

Water Service Corporation of Kentucky  
Case No. 2012-00133  
Commission Staff's First Set of Information Requests

33. a. State whether Corix, Utilities, and Water Service are willing to establish minimum service quality standards to assure the same level of reliability and service quality currently provided to Water Service's customers. Explain.

b. If no, describe the assurances that Corix, Utilities, and Water Service will provide to ensure that Water Service's water operations will be adequately funded and maintained.

Responses:

a. As discussed in the responses to Items 31 and 32 above, Corix and UI meet the service quality standards required in jurisdictions in which their affiliates operate, and following the transaction Corix and UI will continue to meet those service quality standards.

b. Not applicable.

Witness – Steve Lubertozi

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34. For each jurisdiction in which Corix and Utilities or their affiliates operate, describe the policy of that jurisdiction's utility regulatory commission regarding the recovery of plant acquisition adjustments. Refer in the response to any relevant statute, administrative regulation, or agency order that expressly addresses this issue.

Response: Objection. This request seeks information that is not relevant, overly broad, and unduly burdensome to produce. None of the Applicants or their affiliates have analyzed this issue. Without waiving this objection, the Applicants state as follows: WSCK will not seek to recover plant acquisition adjustments based on this transaction.

Objection – Legal  
Witness – Steve Lubertozi

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35. Provide all press releases, Web site postings, and other forms of public information disseminated by Corix Infrastructure, its affiliates, or the Joint Applicants regarding the proposed transaction.

Response: See the attached press release.

Witness – Steve Lubertozi



# News Release

Corix Media Relations  
11020 W. Plank Court,  
Wauwatosa, WI.  
53226

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## **Corix Utilities to Acquire Utilities, Inc. from Highstar Capital**

NORTHBROOK, IL – February 20, 2012 – Corix Utilities (“Corix”) announced today that it has entered into a definitive agreement to acquire 100% of the membership interests in Hydro Star, LLC (“Hydro Star”) from Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors (“Highstar”). Hydro Star, through its wholly owned subsidiary, Hydro Star Holdings Corporation, is the sole shareholder of Utilities, Inc., a privately held regulated water and wastewater company headquartered in Northbrook, IL.

Utilities, Inc. is one of the largest privately owned U.S. water and wastewater companies, serving over 290,000 customers across 15 states. Utilities, Inc. has five regional offices and employs 435 professionals in its 76 subsidiaries in the states of Arizona, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Nevada, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee and Virginia.

“Corix's vision is to be the leading North American multi-utility infrastructure provider and this acquisition continues the successful execution of our growth strategy,” said Brett Hodson, President and Chief Executive Officer of Corix. “These assets come with an exceptional management team and employee group with a proven track record of delivering safe and reliable service. These values align well with Corix’s commitment to working closely with local communities in providing sustainable utility infrastructure solutions across North America. We look forward to welcoming the Utilities, Inc. management and employees to Corix.” said Mr. Hodson.

“We are pleased to support Corix and their management team in executing on their growth strategy,” said Lincoln Webb, Vice President at British Columbia Investment Management Corporation (“bcIMC”). “This acquisition aligns with bcIMC’s strategy of building and supporting a long term investment portfolio of companies that provide essential infrastructure to local communities.”

“We believe that Utilities, Inc. is a best-in-class water utility with a strong management team and a dedicated and highly professional group of employees,” said Christopher H. Lee, Highstar’s Founder and Managing Partner. “Under our ownership, Utilities Inc. has been customer focused and committed to providing safe and reliable service. We are pleased that Corix is also a leader in the North American water sector and shares these values.”

The transaction is subject to customary approvals including state regulatory approvals, expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act (“HSR”) and review by the Committee of Foreign Investment in the United States (“CFIUS”).

Corix was advised by Wells Fargo Securities, LLC and Skadden, Arps, Slate, Meagher & Flom, LLP. Citi and RBC Capital Markets served as financial advisors to Highstar along with Morgan, Lewis & Bockius, LLP as legal counsel.

**About Corix:**

The Corix Group of Companies, with corporate offices located in Wauwatosa, WI, and Vancouver, BC, Canada, is a leader in the implementation of sustainable water, wastewater and energy infrastructure solutions for small to mid-sized communities across North America. Corix is a private company whose primary owners are BC Investment Management Corporation and CAI Capital Management Inc., two large and stable members of the North American investment community. Please visit [www.corix.com](http://www.corix.com) for more information.

**About bcIMC:**

bcIMC is an independent investment management corporation that manages a globally diversified investment portfolio of \$91.1 billion as at December 31, 2011. Based in Victoria, British Columbia and supported by industry-leading expertise, bcIMC invests in all major asset classes including infrastructure and other strategic investments. bcIMC's clients include public sector pension plans, public trusts, and insurance funds. bcIMC's infrastructure program, with over \$4 billion in investments, is a long-term investor in leading utilities such as Corix, Puget Energy in Washington State, Thames Water Utilities Limited, Britain's largest water and wastewater company, and Transelec S.A., Chile's largest transmission utility. For more information, visit [www.bcimc.com](http://www.bcimc.com).

**About Highstar Capital:**

Highstar Capital is an independently owned and operated private equity firm with an operationally focused, value added strategy. The firm, based in New York, was founded in 1998 and currently manages over \$5 billion of investments on behalf of its managed funds and co-investment vehicles in a diversified portfolio of energy, transportation and environmental/waste management assets and businesses. For more information please visit Highstar Capital's website at [www.highstarcapital.com](http://www.highstarcapital.com).

**Contact:**

Kevin G. Meagher  
Vice President & COO  
Corix Utilities US  
O: 414-203-8701 / M: 414-403-6524  
[kevin.meagher@corix.com](mailto:kevin.meagher@corix.com)  
**[www.corix.com](http://www.corix.com)**

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36. Provide all materials and documents regarding the stock purchase that Applicants have submitted to:

- a. Investment firms;
- b. Credit rating agencies;
- c. Shareholders; and,
- d. Employees of Utilities or Water Service.

Responses:

- a. No materials or documents were provided to investment firms by the Applicants.
- b. No materials or documents were provided to credit rating agencies by the Applicants.
- c. No materials or documents were provided to shareholders by the Applicants.
- d. UI's corporate communications directed to all employees regarding the transfer are attached. One document appears in a question-and-answer format. The second document is an e-mail sent by Lisa Sparrow to all UI employees.

Witness – Steve Lubertozi



## **Q&A - FOR UTILITIES, INC. INTERNAL USE ONLY**

### **Corix Utilities Acquisition of Utilities, Inc.**

Q What is this transaction all about?

A Corix Utilities has entered into a definitive agreement to acquire 100% of the membership interests in Hydro Star, LLC from Highstar Capital Fund II, L.P. and certain of its affiliates. Hydro Star, through its wholly owned subsidiary, Hydro Star Holdings Corporation is the sole shareholder of Utilities, Inc. The transaction is subject to customary approvals from state regulatory and federal government authorities.

Q Who is buying Utilities, Inc.?

A Utilities, Inc. is being purchased (through the purchase of Hydro Starr, LLC) by Corix Utilities. Corix Utilities specializes in multi-utility solutions for sustainable infrastructure in the water, wastewater and energy sectors. The Corix Group of Companies also operates non-regulated businesses in the wholesale distribution of water and utility products and utility services, such as measurement and meter installation. They have more than 2,000 employees in 85 locations and corporate offices in Wauwatosa, Wisconsin, and Vancouver, British Columbia. For more information please visit [www.corix.com](http://www.corix.com)

Q Who owns Corix Utilities?

A Corix is a private company whose primary owners are BC Investment Management Corporation and CAI Capital Management Inc., two large and stable members of the North American investment community. In addition, Corix's other investors include Banyan Capital, the Corix executive management team and board of directors, as well as hundreds of Corix employees through their employee share purchase plan.

Q When will the transaction close?

A Given the number of states in which Utilities, Inc. operates, we expect that the regulatory approval process will take 9 to 12 months. While we proceed through the transaction process, both Utilities, Inc. and Corix employees will continue to be focused on providing our customers with safe, reliable service. If all goes as expected, we will be one company soon, and in the meantime it's important for all of us to do everything we can to positively position each company for the future.

Q Is this an acquisition or a merger?

A Corix is acquiring Hydro Star, LLC from Highstar and as a result, Corix will have acquired Utilities, Inc.

Q Why is Corix buying Utilities, Inc.?

A Corix is delighted to combine the two companies. With the combined strength of Corix and Utilities, Inc. – utility expertise, good access to capital and strong relationships with communities and regulators – this is a very exciting opportunity for all of us. More specifically, Corix views Utilities, Inc. as an excellent strategic and cultural fit and a logical next step in its growth strategy. Both companies have established track records of building and maintaining systems to provide safe, reliable and cost effective utility services in the numerous small and mid-sized communities where they serve. Corix believes there is a large need in North America for a service provider like the combined Corix and Utilities, Inc. organization.

Q What are the specific benefits of this transaction?

A This acquisition provides immediate and substantial geographic expansion and will firmly establish the new organization as a premier North American multi-utility company. The combined company will have increased financial strength and operational expertise and be well-positioned to better serve our current customers and pursue tremendous growth opportunities in its utility operations across North America.

Q What experience does Corix have in acquisitions of this magnitude?

A Corix has an established track record in large acquisitions, having grown approximately 500% since 2006 through its investments in Fairbanks Sewer and Water, Doyon Utilities, its Oklahoma University multi-utility contract, and other transactions. Corix will be working closely with the senior management team at Utilities, Inc. and are fully confident of a seamless integration of the two organizations.

Q What changes should we expect in the business today? Tomorrow?

A Importantly, we are still owned by Highstar until closing and the business will continue to be run in its normal course. However, we will begin the planning process in the interim period. With regard to any specific plans, as you can imagine, we are a long way off from knowing all the answers at this time. One of the practices at Corix when acquiring a company is to not rush too soon. In fact, Corix has found that some of the best ideas for bringing organizations together will come from the Utilities, Inc. team as they get to know Corix, their strategy and capabilities. Having said that, here are some of the basics that we do know:

- There is very little overlap of operations between the two organizations, so we anticipate retaining the vast majority of employees at both companies.
- Corix, like Utilities, Inc., uses a regional operations model. Corix likes to keep operational people close to the communities they serve rather than running things from a central office. Again, this means little or no change in operations.
- Corix is not interested in selling off systems. While Corix will do what is right for the business, their approach is to find ways to serve customers and communities and expand operations.
- Shortly after closing, Corix will want to look at implementing the latest tools in infrastructure management – asset inventory tracking, preventive maintenance forecasting, etc. These should make it easier over time for regional managers to plan and justify capital upgrades and expenditures.



Q Will there be rate increases to customers?

A Utilities, Inc. has a track record of filing for rate increases based on the needs of the communities served and in accordance with local regulatory practices and law. This practice will continue as needed and determined by Utilities, Inc. This transaction is occurring at the holding company level and as a result there will be no rate increases to customers as a result of this transaction.

Q Will the name change from Utilities, Inc.?

A With regard to corporate name, the holding company will change to Corix and then overtime, only as it makes sense, there will be a transition to Corix Utilities from Utilities, Inc. But this is not a given, and in many situations Corix has retained the existing company name for many years after the acquisition (i.e. Fairbanks Sewer and Water and the associated subsidiaries, Doyon Utilities). This is a topic for discussion over the coming months between the two organizations to best position us in the communities we serve and for achieving our growth plans. In other words, whatever makes the most sense will determine the branding.

Q What does this mean for employees at the two companies?

A There is very little overlap of operations between the two organizations, so Corix anticipates retaining the vast majority of employees at both companies. In addition, from a historical perspective since 2006, Corix has been growing significantly to over 2,000 employees today, primarily through organic growth and acquisitions. It clearly has retained most of the employees of the companies that it has acquired and that includes employees at all levels in the organization. Corix has an established practice of adopting the best practices from organizations and will be looking to develop a process to ensure both organizations benefit from the best practices established by each organization where applicable.

Q Do you anticipate layoffs?

A Although the combined entity will have approximately 2,500 employees, both Corix and Utilities, Inc. are extremely efficient operationally and there is very little overlap in operations. As a result, Corix anticipates retaining the vast majority of employees at both companies and adding to the number of staff of the combined entity as the company continues to grow.

Q Will this transaction create any new opportunities?

