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LA Public Service Commission

LPSC DOCKET NO. U- _____

DIRECT TESTIMONY

of

MR. SHAWN ELICEGUI

on behalf of

UTILITIES, INC. OF LOUISIANA

In re: Request for Extension of Formula Rate Plan With Modifications Thereto

Utilities, Inc. of Louisiana
Direct Testimony of Mr. Shawn M. Elicegui
LPSC Docket No. U- _____

EXHIBITS

Name

Description

<u>Name</u>	<u>Description</u>
SME-1	Corporate Organization Chart
SME-2	Affiliate Interest Agreement

1 **Q. Please state your name, your position, your business address and identify the party**
2 **for whom you are providing testimony.**

3 A. My name is Shawn M. Elicegui. I am the Chief Legal Officer and Corporate Secretary for
4 Corix Infrastructure Inc. (“CII” or “Corix”). I also am a member of the Corix Regulated
5 Utilities (US) Inc. (f/k/a Utilities, Inc.) (“Corix Regulated Utilities Inc.”) board of directors,
6 as well as Corix Regulated Utilities Inc.’s Corporate Secretary. I am based in Reno,
7 Nevada, and my current business address is 440 Octate Circle, Reno, Nevada 89511.

8
9 My testimony supports the application filed by Utilities, Inc. of Louisiana (“UIL” or the
10 “Company”). The Company filed an application with the Louisiana Public Service
11 Commission (the “Commission” or “LPSC”) requesting permission to extend the
12 Company’s existing formula rate plan (“FRP”) with a few modifications. The extended
13 FRP would cover 2022, 2023 and 2024. The instant filing will not directly result in a
14 change in the rates charged by the Company; instead, the filing establishes a framework
15 for periodic changes in rates based on the formulaic plan established in this proceeding.

16
17 **Q. Briefly describe your educational background and professional experience.**

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

24 management involving regulation and strategic planning, customer operations. I joined CII
25 in September 2019.

26

27 **Q. Please describe your responsibilities in your current position.**

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

33

34 **Q. Have you ever testified before the LPSC?**

35 A. No. However, I have testified before several other utility regulatory agencies including the
36 Kentucky Public Service Commission, the Public Utilities Commission of Nevada, the
37 Public Service Commission of South Carolina, and the Virginia State Corporation
38 Commission. I also have submitted prepared testimony to several other utility regulatory
39 agencies, including the Regulatory Commission of Alaska, the Arizona Corporation
40 Commission, the Florida Public Service Commission, the North Carolina Utilities
41 Commission, Division of Public Utility Regulation, and the Public Utility Commission of
42 Texas.

43

44 **Q. Please describe the exhibits to your prepared direct testimony.**

45 A. The following table identifies the exhibits to my testimony and specifies which exhibits
46 contain confidential information.

Exhibit	Description	Confidential
SME-1	Corporate Organization Chart	No
SME-2	Affiliate Interest Agreement	No

47

48 **Q. What is the purpose of your direct testimony?**

49 A. My testimony explains how corporate administrative and general support services (the
50 “corporate support services”) are provided to the Company so that it can fulfill its statutory
51 obligation to provide water and sewer service to Louisiana residents. My testimony also
52 explains how the costs associated with providing the corporate support services are
53 allocated among Corix’s operating subsidiaries.¹

54

55 **Q. Please summarize your recommendations to the Commission.**

56 A. I recommend that the Commission consider and incorporate the allocated costs of the
57 associated with the corporate support services that are provided to the Company into the
58 Company’s formulaic rate plan.

59

60 **Q. Please describe the Company, CII, Corix Regulated Utilities Inc., Water Service
61 Corporation (“WSC”).**

62 A. UIL, a Louisiana corporation, is a Commission-regulated, investor-owned utility providing
63 water and sewer service to approximately 10,916 water and 14,475 connections throughout
64 19 parishes in Louisiana (Ascension, Assumption, Bienville, Calcasieu, East Baton Rouge,

¹ Corix prepares a corporate allocation manual each year describing the methodology by which corporate service costs are allocated among its operating subsidiaries. Effective January 1, 2021, CII reorganized its corporate support service functions. The 2021 corporate allocation manual currently is being updated to reflect the organizational change. My testimony describes the way corporate services currently are provided to UIL. I will supplement my testimony with a copy of the 2021 corporate allocation manual when the update is completed.

65 Evangeline, Jackson, Livingston, Madison, Morehouse, Richland, St. Landry, St.
66 Tammany, Tangipahoa, Vermillion, Washington, West Baton Rouge, West Feliciana, and
67 Winn). The Company is owned and controlled by Corix Regulated Utilities Inc.

