debt incurred by GBWC will only be used for purposes specific to GBWC's Nevada systems or operations. GBWC will provide a discussion detailing what the proceeds of such debt was used for in future Nevada general rate cases. Consistent with NRS § 704.323, for the purposes of this section 7, debt means any assumption of an obligation as guarantor, endorser, surety or otherwise, bond, debenture or other evidence of interest or indebtedness with a maturity of more than 1 year.



1 before the Commission or any other tribunal and the Parties reserve their right to present evidence  
2 to support all of their positions at a public hearing as if this stipulation had not been agreed upon.

3 C. This Stipulation and any resulting Order shall not have any precedential effect in  
4 future proceedings, although its terms shall be admissible for use in future proceedings before the  
5 Commission and any other tribunal.

6 D. In accordance with NAC 703.845, this Stipulation settles only issues relating to the  
7 present proceeding and seeks relief that the Commission is empowered to grant.

8 E. This Stipulation may be executed in one or more counterparts, all of which together  
9 shall constitute the original executed document. This Stipulation may be executed by signatures  
10 provided by electronic facsimile transmission, which facsimile signatures shall be as binding and  
11 effective as original signatures.

12 **Compliances**

13 1. Ninety calendar days after the closing of the Proposed Transaction, GBWC will file  
14 with the Commission the details of the transaction costs incurred as of the closing of the  
15 Proposed Transaction, including any costs resulting from pre-closing restructuring.

16 2. Fifteen calendar days after the completion of the roadmap, which is being produced  
17 by PricewaterhouseCoopers Advisory Services, LLC (“PWC”), GBWC will file with the  
18 Commission the PWC roadmap.

19 This Stipulation is entered into by each Party as of the date entered below:

20 Dated and respectfully submitted this \_\_\_\_\_ day of March, 2023.

21 REGULATORY OPERATIONS STAFF

22  
23 By: /s/ Tori Sundheim

24 Tori Sundheim  
Assistant Staff Counsel

25 ////

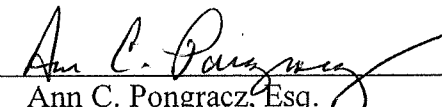
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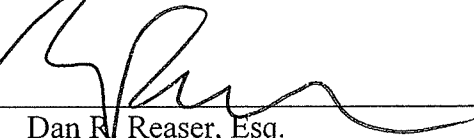
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GREAT BASIN WATER COMPANY AND  
CORIX INFRASTRUCTURE (US) INC.

By:   
Ann C. Pongracz, Esq.  
Sklar Williams, PLLC  
Attorneys for Great Basin Water Co. and  
CORIX Infrastructure (US) Inc.

SW MERGER ACQUISITION CORP.

By:   
Dan R. Reaser, Esq.  
Wade Beavers, Esq.  
Scott C. Cooper, Esq.  
Fennemore Craig, P.C.  
Attorneys for SW Merger Acquisition Corp.

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

STAFF REPORT

JOINT PETITION

OF

COLCHESTER UTILITIES, INC., CORIX INFRASTRUCTURE, INC., CORIX  
INFRASTRUCTURE (US) INC., IIF SUBWAY INVESTMENT LP, SW MERGER  
ACQUISITION CORP.,

and

SOUTHWEST WATER COMPANY

For Approval of Change in Control pursuant to the Utility Transfers Act,  
Va. Code § 56-88 *et seq.*

Prepared By:

The Division of Utility Accounting and Finance

Case No. PUR-2022-00204

March 21, 2023

2023 MAR 21 A 9:16

STATE CORPORATION COMMISSION  
OFFICE OF THE CLERK

2023032115

**STAFF REPORT**  
**CASE NO. PUR-2022-00204**

**SUMMARY**

On December 22, 2022,<sup>1</sup> Colchester Utilities, Inc. ("Colchester" or "Company"), Corix Infrastructure Inc. ("CII"), Corix Infrastructure (US) Inc. ("Corix US"), IIF Subway Investment LP ("IIF Subway"), SW Merger Acquisition Corp. ("SWMAC"), and Southwest Water Company ("SouthWest") (collectively, the "Petitioners"), completed the filing of a Joint Petition ("Petition") with the State Corporation Commission ("Commission"), requesting approval pursuant to the Utility Transfers Act, Chapter 5 of Title 56 of the Code of Virginia ("Code"),<sup>2</sup> of the change in control of Colchester resulting from a proposed merger involving the Company's indirect parent company, Corix US, and SWMAC ("Transfer").

Based on the Petitioners' representations and Staff's review of the Petition, adequate service to the public at just and reasonable rates will not be impaired or jeopardized by the proposed Transfer. Therefore, Staff recommends that the proposed Transfer be approved, subject to the requirements listed in Appendix A to the Staff Report.

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<sup>1</sup> On November 28, 2022, the Joint Petitioners filed their Joint Petition. On December 9, 2022, the Commission Staff sent a written request to the Joint Petitioners, requesting additional information required by Virginia Code §§ 56-88.1 and 56-90. On December 22, 2022, the Joint Petitioners supplemented their Joint Petition with the requested information, which completed the Joint Petition.

<sup>2</sup> Code § 56-88 *et seq.*

## STAFF ANALYSIS

### PETITION

On December 22, 2022, the Petitioners completed the filing of the Petition with the Commission requesting approval of the Transfer. The Petitioners also filed a Motion for Protective Ruling in accordance with Rule 5 VAC 5-20-170 of the Commission's Rules of Practice and Procedure.<sup>3</sup>

On January 27, 2023, the Commission issued an Order for Notice and Comment ("Notice Order"), which docketed the matter as Case No. PUR-2022-00204. The Notice Order required the Petitioners to provide public notice of the proposed Transfer, invited interested persons to file comments on the Petition and request a hearing, and established a procedural schedule to review the Petition. On February 10, 2023, the Petitioners filed the required Proof of Publication and Notice with the Commission. No notices of participation, requests for hearing, or comments were filed in this proceeding.

### PETITIONERS

Colchester is a Virginia Corporation that provides wastewater service to a subdivision in Fairfax County (County"). Colchester does not bill the residents of the subdivision; rather, it sends one bill to the County and the County bills the residents for the sewerage service based upon the County's rates.<sup>4</sup> In a 1981 rate proceeding, the Commission found that Colchester had only one

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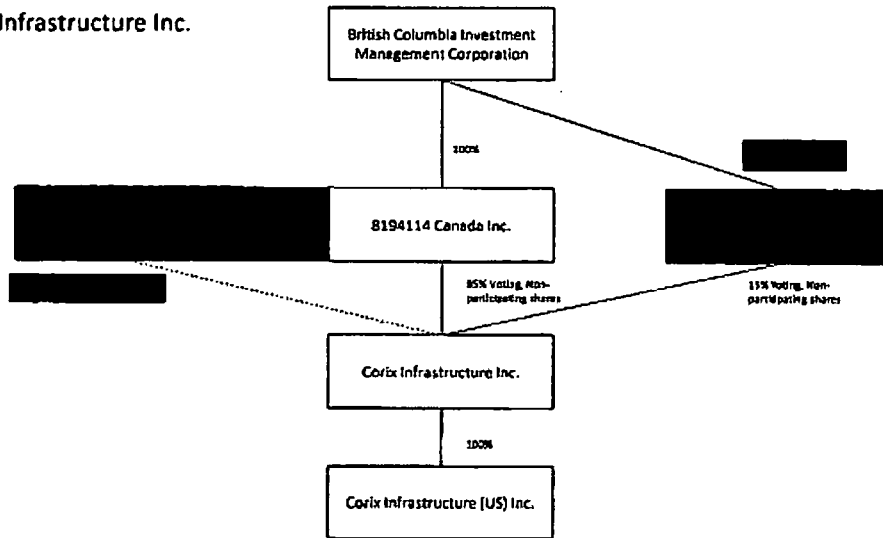
<sup>3</sup> 5 VAC 5-20-10 *et seq.* The Commission's Hearing Examiner in this proceeding issued a Protective Ruling on January 31, 2023.