A Corix intends to maintain its current growth trajectory and has invested in developing its leadership capacity and core competencies company-wide and in any organization it has acquired. These investments are made because Corix views its people as its key strategic advantage and critical to the successful execution of its plan for continued growth in the future. Corix sees Utilities, Inc. staff in the same way - as critical to the future success of the company and the combined organization's growth strategy.

Q Do you expect reporting structures to change?

A At the current time, reporting at Utilities, Inc. will not change. In fact we are relying on the close cooperation and support between the combined entities to facilitate regulatory approvals and subsequent integration. Throughout this process, Corix will make available to the Utilities, Inc.

management team, the senior executives of Corix to facilitate the regulatory approval process and manage any transitional discussions.

Q Will employees be transferred and/or have a change in salary?

A Except in the normal course of business, there are no plans to transfer any Utilities, Inc. employees or change salary levels.

Q How will this deal impact the community organizations we support?

A Corix and Utilities, Inc. both have established track records in supporting the communities they serve and we expect the combined entity will continue in a similar manner.

Q Will there be a change of head office?

A No decisions have been made at this time, but Corix will want to ensure that we have the office, location and resources that allow us to grow. Having said that and if there are location changes in the future, with technology, a geographically disparate operational model, a desire to retain strong talent, the Corix culture of work flexibility, and a mandate to grow, the Corix past practice has been to accommodate people who want to grow with them. As you know, this culture is fairly consistent with UI's practice as well.

Q Do I need to do anything differently today or in the near future?

A While we proceed through the transaction process, it's essential that both Utilities, Inc. and Corix employees stay focused on performing their jobs to the best of their abilities. If all goes as expected, we will be one company soon, and in the meantime it's important for all of us to do everything we can to positively position each company for the future. At Corix, they talk often about the importance of meeting customers' needs and operating their assets as safely and efficiently as possible, while generating and growing strong earnings and cash flows. You will note that these are the same discussions and objectives we have at Utilities, Inc. so there should be significant commonality between the two organizations.

## Steve Lubertozzi

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**From:** Lisa Sparrow  
**Sent:** Tuesday, February 21, 2012 2:58 PM  
**To:** Entire Company  
**Attachments:** Utilities Inc Internal QA\_February 20 2012 FINAL.pdf

**Categories:** Atlantis

Team –

Please find attached Q&A to help assist in answering some initial questions in regards to the Corix announcement yesterday. I hope you will find this helpful.

I would like to reiterate and encourage you to please be in communication with any senior management member should you have any questions. I heard a couple of rumors last evening that were based on very poor assumptions. I was glad those employees brought them to us so we could have a discussion about them. This merger is very different than what people might think of as a classic “strategic” acquisition and there is **a lot** to be excited about. I, or any senior management team member, will be happy to discuss any of your thoughts/framework and provide you our feedback.

Regards  
Lisa Sparrow

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37. Identify all utility mergers and acquisitions in which Corix has been involved since 2005. For each merger or acquisition, provide Corix's capital structure for the three years before, and every year since, the merger or acquisition.

Response: Corix has not been involved in any mergers or acquisitions since 2005.

Witness – Steve Lubertozi

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38. Identify all utility acquisitions in which Corix Infrastructure or its affiliates has been involved since 2005.

Response:

Year	Activity
2005	<ul style="list-style-type: none"> <li>• acquisition of Clearwater Technologies (British Columbia)</li> <li>• acquisition of Thornmark Water and Sewer (Alberta)</li> </ul>
2006	<ul style="list-style-type: none"> <li>• Corix is acquired from Kinder Morgan</li> <li>• acquisition of Ontario Water Products and A1 Hydrants Inc. (Ontario)</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Partnership with City of Chatham-Kent for operation of municipal water systems and Chatham-Kent Energy for meter shop services (Ontario)</li> <li>• Acquisition of Ed Walsh Company (California)</li> <li>• Acquisition of Specialty Equipment Inc. (British Columbia)</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Acquisition of 10% of Chatham-Kent Energy (Ontario)</li> <li>• Acquisition of Barber Engineering (Alberta)</li> <li>• Doyon Utilities army contract partnership (Alaska)</li> <li>• Dockside Green Energy partnership (British Columbia)</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Long term partnership with University of Oklahoma (Oklahoma)</li> <li>• Acquired remaining 50% of Fairbanks Sewer and Water (Alaska)</li> </ul>

Witness – Steve Lubertozi

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39. Provide all studies or analyses that Corix Infrastructure or its affiliates, or the Joint Applicants, have performed or commissioned that identify any realizable synergies that will occur between 2012 and 2017 as a result of the proposed stock purchase.

Response: No studies or analyses have been performed.

Witness – Steve Lubertozi

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40. For each regulated water utility that Corix Infrastructure and its affiliates own or operate, provide in table format an analysis of the number and type of consumer complaints during the period from 2005 to 2011 and how such complaints were resolved.

Response: WSCK tracks customer complaints and will continue to do so after the transaction.

The attached table shows the consumer protection docket listing for College Utilities Corporation and Golden Heart Utilities Inc. in Alaska.

For its Canadian regulated water utility operations, the Corix Group does not otherwise formally track customer complaints. In past years, in some systems on surface water, due to high levels of turbidity from spring run-off and new provincial water quality standards, boil water advisories have been issued which resulted in some customer complaints. In each case, the customer is contacted and the issues involved are discussed. The Corix Group's utilities involved are working on solutions to the turbidity problem, which can include alternative water supply from ground sources where available and pre-treatment systems of surface water to reduce turbidity levels.

Witness – Steve Lubertozi

## Consumer Protection Docket Listing by Entity

(parameters are by entity for dockets opened between 01/01/2005 and 12/31/2011, filtered by docket status )

### COLLEGE UTILITIES CORPORATION

Dockets	Reason	Reason Subtype	Disposition	Status
<b>C-05-343</b>	Rates and Charges			Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-06-039</b>	Management Practices	Assessment Fees	Customer decided to withdraw complaint and speak with CUC, perhaps just a misunderstanding. Explained to him that failure of utility to notify customer of tariff rule does not constitute waiving rule.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-06-072</b>	Line Extension	Line Extension Policy / Charges	See Docket C-06-039. Explained half-acre rule in CUC's tariff for CIAC.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-06-209</b>	Billing Practices	Account Credits / Adjustments	Per tariff (sheet no. 26, Rule 3.11) utility will not adjust a bill during vacancies unless property is vacant due to an Act of God. CUC will continue to bill minimum charges for the property (two pipes into property).	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-07-142</b>	Management Practices	Sewer Back-up Issues / Claims		Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter: <input checked="" type="checkbox"/>		
<b>C-07-290</b>	Rates and Charges	Reconnection Fees & Charges		Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-08-191</b>	Management Practices	Damage Claim - Service Interruption:	Ms. Brooks called to let us know that she decided to pursue the matter directly with CUC, she would accept CUC's offer to pay 50% of the damages to put the matter behind them.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-09-273</b>	Rates and Charges	General Rate Increase	Advised customer we verified w/ CUC/GHU that they did in fact included a bill insert w/ its Nov billing. GHU/CUC indicated they will not make any energy adjustment on customer bills until the Commission approves the new methodology (COPA for water utility). GHU/CUC will be making a filing sometime in December.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		



**C-11-070** Quality of Service

Reason subtype not set

Closed, Not Archived

Complaint Justified: Jurisdictional

Significant Matter:

No violations of statutes or tariffs. Customer is responsible for service lines and the utility is responsible for the main lines.

**C-11-240** Billing Practices

Estimated Bill

Closed, Not Archived

Complaint Justified: Jurisdictional

Significant Matter:

No violations of tariff, statutes or regulations. CUC can estimate one month's usage based on the prior years usage. CUC will need to obtain accurate reading after that.

**GOLDEN HEART UTILITIES, INC.**

Dockets	Reason	Reason Subtype	Disposition	Status
<b>C-05-100</b>	Management Practices			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-05-240</b>	Management Practices			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-05-338</b>	Billing Practices			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-05-369</b>	Safety			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-05-370</b>	Safety			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-05-371</b>	Safety			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-06-113</b>	Rates and Charges	Non-recurring Charges		
	Complaint Justified: <input checked="" type="checkbox"/> Jurisdictional: <input checked="" type="checkbox"/> Significant Matter: <input checked="" type="checkbox"/>		GHU made filing in TA31-118 and rates were approved/effective on 1/23/06. Rate is listed in tariff as "account change over fee". Use to be \$10.00 but was increased to \$26.25 per account (water / sewer).	Closed, Not Archived
<b>C-06-360</b>	Billing Practices			
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		Closed, Not Archived
<b>C-07-090</b>	Quality of Service	Sewer Back-up Issues / Claims		
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter: <input checked="" type="checkbox"/>		Closed, Not Archived
<b>C-07-386</b>	Billing Practices	Account Credits / Adjustments		
	Complaint Justified: <input checked="" type="checkbox"/> Jurisdictional: <input checked="" type="checkbox"/> Significant Matter: <input checked="" type="checkbox"/>		Staff did not find any violation of Commission statutes, regulations or provisions of GHU's tariff. Based upon all of the information presented, bill should stand as rendered and no additional credit is warranted (see Staff's disposition letter 12/21/07)	Closed, Not Archived

<b>C-08-154</b>	Management Practices	Class of Service	GHU issued 6 month adjustment and credited \$123.82 on 5/8/08. GHU also added classification of service to its bill format.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-09-108</b>	Rates and Charges	Overcharges - Water Leak / Pipes	No violation of tariffs, statutes or regulations. GHU has issued partial credit for wastewater usage of \$8,902.89 to in the interest of settling the dispute.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-09-273</b>	Rates and Charges	General Rate Increase	Advised customer we verified w/ CUC/GHU that they did in fact included a bill insert w/ its Nov billing. GHU/CUC indicated they will not make any energy adjustment on customer bills until the Commission approves the new methodology (COPA for water utility). GHU/CUC will be making a filing sometime in December.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-09-281</b>	Rates and Charges	Meter Readings	GHU's meter testing is consistent with their tariff, commission statutes and regulations.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-10-126</b>	Billing Practices	Disconnect - Deferred Payment / No	Ms. Delong contacting GHU to make payment arrangements or she will borrow the money to pay the amount owing.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input checked="" type="checkbox"/> Significant Matter:		
<b>C-10-229</b>	Rates and Charges	Residential Metered Service/Rates	No violations of tariff, statutes or regulations.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-11-063</b>	Billing Practices	Sewer Back-up Issues / Claims	GHU provided a copy of the work order to the customer and sent us a copy as well. Docket closed.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-11-074</b>	Management Practices	Line Extension Policy / Charges	The location has been subdivided into two townhouses. Each townhouse is required to have its own water and sewer connection. No violation of Commission statutes, regulations, or CUC tariff.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-11-107</b>	Management Practices	Meter Readings	GHU has performed all the tests that are required by the utility. Customer needs to request meter test, or contact a plumber to check for potential leaks.. Docket closed.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-11-129</b>	Rates and Charges	Residential Metered Service/Rates	I mailed her the information she requested. See remarks for detail. Docket closed.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter:		
<b>C-11-130</b>	Management Practices	Unable to Reach Utility / Service Rep	No violations of statutes, regulations, or tariff. Usage recorded through meter. Additional material supplied by Mr. Sanz and GHU did not change my initial findings.	Closed, Not Archived
	Complaint Justified:	Jurisdictional: <input type="checkbox"/> Significant Matter: <input checked="" type="checkbox"/>		

**C-11-140 Management Practices**

**Meter Readings**

Closed, Not Archived

Complaint Justified:

Jurisdictional:

Significant Matter:

Customer account was changed to commercial, CUC installed AMR with the zero reading and verified data and equipment. CUC recommended customer to perform meter testing. I notified customer the letter is in the mail. Complaint closed.

**C-11-194 Billing Practices**

**Meter Readings**

No violations of tariff, statutes, or regulations.

Closed, Not Archived

Complaint Justified:

Jurisdictional:

Significant Matter:

**C-11-227 Billing Practices**

**AutoPay**

GHU followed its tariff section 3.13 (returned draft fees). However, as a courtesy GHU reversed the last set of fees (\$25). Closed docket.

Closed, Not Archived

Complaint Justified:

Jurisdictional:

Significant Matter:

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41. a. Provide all established operational excellence objectives or best practices that Corix employs.
- b. Explain how these objectives or best practices were developed.
- c. Provide a comparison of these objectives or best practices with those employed by Utilities and Water Service.