68
69 Corix Regulated Utilities Inc., an Illinois corporation, is a holding company that owns the
70 stock issued by utilities providing water and wastewater service to customers in 17 states.²
71 Measured by equivalent residential connections, Louisiana is the third largest state in the
72 Corix portfolio.³

73
74 Water Service Corporation, a Delaware corporation, also is owned and controlled by Corix
75 Regulated Utilities Inc. WSC is a support services company; it provides administrative and
76 general and other services to companies owned by Corix Regulated Utilities Inc. and CII.
77 It does not provide services to any unaffiliated businesses.

78
79 CII is a corporation organized under the law of British Columbia, Canada. It is the ultimate
80 parent corporation of the Company. CII is a privately held corporation owned by certain
81 affiliates of the British Columbia Investment Management Corporation.

82

83 **Q. What type of services does WSC provide to the Company?**

² Utilities, Inc. changed its name to Corix Regulated Utilities (US) Inc. in July 2019 through an amendment to the company's articles of incorporation.

³ Equivalent Residential Connections ("ERC") is used to compare non-residential customer consumption to the typical amount of water a single-family residential customer uses. ERC is a ratio assigned to a customer or class of customers based on meter size and an average number of gallons per day. The actual number of connections is then multiplied by the ERC ratio to determine a total number of ERCs per subdivision.

84 A. WSC provides a broad range of operational, back-office, support, and corporate services
85 to the Company. It furnishes the day-to-day services necessary to operate and maintain the
86 water and sewer systems owned by the Company and all of the administrative and general
87 services necessary to support those operations. These services can be grouped into the
88 following categories: executive management, corporate strategy, corporate
89 communications, customer services, financial services, risk management, audit, regulatory
90 services, information technology, environment and safety, fleet, and procurement. The
91 support services provided by and through WSC are comparable to those provided other
92 support services organizations.

93
94 In summary, WSC employs all of the team members who deliver water and sewer services
95 to the Company's customers in Louisiana and many of the people who provide back-office
96 support to the companies owned by Corix Regulated Utilities Inc., including the Company.⁴

97
98 **Q. How does WSC provide the administrative and general services that are necessary**
99 **for the Company to deliver water and sewer service to Louisiana residents?**

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

102
103 **Q. Please explain how the Corix Executive Leadership Team and the Corix support**
104 **service organization are organized.**

⁴ Corporate support services are provided by employees of two different legal entities – CII and WSC. This is a function of where people live. Shared service employees in Canada are employed by CII, while shared service employees in the United States are employed by WSC.

105 A. The Executive Leadership Team (“ELT”) has six members: Lisa Sparrow, the Chief
106 Executive Officer (“CE”), Mario Alonso, the Chief Financial Officer (“CFO”) and
107 Executive Vice President, Corporate Development, Jim Devine, the Chief Support Services
108 Officer (“CSSO”), Catherine Heigel, the Chief Operating Officer (“COO”), Don Sudduth,
109 the Chief Growth Officer (“CGO”), and me. Each one of the above-mentioned members is
110 responsible and accountable for delivering specific functions and services.

111
112 Ms. Sparrow, as the CEO, ultimately is responsible for ensuring that each operating
113 subsidiary delivers water and sewer service efficiently and safely. Each member of the ELT
114 reports directly to Ms. Sparrow. Mr. Alonso, as the CFO, is responsible for the following
115 functions: accounting, finance, financial planning and analysis, insurance, tax and treasury.
116 The CSSO, Mr. Devine, is responsible for billing, continuous improvement, corporate
117 communications, fleet, human resources, and information technology. In addition to
118 operations, Ms. Heigel, the COO, is responsible for the following administrative and
119 general functions: customer experience, operational technology and regulatory services.
120 The CGO, Mr. Sudduth is responsible for growing our business. I am responsible for
121 health, safety and environmental, internal audit, legal and risk management.

122
123 Together, the members of the ELT ensure that the complete suite of administrative and
124 general service necessary to deliver water and sewer services are efficiently delivered to
125 each operating utility, including the Company. To reach this conclusion – that
126 administrative and general services provided by the Corix support service organization are
127 needed for the continued and efficient delivery of regulated services – we compared the

128 services to those provided by the following thirteen (13) service companies associated with
129 eleven (11) different utility holding companies.

130 **Table 1**

Utility Holding Company	Service Company
AEP	American Electric Power Service Corporation
Alliant	Alliant Energy Corporate Services, Inc.
Ameren	Ameren Services Company
Dominion	Dominion Resources Services, Inc.
Duke	Duke Energy Business Services, LLC
Entergy	Entergy Operations, Inc.
Entergy	Entergy Services, Inc.
FirstEnergy	FirstEnergy Service Company
PPL	LG&E and KU Services Company
PPL	PPL Services Corporation
Southern Co	Southern Company Services, Inc.
WEC	WEC Business Services LLC
Xcel	Xcel Energy Services Inc.