<sup>4</sup> See *Petition of Colchester Utilities, Inc., For finding that Transfers Act approval is not required in connection with its indirect change of Control; Joint Petition of Highstar Capital II Prism Fund, L.P., Highstar Capital Fund II, L.P., Hydro Star Interco LLC, American General Life Insurance Company, Hydro Star, LLC, Corix Utilities (Illinois) LLC, and Colchester Utilities, Inc., For approval under the Utility Transfers Act*, Case No. PUE-2012-00047, 2012 S.C.C. Ann. Rept. 446, Order (Oct. 15, 2012).

customer, the County, and it cancelled Colchester's certificate of public convenience and necessity and directed the Company to amend its articles of incorporation to reflect that it was no longer a public service corporation.<sup>5</sup> Thus, Colchester ceased existence as a public service company and a rate-regulated public utility.<sup>6</sup>

Colchester's immediate parent company is Corix Regulated Utilities (US), Inc ("CRU US"). CRU US is indirectly owned by Corix US. Corix US indirectly owns 100% of Colchester. CII owns Corix US. Through its operating subsidiaries, CII owns and operates approximately 385 water distribution systems and 310 wastewater distribution systems along with other related businesses. CII is indirectly controlled by British Columbia Investment Management Corporation.<sup>7</sup> Their current corporate structure is as follows:<sup>8</sup>

Ownership of Corix Infrastructure Inc. "CII" – Current



<sup>5</sup> Application of Colchester Public Service Corporation to Revise its Tariffs, Case No. PUE-1981-00035, 1984 S.C.C. Ann. Rept. 369, Final Order Canceling Certificate and Dismissing Application For Rate Relief, (Feb 28, 1984).

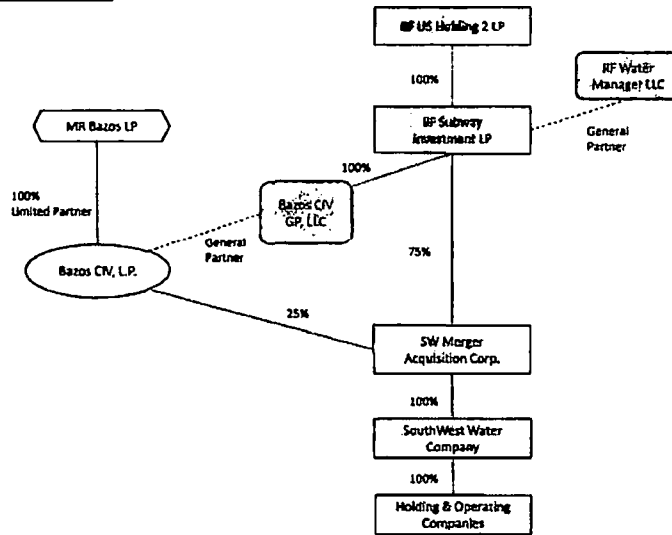
<sup>6</sup> Petition at 5.

<sup>7</sup> Petition at 4.

<sup>8</sup> See Organizational Chart in Support of the Joint Petition, filed separately on December 22, 2022, which is attached hereto as Appendix B to the Staff Report.

SWMAC is a corporation that owns 100% of SouthWest. Through its operating subsidiaries, SWMAC owns and operates 18 water and wastewater utility companies. IIF Subway owns 75% of SWMAC. Bazos CIV, L.P. owns the remaining 25% of SWMAC's stock.<sup>9</sup> Their current corporate structure is as follows:<sup>10</sup>

SWMAC Simplified Current



**THE TRANSFER**

The Petitioners state that on August 26, 2022, CII and Corix US ("The Corix Parties") entered into a transaction agreement ("Transaction Agreement") with IIF Subway, SWMAC and SouthWest (the "Southwest Parties"), providing a framework for combining CII's water, wastewater, and related businesses with the water and wastewater businesses owned by SWMAC.

Once certain pre-closing transactions are completed, SWMAC will merge with and into Corix US, with Corix US being the surviving entity, and resulting in SWMAC Holdco's final

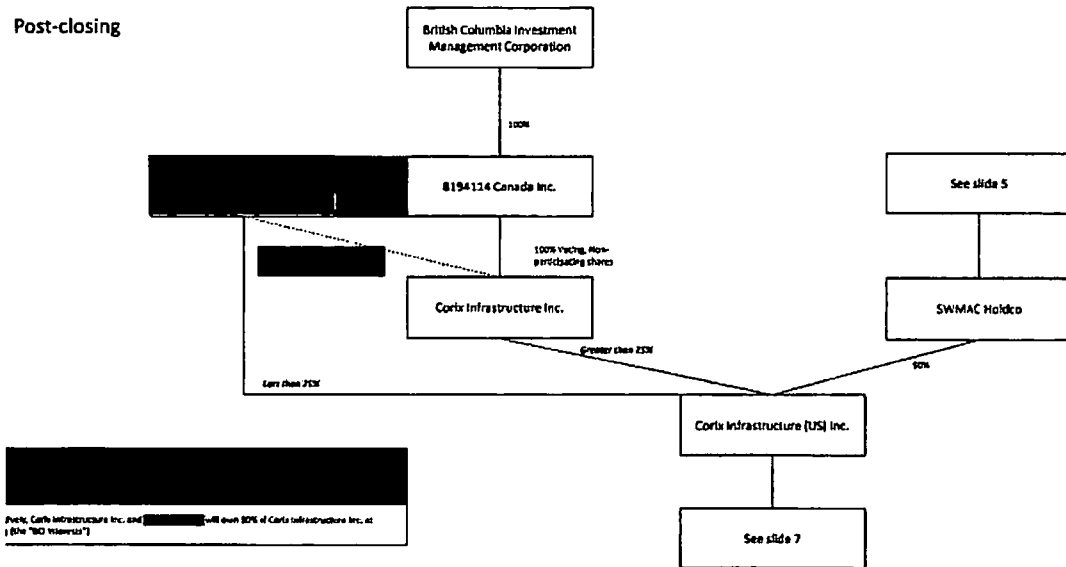
<sup>9</sup> Petition at 4.