Responses:

a. The Corix company scorecard includes: Safety – Are we being safe? Environment - Are we operating in an environmentally responsible manner? Customers – Are we serving our customers well and increasing business? Business Process – Are we operating effectively and efficiently? Business Growth – Are we being successful in securing growth initiatives? Financial – Are we meeting our financial targets? The Code of Conduct was established by senior management to provide a clear policy for how all Corix employees are expected to conduct themselves in our day to day work with our customers, government and other agencies, outside clients, and other employees.

b. The scorecard reflects the major perspectives of the Corix business and provides all employees with an indication of how the company is operating and carrying our business activities from each of these perspectives. The scorecard was established by senior management and approved by the Board of Directors of Corix Infrastructure Inc.

c. UI and WSCK implemented internal Key Performance Indicators that monitor 1) Safe, Reliable and Cost Effective Service; 2) Safe, Challenging and Enjoyable Work Environment; 3) Integrity, Protect the Environment and Enhance the Community; and 4) Return on Investment. A comparison of the Score Card and Key Performance Indicators shows that the companies are very much aligned in how each operates.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky  
Case No. 2012-00133  
Commission Staff's First Set of Information Requests

42. Provide for each regulated utility that Corix Infrastructure and its affiliates own or control the report of its most recent management audit and all updates or status reports regarding the audit's findings.

Response: None of the regulated utility operations of Corix Infrastructure or its affiliates have undertaken a management audit.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky  
Case No. 2012-00133  
Commission Staff's First Set of Information Requests

43. Provide all standards or codes of conduct that Corix, Corix Infrastructure and its affiliates use to govern their affiliate and non-affiliate transactions.

Response: The transfer pricing policy for the Fairbanks Sewer and Water utility operations is attached. Corix and Corix Infrastructure and its affiliates do not currently have a formal affiliate transaction policy for the Canadian utility operations. Non-affiliate transactions are governed by contractual agreements.

Witness – Steve Lubertozi



# Cost Allocation Manual

A Guideline for Cost Allocations and Affiliate Transactions between Related Companies

2011



PO Box 80370  
Fairbanks, AK 99708  
Telephone: 907-479-3118 Fax: 907-474-0619  
Email: [usainfo@akwater.com](mailto:usainfo@akwater.com) Website: [www.akwater.com](http://www.akwater.com)



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# About Our Companies

## The Organizational Structure

*Fairbanks Sewer & Water* (FSW) is a holding company. The subsidiaries are Golden Heart Utilities, College Utilities Corporation, Utility Services of Alaska, U-Liner North, Inc., Rural Utility Services of Alaska, and Blu-Vu, Inc.

*Golden Heart Utilities* (GHU) is a regulated company that provides water and wastewater services to the Fairbanks community serving a population of approximately 30,000 people. GHU also provides wastewater treatment to the greater Fairbanks area to include Ft. Wainwright, College Utilities Corporation, the Lakeview community, and the bulk septage haulers.

*College Utilities Corporation* (CUC) is a regulated company that provides water and wastewater services to its service area that lies generally to the west of Fairbanks. It includes collection of wastewater from the University of Alaska Fairbanks. It serves a population of approximately 15,000 people.

Utility Services of Alaska (USA) is a *non-regulated* company that provides both administrative services and customer service to all of the related companies.

*Doyon Utilities, LLC*, a 50/50 joint venture between Doyon Properties and Fairbanks Sewer & Water, has been awarded utility privatization contracts for United States Army Forts Wainwright, Richardson, and Greely in Alaska. Doyon Utilities, LLC (DU) is regulated company.

There are a total of 12 utilities privatized at the 3 installations. The individual utility systems are summarized below:

Ft. Wainwright (Fairbanks) privatized all utilities:

- Central Heat and Power Plant and Heat Distribution System
- Electrical Distribution System
- Water Distribution System & Water Treatment
- Wastewater Collection System

Ft. Greely (Delta Junction) privatized all utilities:

- Central Heat & Power Plant and Heat Distribution System
- Electrical Distribution System
- Water Distribution System & Water Treatment
- Wastewater Collection System & Treatment Plant

Ft. Richardson (Anchorage) privatized all utilities:

- Electrical Distribution System
- Natural Gas Distribution System
- Water Distribution System & Water Treatment
- Wastewater Collection System



*Rural Utility Services of Alaska (RUSA)* is a *non-regulated* company. It was organized to provide administrative support in the transformation of current village water and wastewater delivery systems into economically regulated utility systems. Accomplishment of this objective would enable them to provide reliable, efficient, safe, and sanitary services within the rural areas of Alaska. RUSA is currently inactive and has no employees.

*Blu-Vu, Incorporated* is a *non-regulated* company. It was a real estate and specialized equipment holding company. Blu-Vu is currently inactive and has no employees.

*U-Liner North, Incorporated* is a *non-regulated* company. It owned the equipment and exclusive license to a trenchless technology pipe lining system that rehabilitates damaged wastewater and water lines. U-Liner North is currently inactive and has no employees. As of December 2006, U-Liner North assets and liabilities were transferred to CUC wastewater.

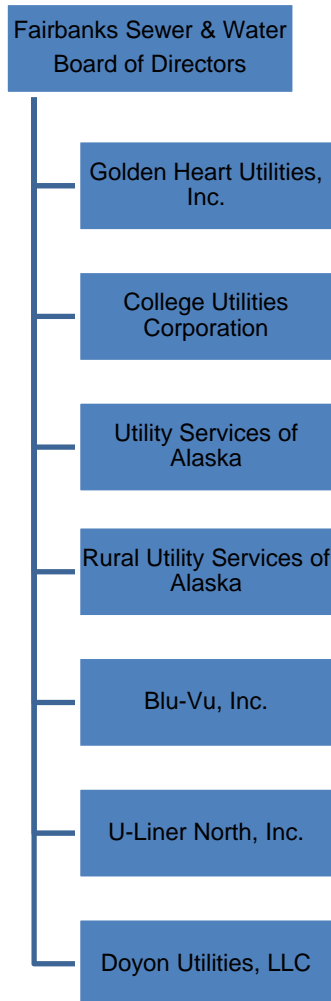
**The accounting spreadsheets used as examples in this document are designed to express the methodologies used by the utilities and do not contain actual financial information to be relied upon.**

# Fairbanks Sewer and Water

## Holding Company

Fairbanks Sewer and Water (FSW) is the holding company whose primary function is the ownership of the controlling interests in its subsidiaries. FSW is wholly owned by Inland Pacific Resources, Inc., a subsidiary of Corix, Inc. Three members of the seven member board are Fairbanks residents. The current subsidiaries are shown in the chart below and further described in the succeeding sections of this manual. The organization charts fully reflect the actual organization of the FSW holding company and its subsidiaries.

## FSW ORGANIZATION



# Corporate Governance

## **Principals and Guidelines**

### **Role of the Board**

The Board of Directors is responsible for establishing broad corporate policies and objectives, review and oversight, and the hiring and retaining of top corporate management. The Board of Directors may handle any issue relating to a company, division, or unit of FSW if deemed appropriate by the Board of Directors or the President/CEO of FSW. The Board ensures that corporate governance practices are followed by all of the companies through review and oversight. The day-to-day management of the companies is the responsibility of the Vice President/COO.

The Board of Directors has two committees: Audit and Human Resources and Compensation. The committee members, that are board members, are appointed by the Board of Directors. The committees consider matters relevant to their sphere of responsibility and make recommendations regarding these matters to the Board.

### **President/CEO**

The President/CEO of FSW and its subsidiaries is elected by the Board of Directors. The President/CEO oversees of the companies in accordance with the policies, objectives, and instructions issued by the Board of Directors. In addition, the President/CEO ensures:

1. That the accounting of the companies complies with all applicable laws and regulations and that the asset management is conducted in accordance with the guidance provided by the National Association of Regulatory Utility Commissioners (NARUC), and the Regulatory Commission of Alaska (RCA).
2. That controls are in place to ensure the assets of the companies are safeguarded and optimized in the best interests of shareholders and ratepayers.
3. The proper planning and development of personnel to fill the key positions within the companies to maintain exceptional leadership and safeguard assets.
4. That the vision and direction of the Board of Directors is communicated to the employees and ratepayers. Furthermore, the President/CEO is to act as the principal spokesperson in maintaining close communication with the applicable government agencies, our ratepayers and the communities served.

## **Vice President and Chief Operating Officer**

The Vice President and Chief Operating Officer of FSW and its subsidiaries is appointed by the Board of Directors. The VP/COO performs all of the duties and responsibilities of the President/CEO in his absence. In his daily role, the VP/COO is in charge of the day-to-day management of the companies in accordance with the policies, objectives, and instructions issued by the Board of Directors.

1. Operational matters to include, special studies, major construction initiatives, annual capital budget development, determining manpower requirements.
2. Corporate matters to include periodic presentations to the board, act as liaison with the standing board committees, and promote corporate relations within the water and wastewater industry.
3. Administrative functions to include, but not limited to, International Brotherhood of Electrical Workers union relations, workers' compensation, negotiating with potential new customers, budget review, human resources, employee safety program and regulatory oversight.

## **FSW Audit Committee**

1. The *Audit Committee* is comprised of three members appointed by the Board of Directors. The committee members have experience in corporate financial and governance matters.
2. The committee provides financial oversight to the Board of Directors by reviewing and monitoring the integrity of the companies' financial reporting systems. Accordingly the committee is responsible for hiring the companies' outside auditors (after a recommendation by management). Outside auditors shall report directly to the committee. The committee should review the systems of internal control and the reporting and timeliness of financial information. The committee can make recommendations regarding the retention of legal counsel and the retention of other professionals such as services for income tax preparation.

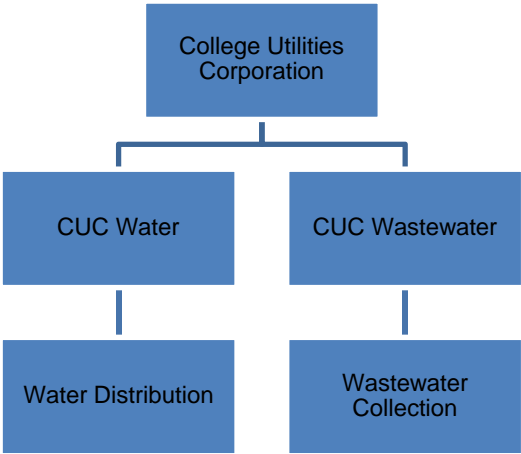
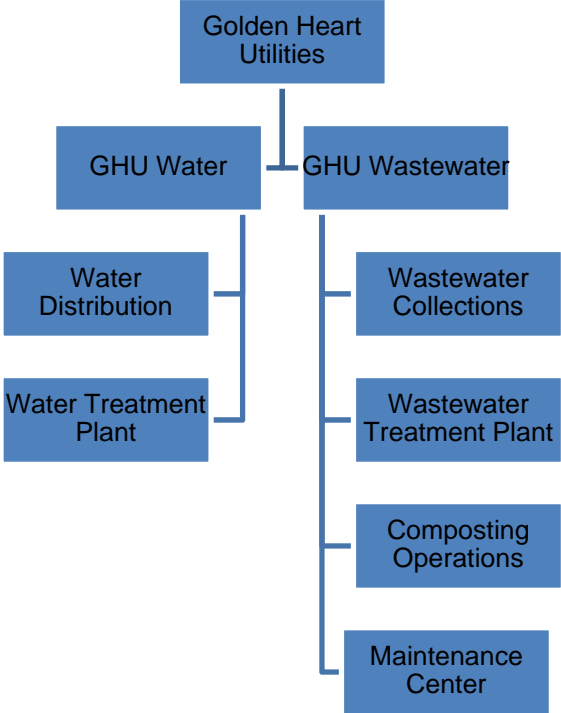
## **FSW Human Resources and Compensation Committee**

1. The *Human Resources and Compensation Committee* is comprised of three members appointed by the Board of Directors. It is responsible for evaluating and recommending compensation for the Board members, members of its committees, the President/CEO and the Vice President/Chief Operating Officer, and making recommendations to the Board generally relating to management compensation issues.
2. The committee shall review the appropriateness of annual salary and benefit changes. The committee will ensure that employment practices are in compliance with applicable regulations and legislation.



3. The Committee shall annually review the executive succession plan for the President/CEO and Vice President/Chief Operating Officer positions and present its recommendations to the Board of Directors.
4. The committee shall annually review the performance of the President/CEO and report its findings and recommendations to the Board.
5. The committee shall have the authority to obtain the advice and assistance from internal and external legal, accounting, or other advisors as it deems advisable in order to fulfill its responsibilities to the Board.