131
132 As shown in **Table 2**, below, the services provided by the Corix support services
133 organization are prevalent and consistent with the services provided by other utility service
134 companies.

135

136

Table 2

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

Note A: Includes services such as transportation/fleet, real estate and facilities
 Note B: These are service companies whose FERC Form 60s included detailed information on services provided to affiliates.

137

Source: FERC Form 60 (2019); Baryenbruch & Company, LLC, analysis

138

139 In summary, accountability and responsibility for efficiently delivering shared services
 140 falls under individual members of the ELT. There is a single organization, aligned around
 141 a single individual who is responsible (and accountable) for both planning and execution.

142

143 **Q. How do the Company's customers benefit from the delivery of the administrative and**
 144 **general services by a unified, centralized organization?**

145 A. Customers benefit from economies of scale and scope. Customers also receive the benefits
 146 of affiliation with a larger organization. For instance, the Company can leverage the
 147 bargaining power of the Corix portfolio of companies to achieve efficiencies that would

148 not be achieved by the Company on a stand-alone basis. Affiliation with the larger
149 organization also allows for improved employee technical expertise, specialization, and
150 work performance. Finally, larger, geographically diverse water and sewer utilities have
151 better access to capital markets than would an entity such as UIL. Stated simply, UIL has
152 access to capital markets because of its relationship with Corix that it simply would not
153 have without that relationship.

154
155 Customers also receive tangible, quantifiable benefits from the centralized delivery of
156 administrative and general services. These services are provided at a lower cost than could
157 be provided on a stand-alone basis (assuming replication of these services on such a smaller
158 scale could even occur). If all the administrative and general services provided by the Corix
159 support service organization were outsourced, the customers of the Corix Regulated
160 Utilities Inc. utilities would have incurred an additional \$12.4 million of expense in 2019.

161
162 **Q. Do the Corix administrative and general services provided to the Company benefit**
163 **customers in Louisiana?**

164 A. Yes. One example of how the administrative and general services provided by the Corix
165 support service team stems from access to capital. As UIL witness Mr. Brian Francis
166 explains, the Company's revenues are not sufficient to fund the capital improvements
167 necessary to ensure that Louisiana customers receive adequate and continuous water and
168 sewer service. Instead, the Company needs access to debt and equity capital markets, which
169 is provided by the Corix support services team, to fund the capital improvements that

170 benefit Louisiana customers by, for instance, providing access to debt capital at reasonable
171 rates.

172
173 In 2018, for instance, the Corix support services organization led a private placement of
174 debt securities issued by Corix Regulated Utilities Inc. The issuance of debt securities
175 provided \$100 million of capital to facilitate, among other things, capital investments made
176 by the Company (and all of the other Corix Regulated Utilities Inc. operating companies).
177 Corix Regulated Utilities Inc. issued 15-year notes at 4.37 percent interest. In 2020, the
178 Corix support services organization again successfully led the issuance of an additional
179 \$100 million of notes in two tranches – \$50 million of 10-year notes at 3.15 percent interest
180 and another \$50 million of 15-year notes at 3.35 percent interest. These funds are available
181 to all of the Corix Regulated Utilities Inc. operating companies, including UIL, to fund
182 capital improvements (some of which are described by UIL witness Mr. Alex Williams
183 discusses beginning at line 169 of his testimony). These results demonstrate that affiliation
184 with CII – a larger, more geographically diverse enterprise – likely provides better access
185 to capital markets than the Company would have as smaller, less diverse, stand-alone
186 organization.

187
188 In addition, the Company has access through Corix Regulated Utilities Inc. to an \$80
189 million revolving credit facility. The Corix support services organization negotiated the
190 terms and conditions of this credit facility in 2015 and plans to renegotiate the terms and
191 conditions of the facility in October 2023. Finally, the Corix support services organization

192 also obtains equity injections from Corix's shareholder when necessary, including more
193 than \$215 million since 2015.

194
195 In summary, the Corix support services organization provides the Company with access to
196 debt and equity capital markets. Access to these markets on competitive and fair terms
197 allows the Company to make the capital improvements necessary to provide adequate and
198 safe water and sewer service to its Louisiana customers.