<sup>10</sup> See *supra* n.8.

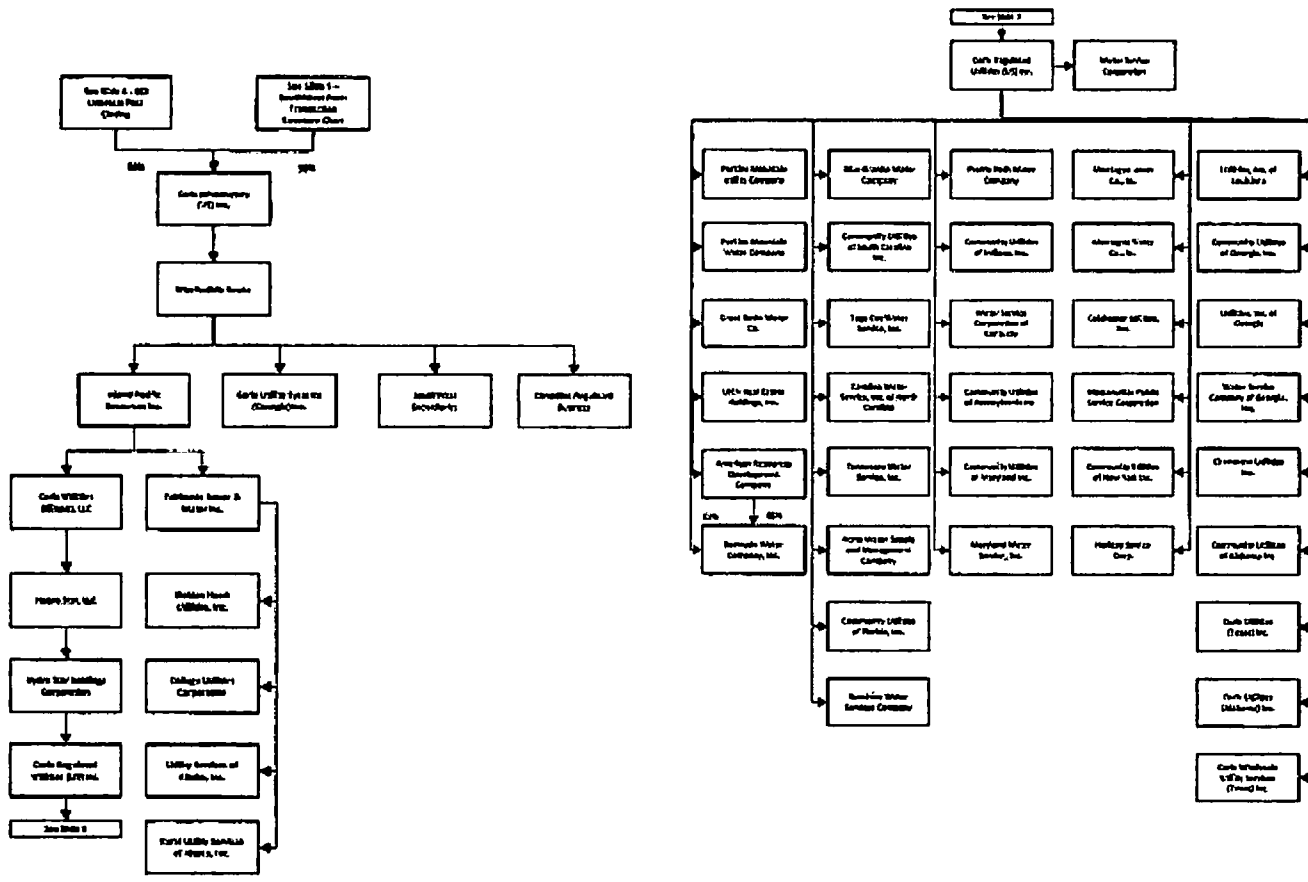
acquisition of 50% of Corix US's stock, and Corix US's acquisition of the outstanding stock of SouthWest currently owned by SWMAC, with Corix US continuing to indirectly own the Company.

Corix US will then transfer all of the outstanding equity of SouthWest and certain Corix US entities to Intermediate Newco. In exchange, Intermediate Newco will issue stock to Corix US and assume all of Corix US's third-party debt, with Intermediate Newco being a wholly owned subsidiary of Corix US.

Upon completion, CII and an affiliate or affiliates of CII will own 50% of Corix US's stock, SWMAC Holdco will own the remaining 50% of Corix US's stock, Corix US will own all of the stock of Intermediate Newco, and Intermediate Newco will indirectly own all of the utility operating subsidiaries comprising the CII water, wastewater, and related businesses, as well as the SWMAC water and wastewater business. In short, Colchester will fall under Intermediate Newco, which in turn will fall under Corix US. The post-transaction corporate structure is as follows:<sup>11</sup>



<sup>11</sup> See *supra* n.8.



RATES

Colchester sends one bill to Fairfax County for all sewerage service provided to the Harborview subdivision and the County bills the residents of the subdivision based upon the county's own rates. Petitioners state that due to the fact that Colchester only has one governmental customer, Fairfax County, Colchester is not considered a public service company and its rates and services are no longer regulated by the Commission.<sup>12</sup> The Petitioners represent that the Company's rates and terms and conditions of service that are in effect currently will not change as a result of the Proposed Transaction.<sup>13</sup>

<sup>12</sup> Petition at 5.

<sup>13</sup> Petition at 11.

## MERGER BENEFITS

The Petitioners represent that the proposed merger between SWMAC and Corix US will create a larger, stronger water and wastewater company. The Petitioners represent that the proposed Transfer would occur several levels above Colchester and does not involve any acquisition costs or premiums that would be reflected in Colchester's financial statements.<sup>14</sup>

The Petitioners represent that the Transfer will provide the Company's employees with access to additional experiences and resources, which will benefit the Company's customers. They further represent that the increased scale and enhanced financial foundation of the combined company will improve the Company's ability to make significant, long-term investments required to continue providing quality water and wastewater services to its customers.<sup>15</sup> For example, Colchester plans to make capital investments totaling approximately \$500,000 between 2023-2025.<sup>16</sup> The Petitioners assert that the proposed Transfer is also expected to produce corporate synergies such as reductions in board governance, senior s[redacted] costs, which will benefit customers.<sup>17</sup> Overall, the Petitioners estimate about \$3.4 million in corporate governance benefits.<sup>18</sup>

## CONCLUSION AND RECOMMENDATIONS

Based on the Petitioners' representations and Staff's review of the Petition, it appears that adequate service to the public at just and reasonable rates will not be impaired or jeopardized by

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<sup>14</sup> See Petitioners' response to DR 1-10.

<sup>15</sup> Petition at 10.

<sup>16</sup> See Petitioners' response to DR 1-4.

<sup>17</sup> Transaction Summary at 5, question 21.