**ORGANIZATION OF THE REGULATED UTILITIES**

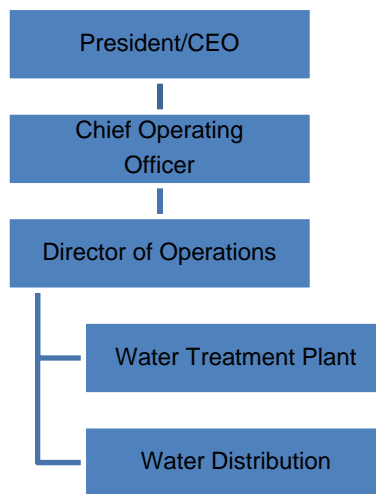


# Golden Heart Utilities

## **Water Utility**

Golden Heart Utilities (GHU) provides water service to approximately 30,000 people in and about the city of Fairbanks with in excess of 6,500 customers connected to its system. There are over 152 miles of water mains and appurtenances, the supporting pump stations, and a modern water treatment plant in the GHU water system. GHU Water Utility, operating under Certificate #118 from the State of Alaska, is organized as shown in the following chart:

### **GHU WATER OPERATIONS**



### **Regulated Services**

GHU Water Utility provides water from its treatment plant to the customers connected to its system. The customers are classified as defined in the currently approved tariff.

### **Non Regulated Services**

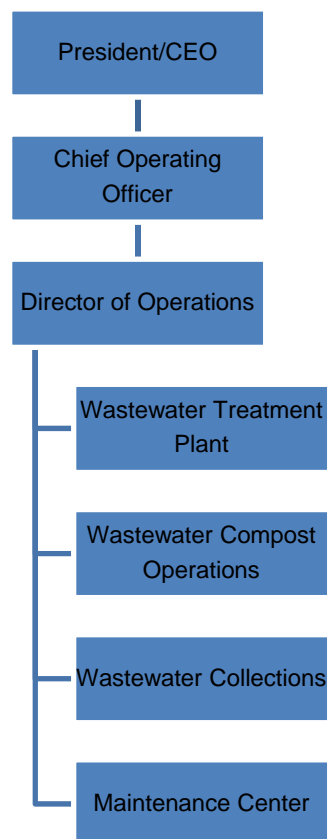
GHU does not provide non-regulated services other than that incidental to its regulated activities.

# Golden Heart Utilities

## Wastewater Utility

Golden Heart Utilities (GHU) provides wastewater services to approximately 30,000 people in and about the city of Fairbanks with in excess of 6,400 customers connected to its system with over 115 miles of wastewater mains and appurtenances. GHU also operates a secondary wastewater treatment facility that has the unique distinction of being one of the few in the nation totally enclosed. GHU Wastewater Utility, operating under Certificate #290 from the State of Alaska, is organized as shown in the following chart:

### GHU WASTEWATER OPERATIONS



### Regulated Services

GHU Wastewater Utility provides wastewater collection services to its customers in Fairbanks. GHU pumps the wastewater to its treatment plant for processing. The customers are classified as defined in the currently approved tariff.



### **Regulated Non Rate Revenue Operations**

GHU wastewater treatment plant produces about 8,500 wet tons of sludge annually. GHU uses an innovative composting process to transform the sludge into a highly desirable byproduct. The compost passes EPA tests as “exceptional quality” and 100% of the sludge produced by the plant is successfully composted and is sold to the community.

GHU Wastewater Utility does not provide non-regulated services other than those incidental to its regulated activities.

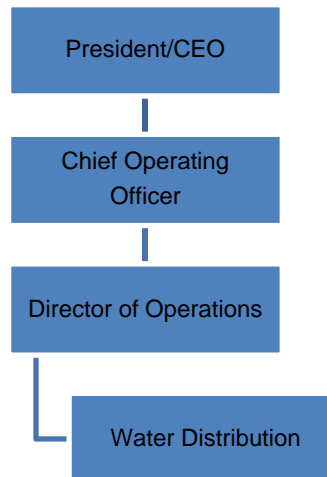


# College Utilities Corporation

## **Water Utility**

College Utilities Corporation (CUC) provides water for the area generally west of the city of Fairbanks, Alaska. The service area has a population of about 15,000 people with approximately 2,200 customers connected to the water system. The water system has over 74 miles of water main and appurtenances, and supporting pump stations. CUC Water Utility, operating under Certificate #97 from the State of Alaska, is organized as shown in the following chart:

### **CUC WATER OPERATIONS**



### **Regulated Services**

CUC Water Utility distributes water to the customers connected to its system. The customers are classified as defined in the currently approved tariff.

### **Non-Regulated Services**

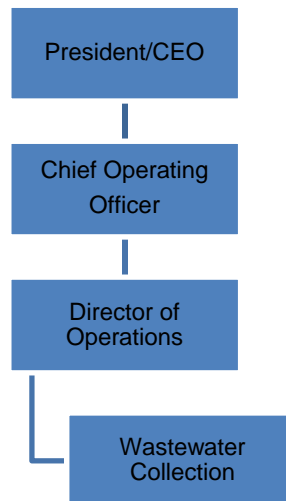
CUC performs non-regulated general contract work on a competitive bid basis. Examples of work performed include the construction of customer service lines, and boring under roadways with specialized equipment.

# College Utilities Corporation

## **Wastewater Utility**

College Utilities Corporation (CUC) provides wastewater collection services for the area generally west of the city of Fairbanks, Alaska. The service area has a population of about 15,000 people with approximately 2,100 customers connected to the wastewater system. The system has over 50 miles of wastewater main and appurtenances, and the supporting lift stations. It pumps the wastewater collected from its customers to the GHU wastewater treatment plant. CUC Wastewater Utility, operating under Certificate #37 from the State of Alaska, is organized as shown in the following chart:

### **CUC WASTEWATER OPERATIONS**



### **Regulated Services**

CUC Wastewater Utility collects the wastewater from its customers connected to its system. The customers are classified as defined in the currently approved tariff.

### **Non-Regulated Services**

CUC performs non-regulated general contract work on a competitive bid basis. Examples of work performed include the construction of customer service lines, boring under roadways with specialized equipment, rehabilitation of wastewater mains, and the inspection and videoing of pipe systems.

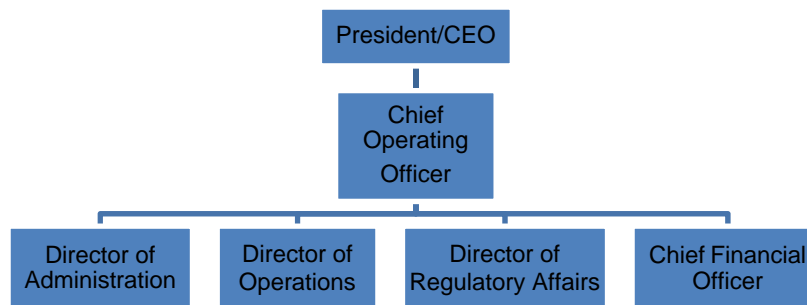
# Utility Services of Alaska

## **Administrative and General Services Support Customer Service Support to the Fairbanks Sewer & Water Subsidiaries**

Utility Services of Alaska (USA) provides administrative and customer service support to the regulated holdings of FSW. Its secondary mission is to provide this support to the remaining corporate holdings of FSW. By organizing a single company to perform these functions, operating efficiencies are realized by eliminating the redundancy required if each operating utility had to establish its own administrative and customer service support. USA is organized as shown in the following chart.

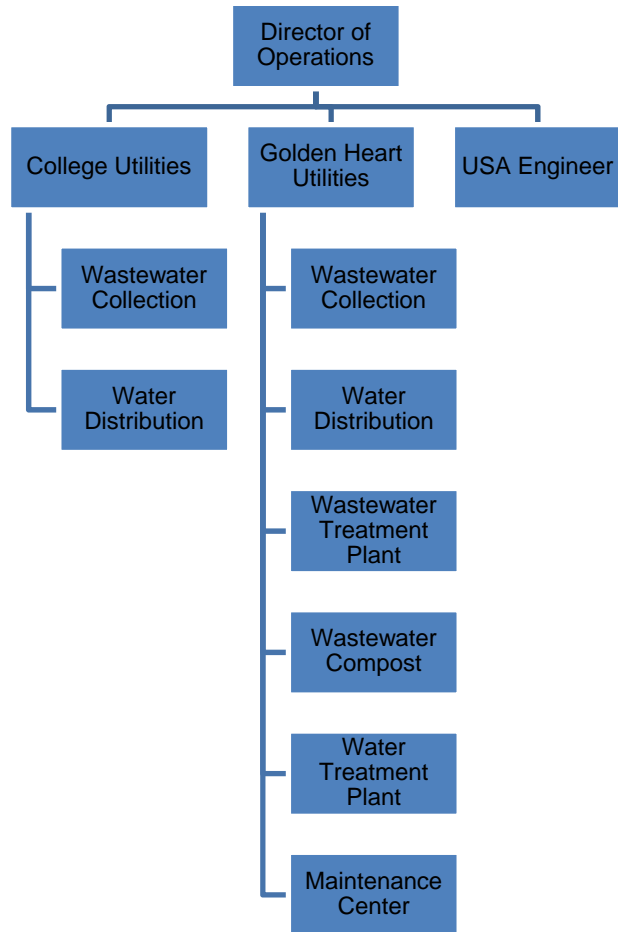
More detailed charts are provided on the following pages to illustrate the departments within USA and how they are organized to perform the USA mission.

### **USA ORGANIZATION**

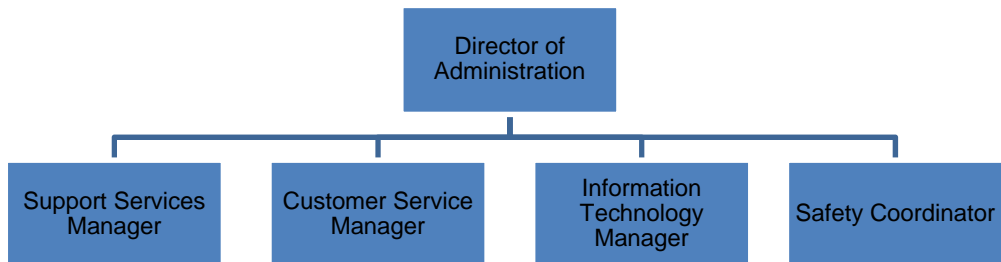




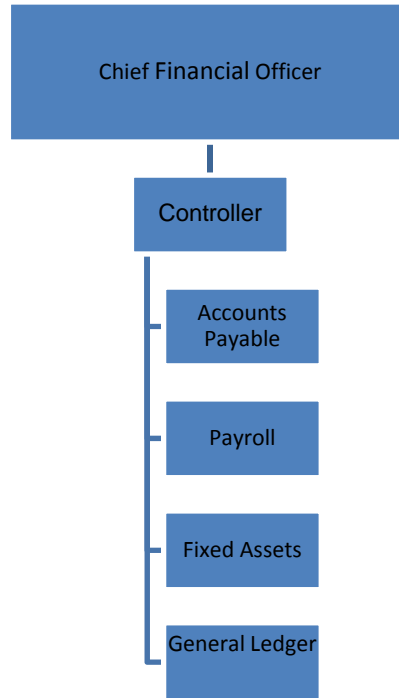
## UTILITY OPERATIONS



## ADMINISTRATIVE SERVICES



# FINANCIAL SERVICES



## **Regulated**

USA does not provide regulated services to the FSW subsidiaries.

## **Non-Regulated Services**

USA provides customer service and administrative services to all of its affiliates to include human resources, purchasing, emergency planning, public relations, regulatory affairs, all accounting responsibilities to include job costing, fixed asset management, payroll, accounts receivable, accounts payable, cash management, financial and regulatory audits and reporting, engineering services, information services to include network administration, systems development and administration, development of geographic information systems, communications, and supervisory management.

USA owns the Cameron Building where the administrative and customer service staff for the affiliated companies is located. The Cameron Building also has one tenant. All expenses for the building and offsetting rental income from the tenant are categorized as general and administrative costs for USA. 100% of rental income received from the tenant offsets USA's general and administrative costs.

USA provides services to certificated utilities, therefore, USA and other non-regulated FSW subsidiaries are therefore open to inspection by the Regulatory Commission of Alaska (RCA) in regards to their operating practices and fees charged as they relate to the certificated utilities.