199
200 **Q. Has the Corix support services organization successfully leveraged the buying power**
201 **of the Corix portfolio of companies to provide tangible benefits to the Company's**
202 **customers?**

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

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

211
212 **Q. Are the administrative and general services provided by Corix support services**
213 **organization necessary for the continued operation of the Company?**

214 A. Yes. The administrative and general services provided by the Corix support services
215 organization are required for the continued operation of any responsibly run utility. As
216 noted above, the services are similar to the services provided by other utility support service
217 organizations, including some operating in Louisiana. If the Company operated as a stand-
218 alone utility, it would need to provide or procure these services in order to fulfill its
219 obligation to deliver safe, reliable water and sewer service to Louisiana customers.

220

221 **Q. How are the administrative and general costs allocated to the companies in the Corix**
222 **portfolio?**

223 A. Costs for the services provided by the Corix support services organization are combined
224 into one common cost pool for allocation. This cost pool is then allocated to the CII
225 business units and subsidiaries using a composite factor that consists of three factors –
226 gross revenue, headcount and property, plant and equipment. This allocation is based on
227 commonly used, routinely accepted regulatory practices for shared cost allocation. The
228 approach was developed to maintain allocation consistency across the companies within
229 the Corix portfolio and avoid subsidization of one group or unit by another.

230

231 Under the corporate allocation methodology, direct costs are identified up front and directly
232 assigned to the business units receiving the exclusive benefit of the service. Corporate costs
233 are subject to a Tier 1 allocation between the business units receiving services. The Tier 1
234 allocation for corporate costs is based on the composite allocator factoring 33.3% for each
235 of the factors of gross revenue, headcount, and gross property, plant and equipment to best
236 represent the size, scope, and complexity of operating business units. For the Tier 1

237 allocation, the gross revenue, headcount and gross property, plant and equipment of all of
238 the Corix Regulated Utilities Inc. operating subsidiaries are consolidated. The shared
239 service costs attributable to the Corix Regulated Utilities Inc. operating subsidiaries are
240 then allocated among the Corix Regulated Utilities Inc. operating subsidiaries, including
241 the Company, based on ERCs, or equivalent residential connections.

242

243 **Q. Do the administrative and general costs have any mark-up or profit of any kind?**

244 A. No. The administrative and general charges that would be included in the Company's
245 revenue requirement reflect the cost of the shared services with no mark-up or profit.

246

247 **Q. Are there appropriate policies, procedures, and controls in place to ensure that**
248 **shared service costs are reasonable?**

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

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

262

263 **Q. Should the administrative and general service costs be included in the Company's**
264 **formulaic rate plan?**

265 A. Yes. The Company needs these services in order to deliver essential utility services to
266 customers. The methodology used to allocate service costs associated with the Corix
267 support services organization is reasonable and consistent with accepted regulatory
268 principles. The administrative and general charges are provided at the lower of cost or
269 market with no mark-up. The delivery of administrative and general services by a single,
270 unified shared services organization provides benefits to customers and thus, such an
271 inclusion is in the public interest. Accordingly, the administrative and general costs
272 associated with the Corix shared services organization should be incorporated into the
273 Company's formulaic rate plan.

274

275 **Q. Does this conclude your prepared direct testimony?**

276 A. Yes, it does, however I reserve the right to supplement or make corrections to this
277 testimony and, as noted above, I will supplement this testimony with a copy of the
278 Company's 2021 corporate cost allocation manual. Thank you.

**BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION**

UTILITIES, INC. OF LOUISIANA

DOCKET NO. U-_____

In re: Request for Extension of Formula Rate Plan With Modifications Thereto

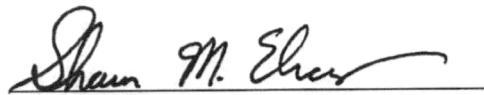
AFFIDAVIT

STATE OF Nevada

COUNTY OF Washoe

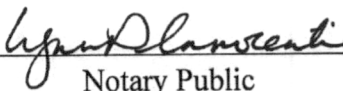
I, Shawn Elicequi, being first duly sworn, depose that the Direct Testimony contained in the above captioned matter on behalf of Utilities, Inc. of Louisiana is true and correct to the best of my knowledge, information, and belief.

UTILITIES, INC. OF LOUISIANA

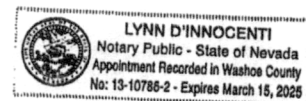


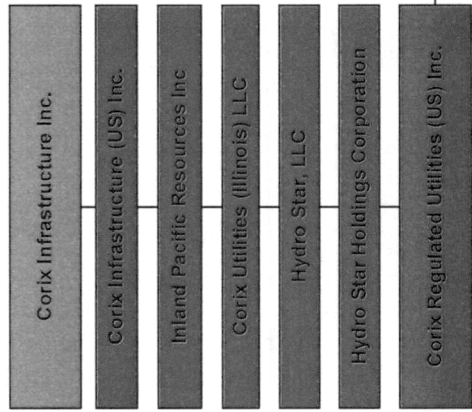
Mr. Shawn Elicequi

Subscribed and sworn before me this 21 day of May, 2021.