<sup>18</sup> See Petitioners' response to DR 1-15.

the proposed Transfer. Therefore, pursuant to Code §§ 56-89 and 56-90, Staff recommends that the proposed Transfer should be approved subject to the requirements listed in Appendix A to the Staff Report, which are necessary to protect the public interest.

230330115

**APPENDIX A**

- (1) Pursuant to Code §§ 56-89 and 56-90, the Commission should approve the proposed Transfer subject to the requirements below.
- (2) The Commission's approval should have no accounting or ratemaking implications.
- (3) The Commission's approval should be contingent upon closing the Transfer pursuant to the terms and conditions ("Terms") of the Transaction Agreement reviewed by this Commission. No changes to the Terms of the Transaction Agreement should be made before or at closing, without prior Commission approval.
- (4) Colchester should be required to track and quantify all the benefits (both qualitative and quantitative) customers in their service territory are receiving under its new ownership.
- (5) Within ninety (90) days of completing the proposed Transfer, Colchester should file a Report of Action ("Report") with the Commission. Included in the Report should be the effective date of the Transfer.
- (6) The Commission should direct Colchester that:
  - (a) The quality of service in Colchester's service territory should not deteriorate due to a lack of maintenance or capital investment;
  - (b) The quality of service in Colchester's service territory should not deteriorate due to a reduction in the number of employees providing services; and
  - (c) Colchester should continue to maintain a high degree of cooperation with the Commission Staff and should take all actions necessary to ensure Colchester's timely response to Staff inquiries with regard to its provision of water service in Virginia.

**APPENDIX B**  
**CORPORATE STRUCTURE CHARTS,**  
**FILED DECEMBER 22, 2022**

**Virginia State Corporation Commission  
eFiling CASE Document Cover Sheet**

230330115  
22124043

<b>Case Number (if already assigned)</b>	PUR-2022-00204
<b>Case Name (if known)</b>	Joint Petition of Colchester Utilities, Inc. et al. for Approval of Change in Control Under Chapter 5 of Title 56 of the Code of Virginia
<b>Document Type</b>	OTHR
<b>Document Description Summary</b>	Colchester Utilities, Inc. Organizational Chart in Support of Joint Petition
<b>Total Number of Pages</b>	9
<b>Submission ID</b>	26536
<b>eFiling Date Stamp</b>	12/22/2022 3:28:41PM



# GreeneHurlocker

Attorneys at Law

Brian R. Greene  
[BGreene@GreeneHurlocker.com](mailto:BGreene@GreeneHurlocker.com)  
Direct Dial: 804.672.4542

December 22, 2022

**By Electronic Filing (Public Version) and Hand Delivery (Confidential Version)**

The Honorable Bernard Logan, Clerk  
Virginia State Corporation Commission  
Document Control Center  
Tyler Building, First Floor  
1300 East Main Street  
Richmond, Virginia 23219

**Re: Joint Petition of Colchester Utilities, Inc., Corix Infrastructure, Inc., Corix Infrastructure (US) Inc., IIF Subway Investment LP, SW Merger Acquisition Corp., and Southwest Water Company for Approval of Change in Control Under Chapter 5 of Title 56 of the Code of Virginia  
Case No. PUR-2022-00204**

Dear Mr. Logan:

Following discussions with Staff, enclosed for filing in the above-referenced proceeding please find an organizational chart in support of the Joint Petition. The confidential version will be hand-delivered to the Commission today.

Please do not hesitate to contact me if you have any questions about this filing.

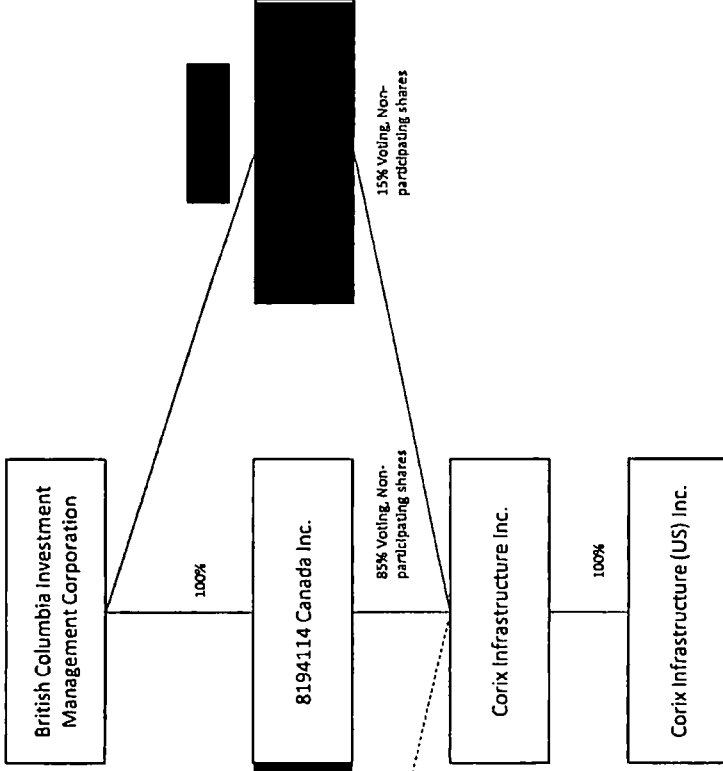
Sincerely,

*/s/ Brian R. Greene*

Brian R. Greene

cc: Kelli Cole ([Kelli.Cole@scc.virginia.gov](mailto:Kelli.Cole@scc.virginia.gov)) (confidential version)  
Simeon Brown ([Simeon.Brown@scc.virginia.gov](mailto:Simeon.Brown@scc.virginia.gov)) (confidential version)  
Jontille D. Ray ([jray@mcquirewoods.com](mailto:jray@mcquirewoods.com)) (confidential version)  
Elaine S. Ryan ([eryan@mcquirewoods.com](mailto:eryan@mcquirewoods.com)) (confidential version)  
C. Meade Browder, Jr. ([mbrowder@oag.state.va.us](mailto:mbrowder@oag.state.va.us)) (public version)