Guidelines for appropriateness of charges between affiliates and regulated utilities are found in NARUC "Guidelines for Cost Allocations and Affiliate Transactions" (D2) and AS 42.05.511(c).

NARUC (D2) reads:

Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

AS 42.05.511 (c) reads:

In a rate proceeding the utility involved has the burden of proving that any written or unwritten contract or arrangement it may have with any of its affiliated interests for the furnishing of any services or for the purchase, sale, lease or exchange of any property is necessary and consistent with the public interest and that the payment made therefore, or consideration given, is reasonably based, in part, upon the submission of satisfactory proof as to the cost to the affiliated interest of furnishing the service or property and, in part, upon the estimated cost the utility would have incurred if it furnished the service or property with its own personnel and capital.

Costs charged to regulated subsidiaries are thus governed by AS 42.05.511(c).

# Doyon Utilities, LLC

## **Operating utility company providing service at Forts Wainwright, Greely and Richardson, Alaska**

Doyon Utilities, a 50/50 joint venture between Doyon Properties and Fairbanks Sewer & Water, has been awarded utility privatization contracts for United States Army Forts Wainwright, Richardson, and Greely in Alaska. The office of Doyon Utilities is located in Fairbanks along with the offices of Fairbanks Sewer & Water and Doyon Properties.

# Rural Utility Services of Alaska

## **Assist Rural Utilities in Achieving Technical, Financial and Managerial Capacity**

Rural Utility Services of Alaska (RUSA) is a non-regulated company. It was organized to provide administrative support in the transformation of current village water and wastewater delivery systems into economically regulated utility systems. This would enable these small systems to provide reliable, efficient, safe, and sanitary services within the rural areas of Alaska. RUSA has no employees and is currently inactive.

### **Regulated Services and Non-Regulated Services**

No regulated or non-regulated services are currently being provided to any customer or affiliated company by RUSA.

# Blu-Vu

## **Real Estate and Specialized Equipment**

Blu-Vu, Incorporated is a non-regulated company. It was established as a real estate and specialized equipment holding company. Blu-Vu has no employees and is currently inactive.

# U-Liner North

## **Water and Wastewater Pipe Rehabilitation**

U-Liner North, Incorporated is a non-regulated company. It owned the equipment and exclusive license to a trenchless technology pipe lining system that rehabilitates damaged wastewater and water lines. U-Liner North is currently inactive and has no employees. As of December 2006, U-Liner North assets and liabilities were transferred to CUC wastewater.

# Commercial Services Provided by Insiders

## **Affiliated Companies of FSW Contract for Services Provided by Commercial Firms that have a Close Association with a Corporate Insider.**

When it has been determined by management that commercial services such as legal, accounting, contractual utility or electrical work, or management advisory services can best be provided by companies or individuals that either have or previously had a close association with FSW or one of its affiliates, such services shall be conducted on an “at arms length” basis. Costs charged by these commercial services shall be recorded in accordance with NARUC accounting instructions and governed by AS 42.05.511(c) which reads:

“In a rate proceeding the utility involved has the burden of proving that any written or unwritten contract or arrangement it may have with any of its affiliated interests for the furnishing of any services or for the purchase, sale, lease or exchange of any property is necessary and consistent with the public interest and that the payment made therefore, or consideration given, is reasonably based, in part, upon the submission of satisfactory proof as to the cost to the affiliated interest of furnishing the service or property and, in part, upon the estimated cost the utility would have incurred if it furnished the service or property with its own personnel and capital.”

## Shared Services

### **General Principles**

The nature, terms and frequency of the affiliated party transactions are discussed in this section for each subsidiary. The FSW organizational structure allows costs to be incurred where they will provide the most benefit to the ratepayers while incurring the least costs. Each of the certificated utilities is dedicated to providing its services within its own service area, utilizing its own dedicated utility personnel, plant, and equipment. But each Utility will attempt to gain savings by sharing resources, knowledge, specialized equipment, and administrative and customer service support.

In determining the methodology for allocating the costs and in pricing the services provided to affiliated companies, Alaska Statutes and the NARUC “Guidelines for Cost Allocations and Affiliate Transactions” have been followed.

This manual refers to each of the affiliated companies of FSW as subsidiaries. Some of the subsidiaries have departments. For example, Golden Heart Utilities has two departments: water and wastewater. In the case of GHU, each of the departments is a certificated Utility. In cost accounting terminology, each of the Utilities is also called a profit center. Departments can be further divided into operational units that in this manual are called sections. In cost accounting terms they are called cost centers.

## Definitions

Cost accounting terms can be confusing - even to accountants. This is caused by the differences in authors, sources of information, differences in usage by regulatory authorities, and changing definitions over time. The following definitions are listed to define the terms as used in this manual.

1. **Affiliates:** Companies that are related to each other due to common ownership or control.
2. **Carrying Costs:** Costs arising when a business holds goods in inventory, or merchandise for sale. These costs consist of the opportunity cost of the investment tied up in inventory and the costs associated with storage.
3. **Cost:** A resource sacrificed or forgone to achieve a specific objective.
4. **Cost Allocation:** A method or ratio used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost causers' cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).
5. **Cost Center:** Parts, sections, or subunits of an organization whose managers are accountable for the activities and the costs incurred.
6. **Common Costs:** The cost of a facility, activity, or other cost center that is shared by two or more users.
7. **Cost Causer:** A measurable event or quantity, which influences the level of costs incurred and can be directly traced to the origin of the costs themselves.
8. **Cost Pool:** A grouping of individual costs. Cost pools can be broad, such as all the costs assigned to a construction job, or they can be narrow such as the costs of operating a video van.
9. **Direct Costs:** Costs, which can be specifically identified with a particular service or product.
10. **Directly Assigned:** Costs are assigned to a specific job, department, section, or cost pool.
11. **Expense:** An outlay or cost chargeable against revenues for a specific period.
12. **Fully Allocated Costs:** The sum of the direct costs plus an appropriate share of indirect costs.
13. **Indirect Costs:** Costs that cannot be identified with a particular service. This includes but is not limited to overhead costs, administrative and general, and taxes.

14. **Insiders:** By statute insiders are the Board of Directors, the President and CEO, and the designated auditor. There are also insiders by definition. For FSW and its affiliated companies insiders also include members of Board committees, Directors, Managers, Supervisors, and others who have been entrusted with confidential corporate information.
15. **Job:** This is a cost pool used to track the costs assigned and allocated to a construction project being done either for or by one of the companies.
16. **Non-Regulated:** That which is not subject to regulation by regulatory authorities.
17. **Plant Assets:** That which can be classified as buildings, machinery, equipment and land.
18. **Project:** Normally a construction project that has one or more jobs. For example, the laying of a water main to support a new subdivision consists of jobs for preliminary engineering, fire hydrants, laying the pipe, any necessary bores, and the easements.
19. **Regulated:** That which is subject to regulation by regulatory authorities.
20. **Revenue:** The monetary measure of a service rendered.
21. **Subsidization:** The recovery of costs from one class of customers or business classification that is attributable to another.
22. **Weighted Average:** An average computed by dividing some total cost (the numerator) by some denominator where each cost is based upon a relative value, not by a single occurrence of each value.

## **GHU Water Utility Cost Allocation**

### **Water Treatment Plant Center**

**Supervision:** A foreman oversees the operations of this cost center. His time is directly assigned. He reports to the USA Director of Operations. The Director's time is directly assigned to this cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor and Equipment:** The employees and equipment of the water treatment plant are normally dedicated to this cost center. Accordingly, all of the labor and equipment costs of this cost center are directly assigned.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

### **Water Distribution Center**

**Supervision:** A foreman oversees the operations of this cost center. His time is directly assigned. He reports to the USA Director of Operations. The Director's time is directly assigned to this cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor:** The employees of the water distribution center are normally dedicated to this cost center. Accordingly, all of the labor costs of this cost center are directly assigned. There are a few occasions when they need additional labor. For example, a major maintenance project may require assistance from the wastewater collections crew. This time is directly assigned to this cost center on the time cards.

**Equipment:** This cost center has its own equipment and it is charged directly to this cost center using the plant operations and maintenance rate calculated for the type of equipment being used. In a few cases, this cost center may need specialized equipment, or to borrow a piece of equipment from another utility



due to maintenance down time on their own equipment. This seldom happens, but when it does a fee is assessed from the subsidiary that owns the equipment to this cost center. Refer to the Cost Allocation Table-*Equipment Rental* for further details and examples of this type of intercompany transaction.

**General and Administrative:** The Water Treatment Plant center shares the services of a secretary with the Water Distribution Center and the costs are directly assigned to the appropriate cost center. The administrative support provided by USA is allocated per the Massachusetts Formula. The customer service support provided by USA is allocated based upon the customer service cost allocation table.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

## **GHU Wastewater Utility Cost Allocation**

### **Wastewater Treatment Plant Center**

**Supervision:** A foreman oversees the operations of this cost center. His time is directly assigned. He reports to the USA Director of Operations. The Director's time is directly assigned to this cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor and Equipment:** The employees and equipment of the wastewater treatment plant are normally dedicated to this cost center. Accordingly, all of the labor and equipment costs of this cost center are directly assigned.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

### **Wastewater Collection Center**

**Supervision:** A foreman oversees the operations of this cost center. His time is directly assigned. He reports to the USA Director of Operations. The Director's time is directly assigned to this cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor:** The employees of the wastewater collection department are normally dedicated to this cost center. Accordingly, all of the labor costs of this cost center are directly assigned. There are a very few occasions when they need additional labor. For example, a major maintenance project may require assistance from water distribution department employees. This time is directly assigned to this cost center on the time cards.

**Equipment:** This cost center has its own equipment and it is charged directly to this cost center using the plant operation and maintenance rate calculated for that class of equipment. In a few cases, this cost center may need specialized equipment, or to borrow a piece of equipment from another utility due to

maintenance on their own equipment. This seldom happens, but when it does a fee is assessed from the subsidiary that owns the equipment to this cost center. Refer to the Cost Allocation Table - *Equipment Rental* for further details and examples of this type of intercompany transaction.

**General and Administrative:** The Wastewater Treatment Plant center shares the services of a secretary with the Wastewater Collection Center and the costs are directly assigned to the appropriate cost center. The administrative support provided by USA is allocated per the Massachusetts Formula. The customer service support provided by USA is allocated based upon the customer service cost allocation table.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

## **Maintenance Center**

**Supervision:** A foreman oversees the operations of this cost center. His time is directly assigned. He reports to the USA Director of Operations. The Director's time is directly assigned to this cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor and Equipment:** The GHU Maintenance Center is an automotive and equipment repair maintenance facility physically located at the wastewater treatment plant. It operates on a job ticket system whereby all labor and equipment is directly assigned to the piece of equipment being serviced. Therefore the GHU department that owns the equipment is assigned the costs associated with the repair and maintenance activity of that equipment.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

## **Compost Operations**

**Supervision:** A foreman oversees the operation of this cost center. His time is directly assigned. He reports to the USA Director of Operations. The Director's time is directly assigned to this cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts formula.

**Labor and Equipment:** This operation is physically located at the Wastewater Treatment Plant. In the spring and summer temporary hires may be employed. The compost department pools all of the operational costs of this operation. The costs are, in a small degree, partially offset by the revenues received from the sale of the compost.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000

maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

## CUC Water Utility Cost Allocation

### Water Distribution

**Supervision:** The CUC Superintendent oversees all of the CUC operations for both Water and Wastewater Departments. His time is directly assigned to the cost center where he is working. He reports to the USA Director of Operations. The Director's time is directly assigned to a cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor:** CUC has two departments; the Water Utility, and the Wastewater Utility. The CUC employees are assigned work in whichever cost center they can be best utilized. They are highly qualified in both areas as reflected by their Alaska Department of Environmental Conservation certifications. As an example, an employee may inspect wastewater lift stations in the morning, and perform a water fire hydrant maintenance project in the afternoon. CUC does most of its own construction work building main line extensions, facility relocations due to DOT projects, and heavy maintenance. They are also qualified to do general contract work for others.

Their time is directly assigned to the cost center, contract job, or construction project where they are working.

**Equipment:** This cost center has its own equipment and it is charged directly to this cost center using the plant operation and maintenance rate calculated for that class of equipment. In a few cases, this cost center may need specialized equipment, or to borrow a piece of equipment from another utility due to maintenance on their own equipment. This seldom happens, but when it does a fee is assessed from the subsidiary that owns the equipment to this cost center. Refer to the Cost Allocation Table - *Equipment Rental* for further details and examples of this type of intercompany transaction.