Notary Public





Color Codes (State Where Entity Was Formed)	
Alabama	Arizona
Delaware	Florida
Illinois	Indiana
Louisiana	Maryland
North Carolina	New Jersey
New York	Pennsylvania
Tennessee	Virginia
	*Inactive Entity

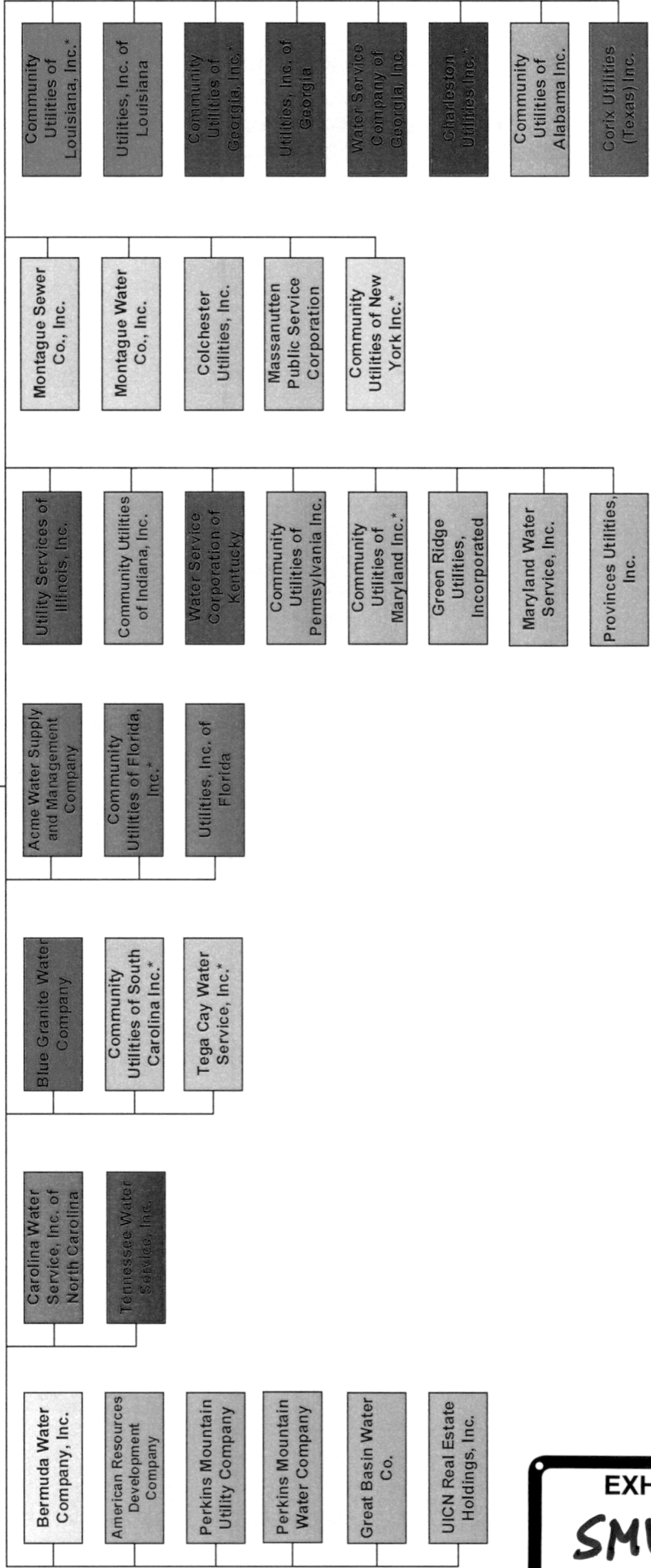


EXHIBIT
SME-1

AGREEMENT

Agreement dated December 19, 2007 between Water Service Corp., a Delaware corporation (hereinafter called the "**Service Company**") and Utilities, Inc. of Louisiana (hereinafter called the "**Operating Company**");

WHEREAS, both the Service Company and the Operating Company are subsidiaries of or affiliated with Utilities, Inc., an Illinois corporation (hereinafter called the "**Parent**"); and

WHEREAS, the Service Company maintains an organization which includes among its officers and employees, persons who are familiar with the development, business and property of the Operating Company and are experienced in the conduct, management, financing, construction, accounting and operation of water and sewer properties and are qualified to be of great aid and assistance to the Operating Company through the services to be performed under this Agreement; and