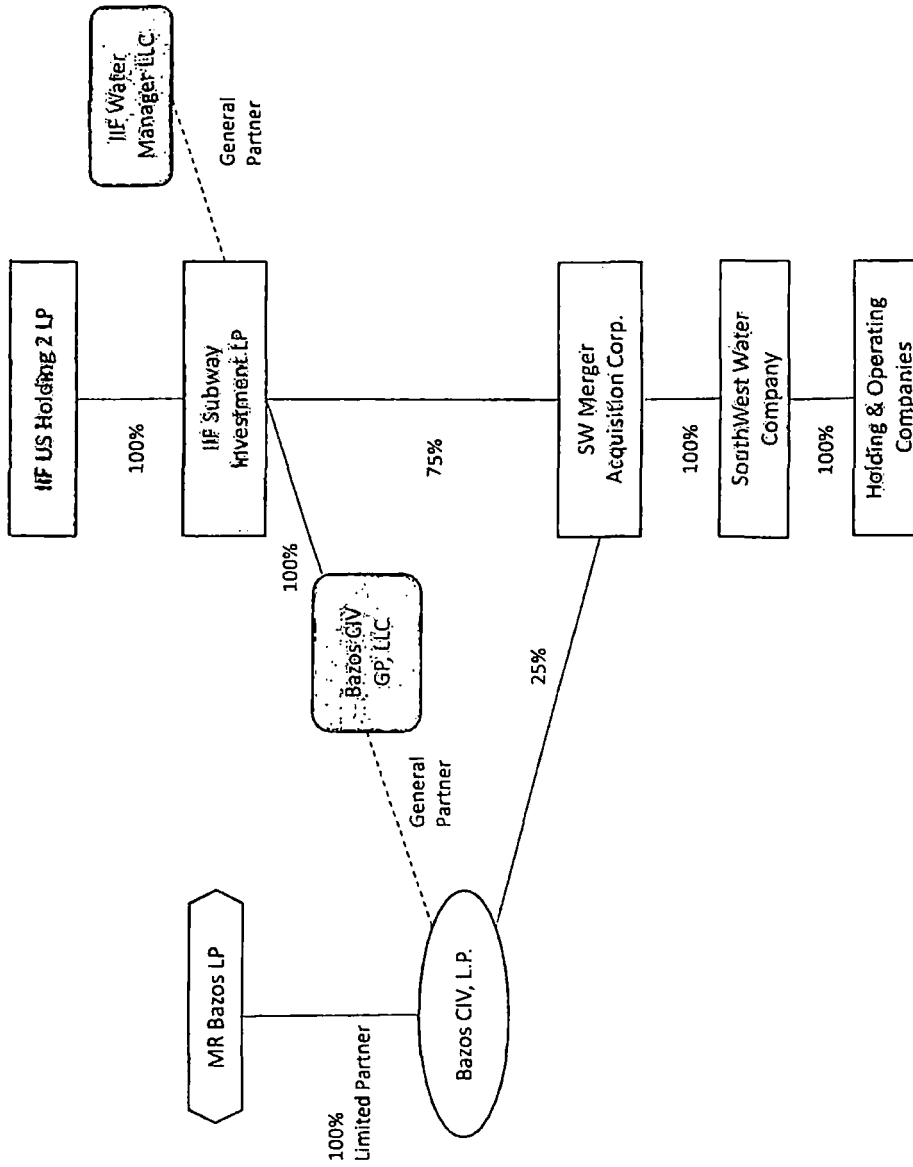
Ownership of Corix Infrastructure Inc.  
("CI") – Current



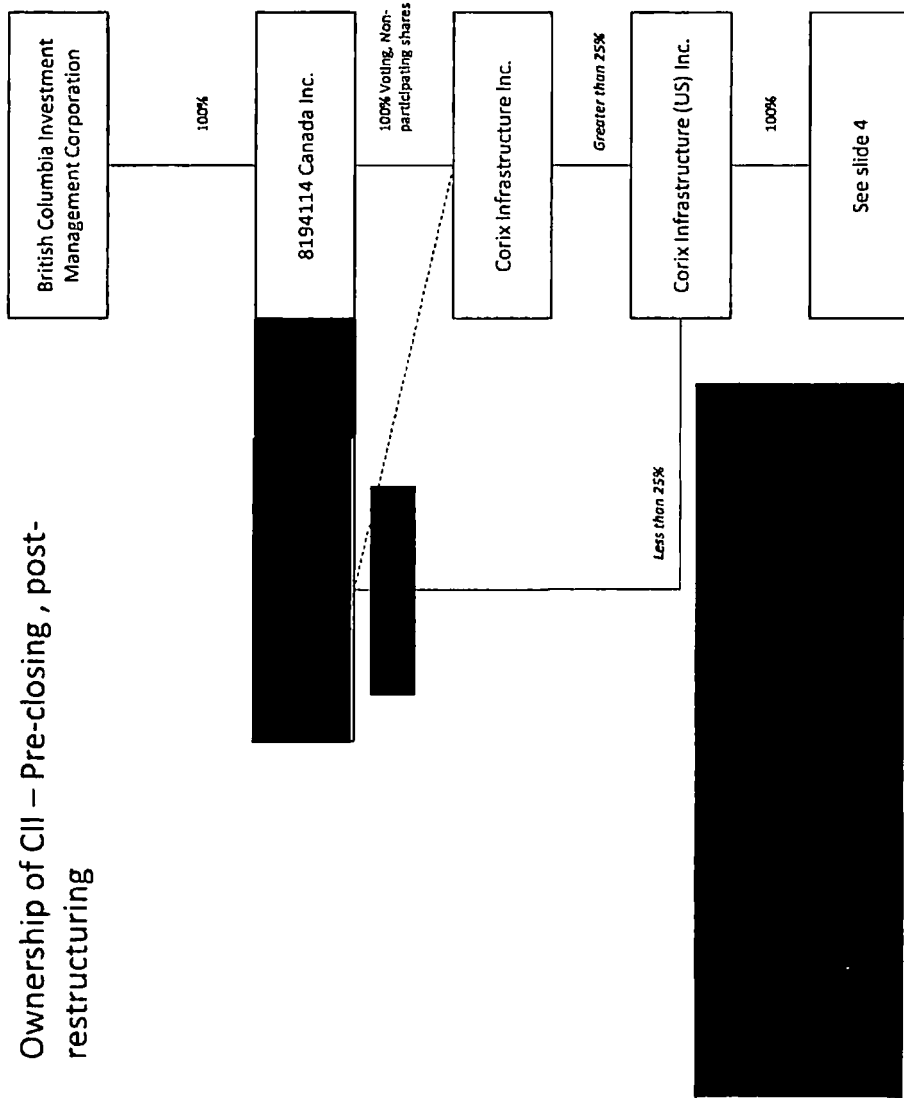
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CONFIDENTIAL INFORMATION REDACTED