**General and Administrative:** CUC does not have a secretary or administrative assistant. They do have a draftsman that performs the administrative tasks when time permits. In these cases, administrative time is assigned to the Department where the work is done, or divided as appropriate between them. The administrative support provided by USA is allocated per the Massachusetts Formula. The customer service support provided by USA is allocated based upon the customer service cost allocation table.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

## **CUC Wastewater Utility Cost Allocation**

### **Wastewater Collection Center**

**Supervision:** The CUC Superintendent oversees all of the CUC operations for both Water and Wastewater Departments. His time is directly assigned to the cost center where he is working. He reports to the USA Director of Operations. The Director's time is directly assigned to a cost center when he can readily identify his dedicated time. Otherwise the Director's time is pooled with the other administrative costs of USA and allocated per the Massachusetts Formula.

**Labor:** CUC has two departments; the Water Utility, and the Wastewater Utility. The CUC employees are assigned work in whichever cost center they can be best utilized. They are highly qualified in both areas as reflected by their Alaska Department of Environmental Conservation certifications. As an example, an employee may inspect wastewater lift stations in the morning, and perform a water fire hydrant maintenance project in the afternoon. CUC does most of its own construction work building main line extensions, facility relocations due to DOT projects, and heavy maintenance. They are also qualified to do general contract work for others.

Their time is directly assigned to the cost center, contract job, or construction project where they are working.

**Equipment:** This cost center has its own equipment and it is charged directly to this cost center using the plant operation and maintenance rate calculated for that class of equipment. In a few cases, this cost center may need specialized equipment, or to borrow a piece of equipment from another utility due to maintenance on their own equipment. This seldom happens, but when it does a fee is assessed from the subsidiary that owns the equipment to this cost center. Refer to the Cost Allocation Table - *Equipment Rental* for further details and examples of this type of intercompany transaction.

**General and Administrative:** CUC does not have a secretary or administrative assistant. They do have a draftsman that performs the administrative tasks when time permits. In these cases, administrative time is assigned to the Department where the work is done, or divided as appropriate between them. The administrative support provided by USA is allocated per the Massachusetts Formula. The customer service support provided by USA is allocated based upon the customer service cost allocation table.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.



Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

## Utility Services of Alaska Cost Allocation

**Supervision:** All of the USA supervision costs are directly assigned to the administrative cost pool of USA unless dedicated to the customer service section, or readily identified and directly assigned to the department or cost center of a subsidiary.

**Labor:** The USA labor is normally assigned as applicable to a cost pool. There are two cost pools, customer service, and administrative and general services. On occasions, labor costs will be directly assigned to a subsidiary, or even further to a department or section. This direct assignment is done when the costs are readily identified and performed only for a particular cost center. An example is when the Director of Operations spends time with the wastewater collections crew overseeing a maintenance project. Another example is when the information services section of USA worked on the repair and replacement of the bulk septage scale and receiving system at the GHU Wastewater Plant. All of their time was directly assigned to that cost center. Also, all of the customer service section's labor is directly assigned to the customer service cost pool.

**Equipment:** USA equipment is assigned when purchased to the administrative plant cost pool unless it is dedicated primarily for customer service. For example, the office equipment of the accounting section and the USA accounting software packages belong to the administrative cost pool. The office equipment of the customer service section and their customer service utility billing package is assigned to the customer service plant cost pool.

**General and Administrative:** The administrative costs incurred by USA are assigned to the USA administrative cost pool.

**Incidental Employee Expenses:** The Commission allows sharing of incidental employee expenses (coffee, gifts, flowers, etc.) 50/50 with shareholders, *U-07-76/77(8) p. 16, and clarified in order 9*. Any gifts to executive management are specifically excluded and are to be borne by the shareholders. A \$5,000 maximum aggregate annual allocation to each of the two water utilities and a \$5,000 maximum aggregate annual allocation to each of the two sewer utilities will apply.

Incidental employee benefit expenses of this nature are recorded in an account titled "Emp Ben-Frng Ben/Incidental" for GHU, CUC and USA. In addition, other miscellaneous expense accounts may include expenses to which the 50/50 allocation may apply. For rate case purposes, the actual annual expenses in each account will be reviewed to determine the amount of expenses to be shared 50/50, to the maximum aggregate annual allocation as allowed. A known and measurable adjustment to the actual annual expenses for the test year will be recognized, documented and reported.

### **Fairbanks Sewer & Water Cost Allocation**

Expenses incurred by USA that are incurred on behalf of the parent company, FSW, are directly assigned to the FSW cost pool and transferred directly to FSW.

### **Rural Utility Services of Alaska**

As of the date this manual was written, there were no costs to assign other than direct organizational costs. If and when RUSA becomes active, costs will be assigned per the methodologies used for the other subsidiaries of FSW.

### **Blu-Vu**

As of the date this manual was written, there were no costs to assign other than direct organizational costs. If and when Blu-Vu becomes active, costs will be assigned per the methodologies used for the other subsidiaries of FSW.

### **U-Liner North**

As of the date this manual was written, there were no costs to assign other than direct organizational costs. If and when U-Liner becomes active, costs will be assigned per the methodologies used for the other subsidiaries of FSW.

### **Doyon Utilities, LLC**

USA may provide administrative services support to Doyon Utilities, LLC and vice versa. The amount of the contract is unspecified and is based upon a direct cost plus overhead rate. The contract is a delivery type contract with each party controlling their cost based upon the amount and type of services requested.

# Cost Allocation Tables

## **The Massachusetts Formula Method**

The Massachusetts Formula Method, as it is known, was originally developed for tax administration purposes, but the theory behind the method also provides an acceptable method that can be and has been used to equitably and feasibly distribute general and administrative costs using a three-part allocator.

Historically, there were many attempts made in corporate tax work by states to develop a workable and equitable base for allocating the “commonly-produced income” to the various diversified business activities conducted within each state jurisdiction. As more states began instituting corporate income taxes, an increasing interest and concern arose for the adoption of a uniform equitable allocation method for taxation. This resulted ultimately in a multi-state tax compact agreed to by many states. This compact specifies that the allocation base should be a three factor base known generally as the Massachusetts Formula. Over many decades, the Massachusetts Formula has been widely used and accepted for state corporate tax administration. In addition, the method has been widely accepted by regulators of numerous state commissions and regulated utilities to distribute and allocate corporate costs between affiliated companies with regulated and non-regulated companies. The accounting principles and practices of distributing general and administrative expenses and the distribution of corporate income taxes are somewhat similar.

The purpose of any type of allocation method is to distribute costs that are not directly assignable to a specific cost center. Costs that are directly assignable to a subsidiary, department, or cost center are first distributed. The remaining unassigned costs are then allocated. The formula is an equitable and feasible tool, rather than a precise scientific measurement.

To start the process of applying the Massachusetts Formula, the cost pools from USA must be determined and a rate of return calculated. The total of the cost pools and the return will be the amount to be allocated to the subsidiaries. An example of this calculation is shown in the Cost Allocation Table – *USA Reimbursement*.

General and administrative costs are allocated based upon a three-part allocator that uses a weighted average cost ratio that compares gross revenues, gross plant, and gross payroll. The weighted average is not intended to be precise, but rather to be the best available indicator of the general and administrative work incurred by USA and allows the allocation of these costs proportionately to those who caused them.

The method of allocating the General and Administrative costs under the Massachusetts Formula is illustrated in the Cost Allocation Table – *General and Administrative*.

For the gross plant component used in the formula, USA uses the total original historical costs booked by each subsidiary at the time the plant was placed in service. Contributed plant is not deducted from gross plant. Contributed plant requires as much and oftentimes more administrative effort than invested plant.

### **Customer Service Cost Allocation Method**

Customer Service costs are allocated based upon the number of customers of each subsidiary. There is a weighting factor applied that reflects the customer equivalents when a customer class has been identified that requires significantly more time than the average customer. The method of allocating the customer service costs are illustrated in the Cost Allocation Table – *Customer Service*.

After the preparation of the annual budget at the beginning of the year, an estimate is made for the components of the Administrative and Customer Service costs. An estimated monthly allocation from USA to each of the subsidiaries is prepared. Every quarter, a “true up” of the estimate is made based on the actual quarterly financial statements. A sample of these journal entries is displayed after the following cost allocation tables displaying the application of the Massachusetts Formula and the Customer Service Cost Allocation.

## **Cost Allocation Table: USA Reimbursements**

USA must recover costs incurred on behalf of the utility subsidiaries that have been recorded in the two cost pools; customer service, and general and administrative. These costs are determined by referring to the USA financial statements for the period when the allocation to the subsidiaries is to be made. However, for accounts in the financial statements that are not directly related to either customer service or general and administrative, the Utility utilizes a 25% allocation of joint USA expenses to customer service and 75% to general and administrative. This division is based upon the number of employees within the customer service and the general and administrative departments. Senior management is excluded from the computation. Analyzing the corresponding trial balance and supporting accounting records that are maintained according to NARUC standards, a verification of the costs recorded can be readily accomplished.

USA must recover the depreciation expenses that it has recorded for the period. Plant and equipment is divided between Customer Service and Administrative assets and so is the corresponding depreciation expense. Therefore this expense is also readily obtained for the period from the USA financial statements.

The plant and equipment owned by USA is exclusively for the provision of services to those companies it serves. USA is entitled to a return on its investment. When calculating this allowable return, USA charges the return approved by the Regulatory Commission of Alaska on the equity investment approved for regulated utilities. That rate is the rate of return last granted in the most recently approved rate proceeding.

The final component that must be considered in calculating the amount to be allocated to the subsidiaries is the corporate income tax that must be paid by USA on its income. An income tax multiplier has been calculated that considers both federal and state income tax for the USA portion of the corporate income taxes. The multiplier used for the calculation of the income tax to be paid by the subsidiaries to USA is the same multiplier submitted on the most recent revenue requirement. This tax multiplier is applied to the return on investment portion of the total allocation to the subsidiaries. The Cost Allocation Table – *Reimbursements* illustrates this calculation of the total costs and the return on investment to be allocated to the subsidiaries

The expenses incurred by USA on behalf of FSW are assigned directly to FSW. There are some costs that are shared between FSW and USA. These are split based on an annual analysis of the percentage of the expenses that are incurred on behalf of the stockholders versus those incurred on behalf of the utilities. This analysis is under the section for the Cost Allocation Tables and is entitled “FSW Allocation of Costs to the Utilities”.

## Cost Allocation Table: General & Administrative

### UTILITY SERVICES OF ALASKA, INC. COST ALLOCATION TABLE - REIMBURSEMENTS

ADMINISTRATIVE COSTS:		
GROSS UTILITY PLANT IN SERVICE - ADMIN		3,124,461
RESERVE FOR DEPRECIATION - ADMIN		(1,380,647)
DEFERRED TAX LIABILITY		(142,001)
DEFERRED TAX ASSET		151,646
NET QUARTER END RATE BASE		1,753,459
WEIGHTED AVERAGE RATE OF RETURN		9.67%
RETURN ON INVESTMENT		169,478
WEIGHTED AVERAGE RATE OF RETURN ON EQUITY	7.38%	\$ 129,409
NET INCOME TAXES - (ROEquity * 67.21%)		86,981
Subtotal		256,459
NET INCOME PLUS TAXES		256,459 (A)
DEPRECIATION EXPENSE - ADMIN		163,528
ADMIN & GENERAL EXPENSE (plus usa cust serv rent trfr)		2,703,315
PAYROLL & PROPERTY TAXES - ADMIN		185,571
ADMINISTRATIVE EXPENSES		3,052,414 (B)
TOTAL ADMINISTRATIVE COSTS TO BE ALLOCATED:		<b>3,308,873 (A)+(B)</b>

Note: Rental income deducted from expenses prior to actual allocation

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**UTILITY SERVICES OF ALASKA  
COST ALLOCATION TABLE - GENERAL AND ADMINISTRATIVE COSTS**

**USA General and Administrative Costs to be Allocated**

**\$3,308,873**

<u>Line</u>	<b>GROSS REVENUES</b>	<b>GROSS PLANT</b>	<b>GROSS PAYROLL</b>	<b>WEIGHTED AVERAGE PERCENT</b>	<b>ACTUAL ALLOCATED AMOUNT</b>	<b>G/L EXPENSE ACCOUNT</b>	<b>G/L REVENUE ACCOUNT</b>
1 CUC-WASTEWATER	2,390,821	18,564,608	437,563	10.40%	\$344,140	76000	48411
2 CUC-WATER	2,643,808	21,902,327	437,563	11.38%	\$376,710	66000	48412
3 GHU-WASTEWATER	8,870,601	67,253,995	1,971,687	40.97%	\$1,355,557	76000	48413
4 GHU-WATER	6,715,665	85,082,953	1,517,304	37.11%	\$1,227,925	66000	48414
5 FSW	85,250	0	0	0.14%	\$4,541	66000	48418
TOTALS	\$20,706,145	\$192,803,883	\$4,364,117	100.00%	3,308,873		
% ALLOCATED	33.33%	33.33%	33.33%				

**NOTES:**

Each component for each subsidiary is divided by the total for that component. For example, Gross Revenues for CUC Water (line 2) is divided by the total of all Gross Revenues (line 7) and then multiplied by the weight of 1/3. This is done for all three components and then totaled to gain the weighted average for CUC Water. This weighted average is then multiplied times the amount to be distributed from USA.