WHEREAS, the Service Company has or proposes to enter into agreements similar to this Agreement with certain affiliated water and/or sewer companies (hereinafter referred to collectively as the "**Operating Companies**"); and

WHEREAS, the services to be rendered under this Agreement are to be rendered at cost and without profit to the Service Company;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

The Service Company will furnish to the Operating Company, upon the terms and conditions hereinafter set forth, the following services:

- A. EXECUTIVE: The principal executive officers of the Service Company, such as the Chairman of the Board, President and Vice Presidents, and Treasurer will assist and advise the Operating Company in respect to corporate, financial, operating, engineering, organization, regulatory, and other



problems. They will keep themselves informed in regard to the operation, maintenance and financial condition of, and other matters relating to, the Operating Company through contacts with the officers, directors and other representatives of the Operating Company. Such officers of the Service Company will visit the property of the Operating Company when necessary to the proper furnishing of the services provided for in this Agreement. They will also supervise the personnel of the Service Company to the end that services under this Agreement shall be performed efficiently, economically and satisfactorily to the Operating Company.

- B. ENGINEERING: The Service Company will supply engineering services as required in all areas of design, construction, operation and management of the Operating Company.
- C. OPERATING: The Service Company will furnish competent personnel to perform and/or control all normal operating functions, including pumping, treatment, and distribution as well as maintenance of all equipment and facilities. These responsibilities will include testing and record keeping to insure compliance with all state and local regulatory agency requirements.
- D. ACCOUNTING: The Service Company will provide total accounting service, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, P.S.C. annual reports, etc. Periodic analyses will be made for purposes of planning and measurement of efficiency.
- E. LEGAL: The Service Company will employ general counsel as necessary to advise and assist it in the performance of the services herein provided for and to aid the operating company in all matters where such assistance may be desired.
- F. BILLING AND CUSTOMER RELATIONS: The Service Company will handle all billing and collections. It will serve as the link between the customer and

the Operating Company in all areas such as new accounts, deposits, meter reading, inquiries, and complaints.

- G. CONSTRUCTION: The Service Company will perform directly or supervise all construction, including customer connections, meter installations, main extensions, plant expansions, or capital additions of any nature as required by the Operating Company.
- H. ALL OTHER SERVICES AS PROVIDED FOR IN APPENDIX A: In addition to items (A) through (G), the Service Company will employ or provide personnel to perform the attached services, or in the instance of assets. Liabilities, and associated non-cash items, has incurred costs associated with providing service to the corporate headquarters, regional areas, or to all operating companies as a whole. The allocated costs from these services will be for costs attributable to all operating companies, costs attributable to the Service Company, or for costs that cannot, without excessive effort and expense, be directly identified and related to services rendered to a particular operating company.

In consideration for the services to be rendered by the Service Company as hereinabove provided, the Operating Company agrees to pay to the Service Company the cost of said services. Said cost shall not include a markup for profit. In addition, the Operating Company agrees to pay to the Service Company its share of the cost of the investment in the Service Company rate base, including depreciation, amortization, interest on debt and a return on the equity invested.

All costs of the Service Company, including salaries and other expenses, incurred in connection with services rendered by the Service Company for the Operating Companies which can, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be charged directly to such company. Examples of such costs to be directly allocated include salary and other expenses incurred for specific projects such as rate cases, construction projects, legal proceedings, etc. Similarly, all such costs which may be identified and related to

services rendered to a particular group of the Operating Companies shall be charged directly to such group of the Operating Companies.

All such costs which, because of their nature, cannot, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be allocated among all the Operating Companies, in the manner hereinafter set forth.

First, the allocable costs shall be distributed on a monthly basis, unless the Parent should elect to make a supplementary analysis for a special purpose.

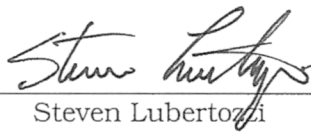
Secondly, these costs will be prorated on the basis of the proportion of active Equivalent Residential Customers ("ERCs") served by the Operating Company to the total number of active ERCs served by the Parent and its affiliates (including, without limitation, the Operating Company), determined as of the end of each month. For purposes of this Agreement, the number of ERCs attributable to each water and sewer connection maintained by the Parent and its affiliates (including, without limitation, the Operating Company) will be determined by applying the formulae set forth in Appendix B.

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the services rendered by the Service Company hereunder, the cost thereof and the allocation of such cost among the Operating Companies. In the case of services in connection with construction, the Service Company will, to the extent practicable, furnish to the Operating Company such information as shall be necessary to permit the allocation of charges for such services to particular work orders.