SWMAC Simplified Current

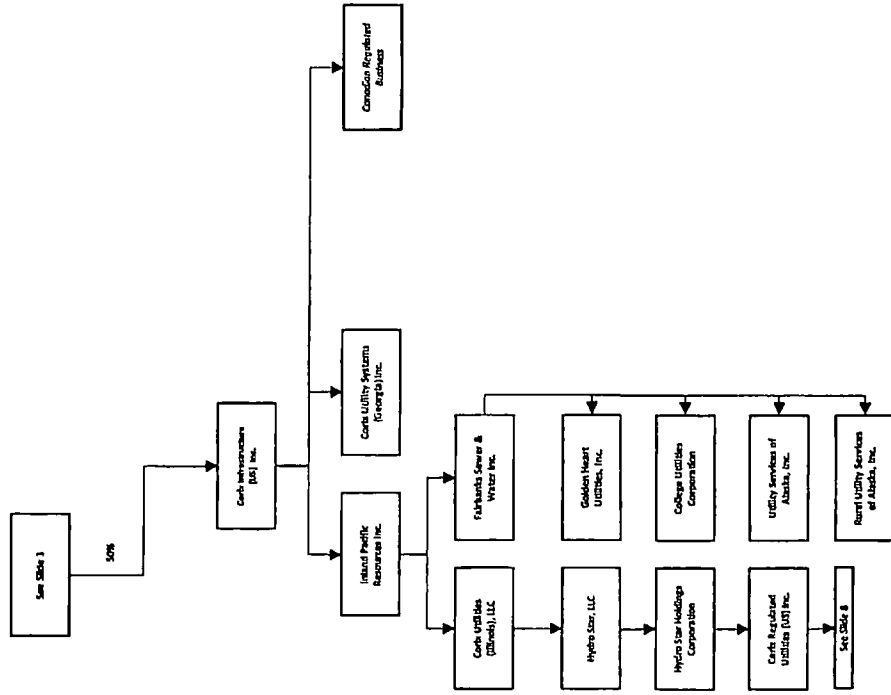


Ownership of CII – Pre-closing , post-restructuring

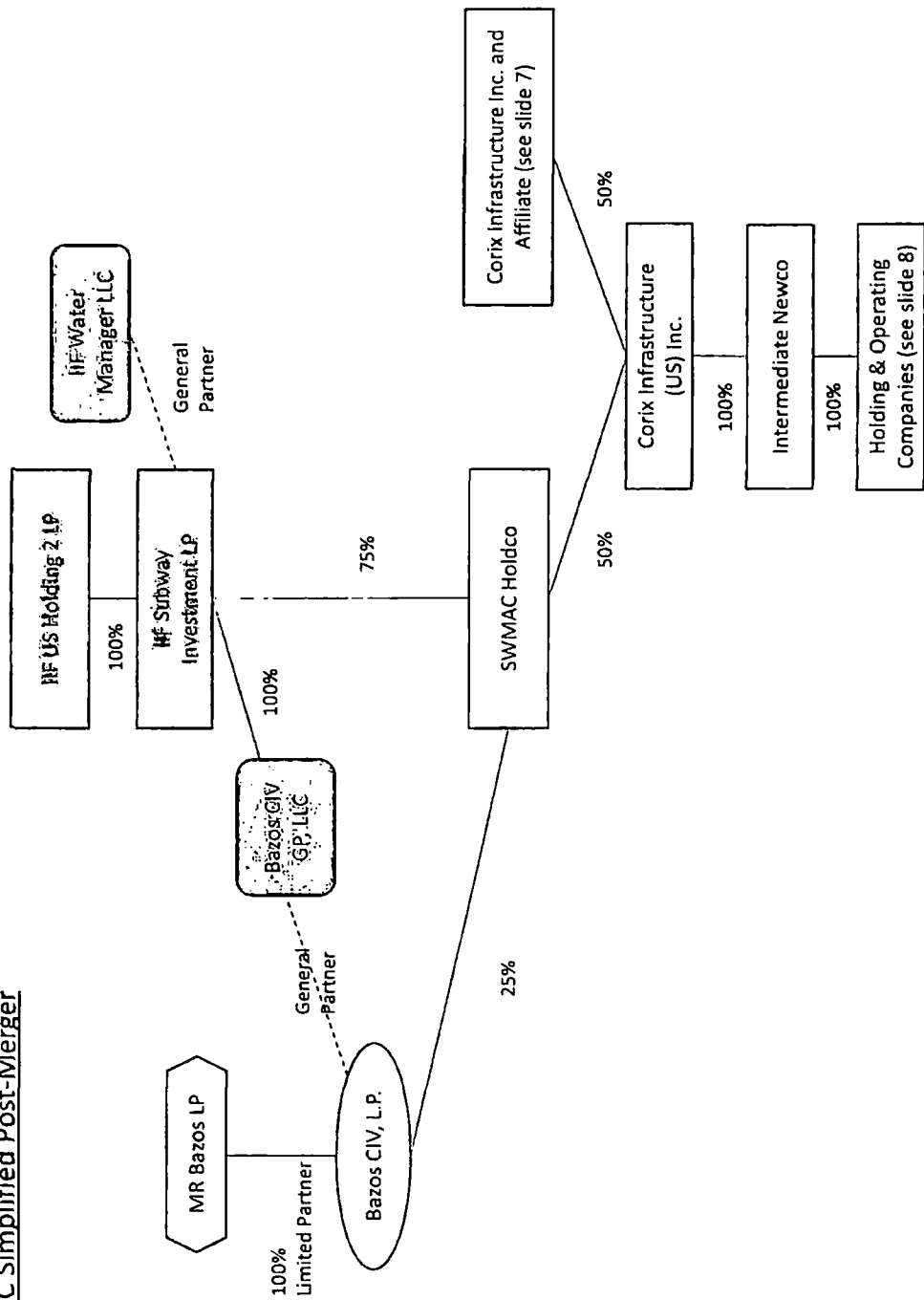


CONFIDENTIAL INFORMATION REDACTED

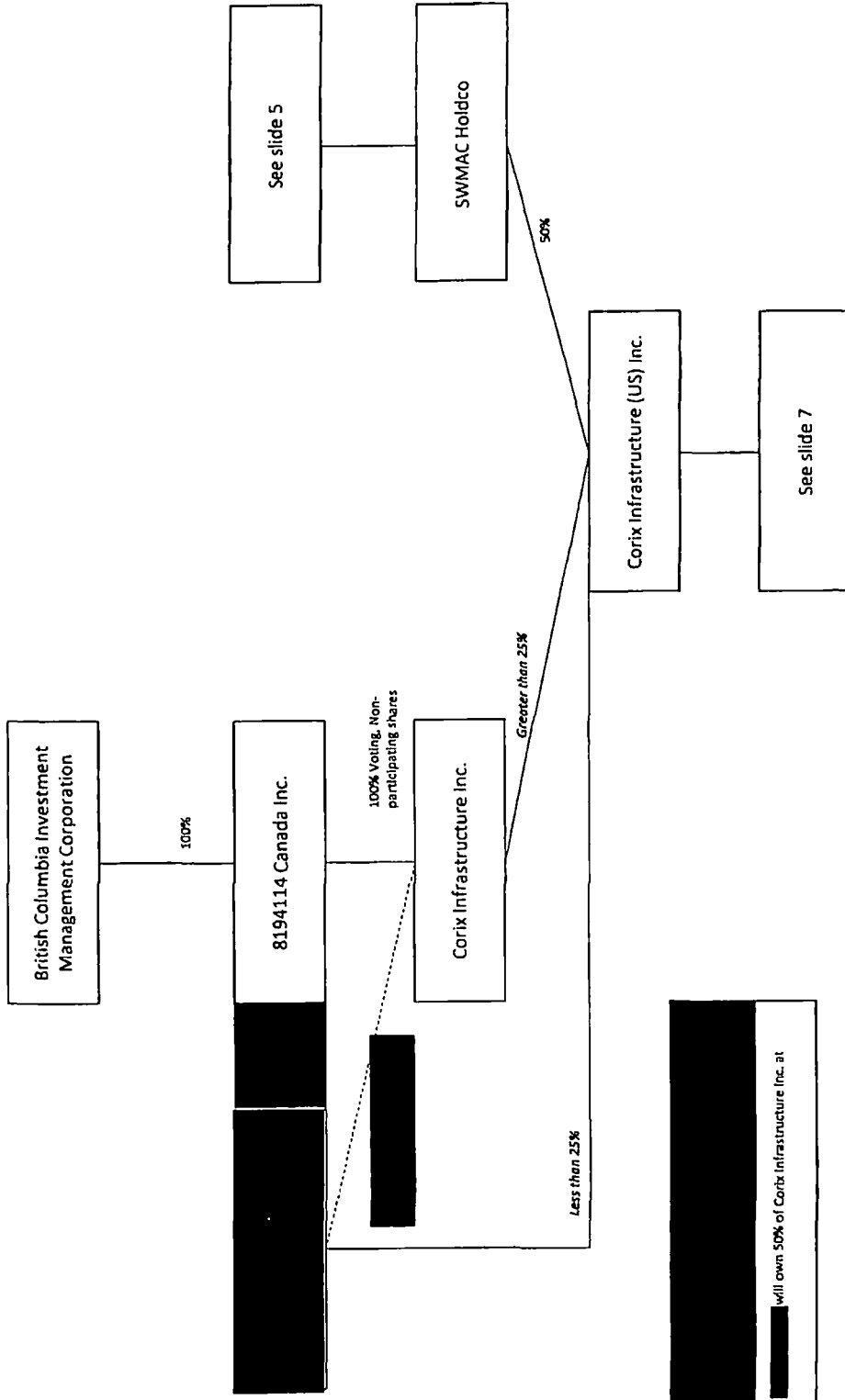
Corbis Infrastructure (US) Inc. Post-restructuring, Pre-closing Chart