**GROSS REVENUES:** The sum of the total operating revenues reported by each subsidiary.

**GROSS PLANT:** The total original cost of plant in service reported by each subsidiary. Plant in service includes contributed plant and non-contributed plant.

**GROSS PAYROLL:** Total gross wages per payroll. Source: Perpetual check history report for period ending.



## Cost Allocation Table: Customer Service

### UTILITY SERVICES OF ALASKA, INC. COST ALLOCATION TABLE - REIMBURSEMENTS

<u>CUSTOMER SERVICE COSTS:</u>		<u>_____</u>
GROSS UTILITY PLANT IN SERVICE - CUST SERV	\$	330,482
RESERVE FOR DEPRECIATION - CUST SERV		(249,783)
DEFERRED TAX LIABILITY		(47,334)
DEFERRED TAX ASSET		50,202
DEFERRED DEBIT		-
NET QUARTER END RATE BASE	\$	<u>83,567</u>
WEIGHTED AVERAGE RATE OF RETURN		9.67%
RETURN ON INVESTMENT	\$	<u>8,077</u>
WEIGHTED AVERAGE RATE OF RETURN ON EQUITY	7.38%	\$6,167
NET INCOME TAXES - (ROEquity * 67.21%)		4,145
Subtotal		<u>12,222</u>
NET INCOME PLUS TAXES		<u>12,222</u> (A)
DEPRECIATION EXPENSE - CUST SERV		11,381
CUSTOMER ACCOUNT EXPENSE (LESS USA ADMIN RENT)		557,179
PAYROLL & PROPERTY TAXES - CUST SVC		34,057
CUSTOMER SERVICE EXPENSES		<u>602,617</u> (B)
TOTAL CUSTOMER SERVICE COSTS TO BE ALLOCATED:	\$	<u><u>614,840</u></u> (A)+(B)

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**UTILITY SERVICES OF ALASKA, INC.  
COST ALLOCATION TABLE - CUSTOMER SERVICE**

**STEP 1: THE CUSTOMER COUNT**

The Data source is the annual consumption analysis spreadsheet. The number of customers at the end of the month for is reported below and totaled. The customers requiring significantly more time are identified and tallied also. The objective is to calculate the time required to handle the customers that require special handling compared to the time it takes to handle a normal customer.

ENTITY	CUSTOMER TYPE	COUNT
Golden Heart Utilities Water	Regular Customers	6,456
Golden Heart Utilities Wastewater	Regular Customers	6,440
	Aurora Energy	1
	Fort Wainwright Customer	1
	Lakeview Customer	1
	Septage Hauler Customers	15
	FNSB Landfill	1
	Other Industrial Customers	1
College Utilities Corporation Water	Regular Customers	2,170
College Utilities Corporation Wastewater	Regular Customers	2,047
	UAF Customer	1
	FIA Deicing	1
FSW	Regular Customers	1
Total Number of Regular Customers Per Month (Average)		<u>17,114</u>
Total Number of Customers Per Month Requiring Special Handling (Average)		<u>22</u>
Total Customers Per Month (Average)		<u>17,136</u>

**NOTE: The customer count was inadvertently not updated in this schedule for 2010.**

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**UTILITY SERVICES OF ALASKA, INC.  
COST ALLOCATION TABLE - CUSTOMER SERVICE**

**STEP 2: COMPUTATION OF CUSTOMER WEIGHTING**

Once the customer type and count are determined, then the next step is to assign the customer weight.

For example, the time that it takes to process a monthly statement for a bulk septage customer is about 4 times longer than an average customer. This is determined by conducting a time and motion analysis. An estimate is made of the time required to handle the special customers requiring a significant amount of additional handling compared to an average customer. These times are compared and a weighting is calculated.

**The Calculation of the time required in hours to service the average customer.**

	<u>ANNUAL 2010</u>	
Customer Service Employees	6	
Annual Work Hours	2,080	
Total Annual Work Hours	12,480	
Less Vacations and Holidays (actual)	(1,500)	
Less time on non recurring fee items	(2,239)	
Less time on admin tasks	(600)	
Available Annual Work Hours	8,141.00	
Average Monthly Work Hours Available	678.42	
Less time for special handling	21.25	
	657.17	
Total Customers (Bills rendered ) per month	17,114	(Count from step 1)
Avg hourly time per customer per month	<b>0.038</b>	

**Calculation of the weights for those customers requiring special handling**

<u>Customer Classes</u>	<u>Customer Count</u>	<u>Total Hours per Month</u>	<u>Hours per Customer Per Month</u>	<u>Weight</u>
<b>Golden Heart Utilities</b>				
Aurora Energy (Note **)	1	0.50	0.50	13.02
Fort Wainwright Customer	1	1.00	1.00	26.04
Lakeview Customer	1	0.00	0.00	-
Septage Hauler Customers	15	16.50	1.10	28.65
FNSB Landfill	1	0.75	0.75	19.53
Other Industrial Customers	1	0.75	0.75	19.53
<b>College Utilities Corporation</b>				
UAF Customer	1	1.00	1.00	26.04
FIA Deicing	1	0.75	0.75	19.53
Other Industrial Customers	-			-
Total <u>additional</u> hours per month		21.25		

Note\*\* Aurora Energy is a commercial customer that requires more than the average amount of time. They do not have a special rate.

**UTILITY SERVICES OF ALASKA, INC.**  
**COST ALLOCATION TABLE - CUSTOMER SERVICE**

**STEP 3: THE ALLOCATION OF THE USA CUSTOMER SERVICE COSTS**

CUSTOMER TYPE	WEIGHT	ACTUAL CUST COUNT YTD	WEIGHTED COUNT	WEIGH TED AVERA GE	ALLOCATED COSTS	G/L EXPEN SE ACCO UNT	G/L REVEN UE ACCO UNT
<b>ACTUAL USA CUSTOMER COSTS TO BE ALLOCATED:</b>					<b>614,840</b>		
<b>Golden Heart Utilities Water</b>							
Regular Customers	1.00	6,429	6,429	36.10%	221,946	66100	48424
<b>Golden Heart Utilities Wastewater</b>							
Regular Customers	1.00	6,414	6,414	36.01%	221,428		
Aurora Energy	13.02	1	13	0.07%	449		
Fort Wainwright Customer	26.04	1	26	0.15%	899		
Lakeview Customer	-	-	0	0.00%	0		
Septage Hauler Customers	28.65	18	516	2.90%	17,803		
FNSB Landfill	19.53	-	0	0.00%	0		
Other Industrial Customers	19.53	1	20	0.11%	674		
					241,253	76010	48423
<b>College Utilities Corporation Water</b>							
Regular Customers	1.00	2,239	2,239	12.57%	77,296	66100	48422
<b>College Utilities Corporation Wastewater</b>							
Regular Customers	1.00	2,107	2,107	11.83%	72,739		
UAF Customer	26.04	1	26	0.15%	899		
FIA Deicing	19.53	1	20	0.11%	674		
Other Industrial Customers	-	-	-	0.00%	0		
					74,312	76010	48421
<b>FSW</b>							
Regular Customers	1.00	1	1	0.01%	35	66100	48428
		<b>17,213</b>	<b>17,810</b>	<b>100.00%</b>	<b>614,840</b>		

### Cost Allocation Table: Intercompany Water Treatment Charge

Golden Heart Utilities provides treated water to College Utilities Corporation which CUC distributes to its customers through its water distribution system and which it utilizes to flush fire hydrants, provide water to fire departments to fight fires and training, and cover leaks. Thus, the amount provided to CUC by GHU will be more than the sum of CUC sales.

Water entering the CUC distribution system is metered and the usage is charged based upon the consumption measured by the water meter.

This is a routine monthly intercompany transaction from GHU to CUC based upon current rates.

#### EXAMPLE:

Previous Month's Ending Meter Read	20,450,000
Current Meter Reading	<u>47,200,000</u>
Usage to be allocated (Gallons)	26,750,000
Usage divided by 1,000 times <i>intercompany billing rate</i> (\$2.5217)	\$ 67,455.48
<i>Intercompany billing rate</i> is determined by utility's cost of service study (COSS) contractor at the time the COSS is performed.	

To record this intercompany transaction, the CUC account Purchased Water Operations (61000) is debited and the GHU Purchased Water Transfer Credit account (61001) is credited.

### Cost Allocation Table: Intercompany Wastewater Treatment Charge

Golden Heart Utilities treats all wastewater collected from the College Utilities Corporation service area. The amount collected and transferred to GHU includes all CUC wastewater sales plus all inflow and infiltration (I&I) in CUC's system. Thus, the amount of wastewater treated by GHU will be more than CUC wastewater sales.

Wastewater from the CUC collection system is metered as it enters the GHU collection system and CUC is charged based upon the quantity measured by the wastewater meter.

#### EXAMPLE:

Previous Month's Ending Meter Read	311,665,952
Current Meter Reading	<u>340,665,500</u>
Usage to be allocated (Gallons)	28,999,548
Usage divided by 1,000 times <i>intercompany billing rate</i> (\$3.0568)	\$ 88,645.82

*Intercompany billing rate* is determined by utility's cost of service study (COSS) contractor at the time the COSS is performed.

To record this intercompany transaction, the CUC account Purchased Sewage Treatment operations (71050) is debited and the GHU Purchased Sewage Transfer Credit account (71051) is credited.

### **Cost Allocation Table: Interdepartmental Rental**

The USA offices currently occupy 10,036 square feet. Approximately one-quarter of this space allocated to USA is utilized by customer service when the use of the common areas is considered. To account for customer service use of administrative space, an estimate of \$5,980 is recorded as expense for customer accounts each month and treated as an intra-company transaction. This rate is calculated by total square footage used by Customer Service times the current tenant's rental rate.

**TO RECORD THE RECLASSIFICATION OF BUILDING EXPENSES TO CUSTOMER ACCOUNTS. ALL DIRECT EXPENSES ARE RECORDED AS GENERAL AND ADMINISTRATIVE EXPENSES AT USA. THIS IS AN INTRACOMPANY TRANSACTION.**

<b>ACCOUNT #</b>	<b>DEBIT \$\$</b>	<b>CREDIT \$\$</b>
64180	5,980.00	
64289		5,980.00
<b>TOTAL</b>	<b>5,980.00</b>	<b>5,980.00</b>

## Cost Allocation Table: FSW Allocation of Costs to the Utilities

### Fairbanks Sewer & Water, Inc. Allocation of Costs to Utilities

Board costs (see attached)	251,250
63280 CONTR SVS/ACCOUNTING A&G	828
63380 CONTR SVC-LEGAL-A&G	2,183
65991 INSURANCE D&O	28,397
67580 MISC-ADMIN & GENERAL	100
67581 BANK FEES	7,500
67586 MISC G&A BOARD TRANSP, LODG	40,132
Total cost of parent (FSW)	<u>330,390</u>
Percent Utility related	69.62%
Monthly charge to USA	<u>19,168</u>

Board and Committee Functions:

	% Utility Benefit	% Stockholder Benefit
1. Review and approval of interim financial statements	80%	20%
2. Budget analysis and approval	90%	10%
3. Capital projects review and approval	90%	10%
4. Set officer compensation, performance review	75%	25%
5. Review labor policies, salary structure, frindge benefits, salary schedules	90%	10%
6. Contract for audit, review audited financials	75%	25%
7. Review company safety policies	90%	10%
8. Review and monitor environmental policies and issues	90%	10%
9. Review insurance coverage	90%	10%
10. Assist management with financing	90%	10%
11. Set dividend level	25%	75%
12. New business opportunities	0%	100%
13. Other corporate matters	20%	80%
Averages	<u>69.62%</u>	<u>30.38%</u>



**Fairbanks Sewer & Water, Inc.**  
**Estimated Annual Board of Directors Expense**  
**2010**

	Meetings/days	Individuals	Amount	Total	
Board Chair		1	15,000	<b>15,000</b>	
Board member retainer		7	20,000	<b>140,000</b>	
Board meetings	8	7	1,000	52,000	
					207,000
Audit Committees Meetings:					
Committee Chair		1	5,000	<b>5,000</b>	
Committee meetings	2	3	750	4,500	9,500
HR & Comp Committee Meetings:					
Committee Chair		1	3,500	<b>3,500</b>	
Committee meetings	1	4	750	3,000	6,500
Sub total				223,000	223,000
Doyon Utilities subcommittee meeting				28,250	28,250
Total costs				251,250	251,250

## **Cost Allocation Table: CUC Lining Services**

Both CUC and GHU may rehabilitate their wastewater collection mains through the use of a trenchless technology.