This Agreement shall be in full force and effect from the date as hereinabove mentioned and shall continue in full force and effect until termination by either of the parties hereto upon ninety days notice in writing.

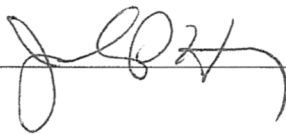
IN WITNESS WHEREOF, the Service Company and the Operating Company have caused these presence to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attest by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

Water Service Corporation

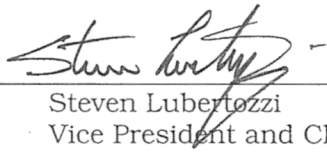
BY 

Steven Lubertozi
Vice President and Chief Financial
Officer

Attest



Utilities, Inc. of Louisiana

BY 

Steven Lubertozi
Vice President and Chief Financial
Officer

Attest



AFFILIATE AGREEMENT
APPENDIX A

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

JDE Object Number	Account Description
5505	Agency Expense
5525	Bill Stock
5530	Billing Computer Supplies
5535	Billing Envelopes
5540	Billing Postage
5545	Customer Service Printing
5625	401K/ESOP Contributions
5630	Dental Premiums
5635	Dental Ins Reimbursements
5640	Emp Pensions & Benefits
5645	Employee Ins Deductions
5650	Health Costs & Other
5655	Health Ins Reimbursements
5660	Other Emp Pensions/Benefits
5665	Pension Contributions
5670	Term Life Ins
5675	Term Life Ins - Opt
5680	Depend Life Ins - Opt
5685	Supplemental Life Ins
5690	Tuition
5700	Insurance - Vehicle
5705	Insurance - Gen Liab
5710	Insurance - Workers Comp
5715	Insurance - Other
5735	Computer Maintenance
5740	Computer Supplies
5745	Computer Amort & Prog Cost
5750	Internet Supplier
5755	Microfilming
5760	Website Development
5785	Advertising/Marketing
5790	Bank Service Charges
5795	Contributions
5800	Letter of Credit Fee
5805	License Fees
5810	Memberships
5815	Penalties/Fines
5820	Training Expense
5825	Other Misc Expense
5855	Answering Service
5855	Answering Service
5860	Cleaning Supplies
5865	Copy Machine
5870	Holiday Events/Picnics
5875	Kitchen Supplies
5880	Office Supply Stores
5885	Printing/Blueprints
5890	Publ Subscriptions/Tapes
5895	Shipping Charges
5900	Other Office Expenses
5930	Office Electric
5935	Office Gas
5940	Office Water
5945	Office Telecom
5950	Office Garbage Removal
5955	Office Landscape / Mow / Plow
5960	Office Alarm Sys Phone Exp
5965	Office Maintenance
5970	Office Cleaning Service
5975	Office Machine/Heat&Cool
5980	Other Office Utilities.
5985	Telemetering Phone Expense
6005	Accounting Studies
6010	Audit Fees
6015	Employ Finder Fees
6020	Engineering Fees
6025	Legal Fees
6030	Management Fees
6035	Payroll Services
6040	Tax Return Review
6045	Temp Employ - Cleri
6050	Other Outside Serv
6075	Water Resource Conserve Exp
6090	Rent
6105	Salaries - System Project
6110	Salaries - Acctg/Finance
6115	Salaries - Admin
6120	Salaries - Officers/Sikhldr
6125	Salaries - HR
6130	Salaries - MIS