SWMAC Simplified Post-Merger



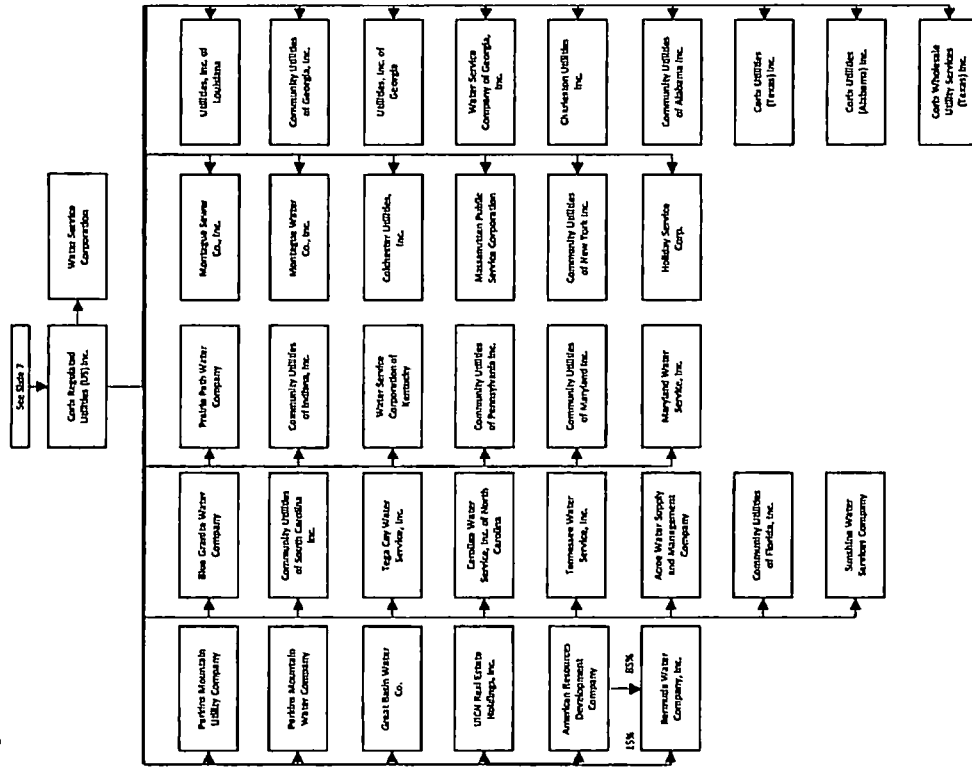
Post-closing



Collectively, Corix Infrastructure Inc. and [Redacted] will own 50% of Corix Infrastructure Inc. at closing (the "BC Interests")



Conx Infrastructure (US) Inc. Post-Closing Structure Chart  
(continued)



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**APPENDIX C**  
**SELECTED RESPONSES TO STAFF DATA REQUESTS**

**Colchester Utilities, Inc., et al.**  
**Case No. PUR-2022-00204**  
**Staff of the State Corporation Commission**  
**Data Requests - First Set**

The following response to Data Request No. 4 of the First Set of Data Requests propounded by the Staff of the State Corporation Commission received on January 20, 2023, has been prepared under my supervision.

Sponsor: Dana Hill  
Title: President  
Entity: Colchester Utilities, Inc. ("Colchester")

---

**Data Request No. 4**

What long term investments does Colchester plan to make as a result of the increased scale and enhanced financial foundation of the "Combined Company"?<sup>1</sup> Please provide projected capital improvements over the next five years. Please also identify areas of cost savings and quantify the amount of such cost savings.

**Response:** Please see attached Colchester's most recent approved capital budget, covering investments for 2023 to 2025, Staff 1-4 Capital Budget. The years 2026 and 2027 do not have approved capital budgets.

As stated in paragraph 37 of Joint Petition, "Although CII and SWMAC do not expect significant net financial synergies to result from the proposed combination, the companies do expect, over time, to be able to identify and achieve cost savings as a result of future integration. The integration of CII's water, wastewater, and related businesses with SWMAC's water and wastewater businesses will be a significant undertaking and such savings will occur over time as a result of the combination and the integration of various functions. However, as noted above, there will be costs associated with integrating certain functions and activities."

---

<sup>1</sup> The "Combined Company" refers to the Corix/Southwest merged entity post-transfer. See Application at 3.

Colchester Utilities, Inc.  
 Case No. PUR-2022-00204  
 Data Request No. 4

Project Type	State	Project Name	Approved Annual Budget		
			2023	2024	2025
Replace	VA	G/L Spending	50,233	52,654	55,286
Replace	VA	G/L Capitalized Time	5,942	6,237	6,546
Compliance	VA	COL SCADA	134,264	-	-
Compliance	VA	Colchester Electrical Remediation	107,664	-	-
Compliance	VA	Colchester I&I Project 2023	51,585	-	-
Compliance	VA	Colchester I&I Project 2024	-	51,585	-
Replace	VA	Colchester Electrical Rehab II	42,517	-	-
<b>Total</b>			<b>\$ 392,204</b>	<b>\$ 110,476</b>	<b>\$ 61,833</b>

**Colchester Utilities, Inc., et al.**  
**Case No. PUR-2022-00204**  
**Staff of the State Corporation Commission**  
**Data Requests - First Set**

The following response to Data Request No. 10 of the First Set of Data Requests propounded by the Staff of the State Corporation Commission received on January 20, 2023, has been prepared under my supervision.