GHU identifies the failing wastewater lines requiring rehabilitation. GHU contracts the work to CUC. CUC supplies the labor, specialized equipment and materials. The work is seasonal from approximately May through September. An overview of the lining process is in the table below:

### Cost Allocation Table – Lining

Golden Heart Utilities is undergoing rehabilitation of its wastewater collection mains through a lining process. The construction is contracted out to College Utilities Corporation. This work is seasonal from approximately May through September.

The steps to complete a lined run are:

Step 1 – Video Inspection: CUC inspects GHU mains for possible corrosion and failure.

Step 2 – GHU Preparation: GHU reviews the inspections and identifies the segments of main to be lined. GHU performs any necessary work to ensure that the mains are ready for lining.

Step 3 – CUC Line: CUC performs the lining work as a contractor and invoices GHU for the costs incurred.

Step 4 – GHU Close: GHU retires the old main and places the rehabilitated main in service.

**COST ALLOCATION TABLE - LINING**

**Step 1: Video Inspection by College Utilities for Golden Heart**

The first step in the lining process is to pre-inspect the collection mains to determine the need and the priority for rehabilitation. GHU contracts with CUC to inspect the mains. This type of work is performed by CUC because they have the expertise and the specialized equipment. An accounting example with journal entries for the video inspection follows:

Job Transaction:	Hours	Rate	Total
Direct Labor	20	\$ 31.00	620
* Admin Overhead		199.27%	1,235
Equipment - Truck	20	\$ 13.00	260
Equipment - Video Van	20	\$ 210.00	4,200
<b>Total Costs billed</b>			<b><u>\$ 6,315</u></b>

The video inspection costs are accumulated in a "future use" account (# 103xx) for GHU. As GHU completes a rehabilitation on the existing mains, video costs are applied at \$15.00 per foot of pipe that is used and included in the total costs placed in service.

**To record video inspection by CUC for GHU.**

ACCOUNT NUMBER	DIV/UTIL	DESCRIPTION	DEBIT	CREDIT
13100	CUC/SWR	Cash	5,695	
41500	CUC/SWR	Contract Income		6,315
41600	CUC/SWR	Contract labor	620	
41640	CUC/SWR	Contract OH	1,235	
41660	CUC/SWR	Contract equipment	4,460	
75089	CUC/SWR	Transp-transfer credit		4,460
41250	CUC/SWR	Overhead Transfer		1,235
10300	GHU/SWR	Future Use	6,315	
13100	GHU/SWR	Cash		6,315
<b>total</b>			<b>18,326</b>	<b>18,326</b>

\*The Admin Overhead rate is computed annually for each regulated subsidiaries' department, i.e., GHU water, GHU wastewater, CUC water, and CUC wastewater. Admin Overhead rate is applied to total direct labor costs.

**COST ALLOCATION TABLE - LINING**

**Step 2: Preparation of Runs by Golden Heart Utilities**

A thorough hydraulic jet cleaning of the main is required in preparation for lining, and oftentimes there are incidental repairs required to ensure a successful u-lining job. Items that may need repair, for example, could include work on the manholes.

Job Transaction:

GHU sets up the run to accumulate total costs incurred.

All expenses are posted directly to the run through accounts payable, payroll, and work order processing.

	Hours	Rate	Total
Direct Labor	4	\$ 37.69	151
* Admin Overhead		173.25%	261
Equipment - Truck	4	\$ 13.00	52
<b>Total Costs incurred</b>			<b>\$ 464</b>

ACCOUNT NUMBER	DIV/UTIL	DESCRIPTION	DEBIT	CREDIT
13100	GHU/SWR	Cash		151
10501	GHU/SWR	CWIP	464	
75089	GHU/SWR	Transp-transfer credit		52
41250	GHU/SWR	Overhead transfer		261
total			464	464

\*The Admin Overhead rate is computed annually for each regulated subsidiaries' department, i.e., GHU water, GHU wastewater, CUC water, and CUC wastewater. Admin Overhead rate is applied to total direct labor costs.

**COST ALLOCATION TABLE - LINING**

Step 3: College Utilities contracted to line Golden Heart Utilities Main

Job Transaction:

U-line 160 feet at 23rd & Cowles

	Rate	Costs
Direct Labor		5,000
* Admin Overhead	199.27%	9,964
Equipment		3,000
Inventoried Materials		2,500
Materials Overhead	5.00%	125
Direct purchases		200
<b>Total costs incurred</b>		<b>\$20,789</b>

CUC is contracted out to line 160 feet of sewer main for GHU.  
 The work performed is coded as contract work under CUC Wastewater.  
 CUC directly bills the total costs to GHU at actual costs incurred, to include overhead and equipment.

ACCOUNT NUMBER	DIV/UTIL	DESCRIPTION	DEBIT	CREDIT
13100	CUC/SWR	Cash	15,589	
41500	CUC/SWR	Contract Income		20,789
41600	CUC/SWR	Contract labor	5,000	
41640	CUC/SWR	Contract Admin OH	9,964	
41620	CUC/SWR	Contract materials	2,700	
41650	CUC/SWR	Contract materials OH	125	
41660	CUC/SWR	Contract equipment	3,000	
15100	CUC/SWR	Inventory		2,500
75089	CUC/SWR	Transp-transfer credit		3,000
41250	CUC/SWR	Overhead-transfer credit		9,964
41255	CUC/SWR	Materials Overhead-transfer credit		125
10501	GHU/SWR	CWIP	20,789	
13100	GHU/SWR	Cash		20,789
total			57,166	57,166

\*The Admin Overhead rate is computed annually for each regulated subsidiaries' department, i.e., GHU water, GHU wastewater, CUC water, and CUC wastewater. Admin Overhead rate is applied to total direct labor costs.

## COST ALLOCATION TABLE - LINING

### Step 4: Closing of Run by Golden Heart Utilities

Job Transaction:

Line 160 feet at 23rd & Cowles

	Amount	Rate	Costs
CUC Contract			20,789
GHU Prep:			
Direct Labor	4	\$ 37.69	151
* Admin Overhead		173.25%	261
Equipment - Truck	4	\$ 13.00	52
Prevideo allocation	160	\$ 15.00	2,400
Total Costs incurred			\$23,652

GHU retires from plant 160 feet of sewer main that was originally placed in service in 1964. A new asset is created for 160 feet of lined main.

ACCOUNT NUMBER	DIV/UTIL	DESCRIPTION	DEBIT	CREDIT
10102	GHU/SWR	Plant in service - investor owned	23,652	
10501	GHU/SWR	CWIP		21,252
10300	GHU/SWR	Future use - video inspection		2,400
10105	GHU/SWR	Plant in service - old plant		10,000
10805	GHU/SWR	Accumulated Depreciation- old plant	10,000	
total			33,652	33,652

\*The Admin Overhead rate is computed annually for each regulated subsidiaries' department, i.e., GHU water, GHU wastewater, CUC water, and CUC wastewater. Admin Overhead rate is applied to total direct labor costs.

### **Cost Allocation Table: Intercompany Equipment Usage**

Equipment owned by the subsidiaries, College Utilities Corporation, and Golden Heart Utilities is used for operations, maintenance, construction of new plant, and contracting. To properly record the usage, an equipment rate is assigned to each piece of equipment.

The equipment rates have two components, a depreciation component, and an operations and maintenance (O&M) component. The depreciation component covers the costs to recover the original purchase. The O&M component covers the actual operations and maintenance costs, such as insurance, maintenance, and fuel for the equipment. Costs are analyzed and rates are adjusted annually.

In doing the analysis, the equipment is grouped into categories wherever this is applicable; for example pickup trucks are all in one category, utility trucks and vans in another and so forth. Some vehicles are one of a kind and not assigned to a category. They are analyzed individually. The estimated service lives of the vehicles in years are translated into an estimated service life in hours based on the experience of the utility. This is checked annually to insure actual usage is comparable to the original estimate. A depreciation expense per hour is calculated for each category or individual vehicle if it is not in a category.

The actual cost for the maintenance, insurance, and fuel is kept for each vehicle. A historical cost per hour used is calculated, reviewed, and adjusted annually as appropriate on a going forward basis. Also a check is made to determine if an abnormally high maintenance cost has occurred to a particular vehicle and if so an adjustment may be made. Also considered is lower than normal usage over which to spread the costs. This also may be adjusted. This O&M expense is added to the depreciation expense to get the total expense per hour for that vehicle or vehicle category.

If a company uses equipment that it does not own, cross subsidization would occur. For example, the water company ratepayer would be paying for the depreciation, return and O&M on the equipment used by the wastewater utility. To prevent this, an intercompany equipment transfer of costs is made that records the usage of that particular piece of equipment based upon the equipment usage rate. The transactions are handled through the work order processing each month.

**To record the usage of a pickup truck owned by the CUC wastewater utility for work performed by the CUC water utility. An example of the intercompany transaction follows.**

<b>ACCOUNT NUMBER</b>	<b>DEBIT</b>	<b>CREDIT</b>
65050	10.00	
75005		10.00

## **Conclusion**

In accordance with NARUC guidelines, a CAM is required to describe and provide a record of how costs are shared between affiliated entities and between customer classes. A CAM should list all affiliated entities and the services they provide, both to other affiliates and to non-affiliated entities. Each service should be identified as either regulated or non-regulated. The terms, nature and frequency of all related party transactions should be described. The CAM should provide a description of cost allocation methodologies used by each affiliate, including a cost apportionment table that describes how costs charged to each account code are allocated.

Golden Heart Utilities and College Utilities, by the submission of this Cost Allocation Manual, have met the requirements of the RCA Order, AS 42.05.511(c), and the NARUC guidelines.

Note: A complete Chart of Accounts and the Assignment of Costs as well as the Equipment Billing Rates are attached to this document as Appendices A and B respectively.



## **ACKNOWLEDGMENTS:**

American Water Works Association, Water Utility Accounting, Third Edition. 1995

Berk, Joel, Public Utility Finance & Accounting: A Reader, Second Edition.  
Financial Accounting Institute. 1989.

National Association of Regulatory Utility Commissioners, Electrical Utility Cost Allocation Manual. January 1992.

National Association of Regulatory Utility Commissioners, Uniform System of Accounts for Class A Water Utilities. 1996.

National Association of Regulatory Utilities Commissioners, Uniform System of Accounts for Class A Wastewater Utilities. 1996.

NARUC Committee on Finance & Technology Staff Subcommittee on Accounts, Guidelines for Cost Allocation and Affiliate Transactions.

Water Service Corporation of Kentucky  
Case No. 2012-00133  
Commission Staff's First Set of Information Requests

44. For each jurisdiction in which Corix has regulated operations, list and briefly explain each complaint filed against Corix or a Corix affiliate in which an established code or standard of conduct is alleged.

Response: No complaints have been filed against Corix or a regulated affiliate in which an established code or standard of conduct is alleged.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky  
Case No. 2012-00133  
Commission Staff's First Set of Information Requests

45. For each proposed conditions set forth in the Appendix to this Request, state Corix's and Corix Infrastructure's position. If Corix and Corix Infrastructure are unable to accept the proposed condition, state the reason for their position and identify any modifications to the proposed conditions that would render it acceptable.

Response: Corix and Corix Infrastructure would be willing to consider the various conditions set forth in the Appendix to this Request in the context of a comprehensive settlement of this proceeding.

Witness – Steve Lubertozi