Sponsor: Steve Lubertozi; Brian Bahr  
Title: SVP, Rates, Regulatory, and Legislative Affairs; Director of Regulatory Affairs  
Entity: CII; SouthWest

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**Data Request No. 10**

Explain how and in what accounts any acquisition or market premiums will be reflected in financial statements. Provide an estimate of the amount of such market premiums.

**Response:** As noted in Transaction Summary No. 14, the Proposed Transaction, which is a merger of equals, would occur several levels above Colchester and does not involve any acquisition costs or premiums that would be reflected in Colchester's financial statements. Colchester agrees to provide, within 60 days after the Proposed Transaction closes, the journal entries that reflect the impact of the transfer/merger on its books and records, if there are any such entries. Due to the nature of the Proposed Transaction and the fact that closing is not anticipated to be complete until late 2023, the Joint Petitioners are unable at this time to estimate the journal entries that will be recorded on their books.

**Colchester Utilities, Inc., et al.**  
**Case No. PUR-2022-00204**  
**Staff of the State Corporation Commission**  
**Data Requests - First Set**

230330115  
ST1000002

The following response to Data Request No. 15 of the First Set of Data Requests propounded by the Staff of the State Corporation Commission received on January 20, 2023, has been prepared under my supervision.

Sponsor: Steve Lubertozzi; Brian Bahr  
Title: SVP, Rates, Regulatory, and Legislative Affairs; Director of Regulatory Affairs  
Entity: CII; SouthWest

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**Data Request No. 15**

Please quantify the financial benefits such as reductions in board governance costs, audit expenses, and allocated senior executive that will occur as a result of the Transfer.

**Response:**

The Proposed Transaction is expected to produce financial benefits associated with increased scale. While the allocation methodology for common costs has not yet been determined for the combined company, the Joint Petitioners compared the costs associated with the Director Fees and the Senior Executive Costs of the going forward business ("Intermediate Newco") with the sum of the costs of the separate companies to come up with a preliminary estimate of the potential financial benefits associated with reductions in costs of governance and senior executives, which amount is approximately \$3.4 million. The estimates are based on 2022 costs, and the actual Director Fees and Senior Executive Costs are not known at this time. Note that the estimates are based on 2022 standalone costs for CII and SWWC. Adjustments to Director Fees and Senior Executive Costs may be necessary to reflect that the combined company will be larger and more geographically diverse than both CII and SWWC on a standalone basis.

Senior Executive Costs – The Joint Petitioners compared the combined Senior Executive Costs ("SEC") for both CII and SWWC to the estimated SEC for Intermediate Newco. The combined SEC from CII and SWWC includes salaries, incentive compensation, taxes, vehicle allowance, and benefits of twelve executives - six CII executives, and six SWWC executives. Adjustments were made to the CII costs to reflect allocations to the Excluded Business, as defined in the Transaction Agreement, because these SEC costs are not attributable to the Corix water, wastewater and related business. Adjustments were made to the SWWC SEC costs to reflect the impact of executives who may transition to non-executive roles with Intermediate Newco. The estimated SEC for Intermediate Newco includes salaries, incentive compensation, taxes, vehicle allowance, and benefits of seven executives - three current CII executives and four current SWWC executives. The comparison: (1) does not include any reduction to Colchester's allocated portion of SEC due to the increased number of connections from Intermediate Newco; and (2) does not consider the impact of SEC not requested or recovered from customers.

**Colchester Utilities, Inc., et al.**  
**Case No. PUR-2022-00204**  
**Staff of the State Corporation Commission**  
**Data Requests - First Set**

Director Fees – The Joint Petitioners compared the combined directors’ fees for both CII and SWWC to the estimated directors’ fees for Intermediate Newco. The calculation only includes director fees and excludes travel costs or miscellaneous fees. The estimated costs for Intermediate Newco were based on SWWC’s actual directors’ fees, and only includes costs for the four paid independent Intermediate Newco directors. The comparison does not include any reduction to Colchester’s allocated portion of directors’ fees due to the increased number of connections from Intermediate Newco.

Audit Expenses – Any potential financial benefits have not yet been estimated. At a minimum, the following would need to occur before any potential financial benefits can be quantified:

- Selection of an audit firm;
- Determine which entities are to be audited;
- Receive quotes for scope of work; and
- Determine any additional work to prepare historical information to support the first post-merger audit.

The results of the comparisons are shown below, illustrating approximately \$3.4 million in potential gross savings based on 2022 costs. This analysis does not take into consideration numerous factors that might influence actual savings experienced by customers in future rate making proceedings, which include, but are not limited to, one-time and on-going costs incurred to achieve such savings, changes in employment market conditions, changes in the operations of CII and SWWC that might occur between now and closing or following closing, and macroeconomic factors that might reduce savings. Nor have the Joint Applicants addressed historical Senior Executive Costs and Director Fees to reflect adjustments that might be necessary because the combined company will be larger than either of CII or SWWC on a standalone basis.

**Colchester Utilities, Inc., et al.**  
**Case No. PUR-2022-00204**  
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**Data Requests - First Set**

230330115

<b>Senior Executive Costs</b>	
Description	Expense
Corix and SouthWest Adjusted Senior Executive Costs	\$ 8,863,314
Intermediate Newco Estimated Senior Executive Costs	6,008,861
Estimated Senior Executive Consolidation Savings	\$ 2,854,453
<b>Director Fees</b>	
Description	Expense
Corix and SouthWest Adjusted Corix Board Fees and SWWC Board Fees	\$ 1,081,571
Intermediate Newco Estimated Board Fees	495,000
Estimated Board Consolidation Savings	\$ 586,571
<b>Estimated Governance Consolidated Savings</b>	<b>\$ 3,441,024</b>
<p>Note:            These costs are estimated and should not be used for rate setting purposes.</p>	

## **DISCOVERY VERIFICATION**

I, Brian D. Bahr, Director of Rates and Regulatory Affairs for SouthWest Water Company, on behalf of Community Utilities of Pennsylvania Inc. hereby verify that the discovery responses identified below are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at hearing. This Verification is made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

### **Identified Discovery Responses**

Second Supplemental Response to OCA Informal Set I Nos. 1 and 2



Brian D. Bahr,  
Director of Rates and Regulatory Affairs  
for SouthWest Water Company

## **DISCOVERY VERIFICATION**

I, Steve M. Lubertozi, Senior Vice President of Rates, Regulatory & Legislative Affairs, Corix Infrastructure, Inc., on behalf of Community Utilities of Pennsylvania Inc. hereby verify that the discovery responses identified below are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at hearing. This Verification is made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

### **Identified Discovery Responses**

Second Supplemental Response to OCA Informal Set I Nos. 1 and 2



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Steve M. Lubertozi,  
Senior Vice President of Rates, Regulatory &  
Legislative Affairs, Corix Infrastructure, Inc., on  
behalf of Community Utilities of Pennsylvania Inc.