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

JDE Object Number	Subsidiary Number	Account Description
1030		Land & Land Rights Pump
1035		Land & Land Rights Wtr Trt
1040		Land & Land Rights Trans Dist
1045		Land & Land Rights Gen Plt
1175		Office Struct & Imprv
1180		Office Furn & Eqpt
1190		Tool Shop & Misc Eqpt
1205		Communication Eqpt
1260		Land & Land Rights Intang Plt
1265		Land & Land Rights Coll Plt
1270		Land & Land Rights Trtmnt Plt
1275		Land & Land Rights Reclaim Wip
1280		Land & Land Rights Rel Dst Plt
1285		Land & Land Rights Gen Plt
1455		Office Struct & Imprv
1460		Office Furn & Eqpt
1470		Tool Shop & Misc Eqpt
1485		Communication Eqpt
1575		Desktop Computer Wtr
1580		Mainframe Computer Wtr
1585		Mini Computers Wtr
1590		Comp Sys Cost Wtr
1595		Micro Sys Cost Wtr
1605		Desktop Computer Swr
1610		Mainframe Computer Swr
1615		Mini Computers Swr
1620		Comp Sys Cost Swr
1625		Micro Sys Cost Swr
1741		Other Plant In Process History
1745	00301	Wip-Cap Time Office Renovation
1745	00302	Wip-Cap Time Electrical
1745	00303	Wip-Cap Time Lab Expansion
1745	00304	Wip-Cap Time Computer Equipmnt
1745	00305	Wip-Cap Time Computer Software
1745	00306	Wip-Cap Time Radio Equipment
1746	00301	Wip - Interest During Constr
1746	00302	Wip - Interest During Constr
1746	00303	Wip - Interest During Constr
1746	00304	Wip - Interest During Constr
1746	00305	Wip - Interest During Constr
1746	00306	Wip - Interest During Constr
1747	00303	Wip - Labor/Installation
1747	00304	Wip - Labor/Installation
1747	00305	Wip - Labor/Installation
1748	00302	Wip - Equipment
1748	00303	Wip - Equipment
1748	00304	Wip - Equipment
1748	00306	Wip - Equipment
1749	00301	Wip - Material
1749	00302	Wip - Material
1749	00303	Wip - Material
1749	00304	Wip - Material
1749	00305	Wip - Material
1749	00306	Wip - Material
1750	00301	Wip - Electrical
1751	00301	Wip - Site Work
1752	00301	Wip - Contractor/Labor
1752	00302	Wip - Contractor/Labor
1753	00301	Wip - Architect/Designer
1753	00302	Wip - Architect/Designer
1753	00303	Wip - Architect/Designer
1754	00303	Wip - Building Addition
1755	00301	Wip - Furniture
1755	00302	Wip - Furniture
1756	00301	Wip - Heating/Air Condition
1756	00302	Wip - Heating/Air Condition
1757	00301	Wip - Interior Finish
1757	00302	Wip - Interior Finish
1758	00305	Wip - Modification/Convert
1759	00304	Wip - Remodeling
1769	00301	Wip - Transfer To Fixed Assets
1769	00302	Wip - Transfer To Fixed Assets
1769	00303	Wip - Transfer To Fixed Assets
1769	00304	Wip - Transfer To Fixed Assets
1769	00305	Wip - Transfer To Fixed Assets
1769	00306	Wip - Transfer To Fixed Assets
1771		Deferred Plant In Process History
1775	00401	Wip-Cap Time Water Tower Paint
1775	00402	Wip-Cap Time W/S Plt Paint
1775	00403	Wip-Cap Time Water Tank Paint
1775	00404	Wip-Cap Time Clean Sewer Line

AFFILIATE AGREEMENT
APPENDIX A

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

JDE Object Number	Account Description
6135	Salaries - Leadership Ops
6140	Salaries - Regulatory
6145	Salaries - Customer Service
6185	Travel Lodging
6190	Travel Airfare
6195	Travel Transportation
6200	Travel Meals
6205	Travel Entertainment
6207	Travel Other
6355	Deferred Maint Expense
6360	Communication Expense
6365	Equipment Rentals
6385	Uniforms
6390	Weather/Hurricane Costs
6580	Deprec-Office Structure
6585	Deprec-Office Furn/Eqpt
6610	Deprec-Communication Eqpt
6615	Deprec-Misc Equipment
6820	Deprec-Office Structure
6825	Deprec-Office Furn/Eqpt
6850	Deprec-Communication Eqpt
6855	Deprec-Misc Equipment
6920	Deprec-Computer
7510	FICA Expense
7515	Federal Unemployment Tax
7520	State Unemployment Tax
7535	Franchise Tax
7540	Gross Receipts Tax
7545	Personal Property/ICT Tax
7550	Property/Other General Tax
7555	Real Estate Tax
7560	Sales/Use Tax Expense
7565	Special Assessments
7665	Extraordinary Gain/Loss
7670	Extraordinary Deductions
7680	Rental Income
7685	Interest Income
7690	Sale of Equipment

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

JDE Object Number	Subsidiary Number	Account Description
1030		Land & Land Rights Pump
1775	00405	Wip-Cap Time Chng Filter Media
1775	00406	Wip-Cap Time Tv Sewer Main
1775	00407	Wip-Cap Time Sludge & Hauling
1775	00408	Wip-Cap Time W/S Plt Landscape
1776	00401	Wip - Interest During Constr
1776	00402	Wip - Interest During Constr
1776	00403	Wip - Interest During Constr
1776	00404	Wip - Interest During Constr
1776	00405	Wip - Interest During Constr
1776	00406	Wip - Interest During Constr
1776	00407	Wip - Interest During Constr
1776	00408	Wip - Interest During Constr
1777	00408	Wip - Engineering
1778	00401	Wip - Labor/Installation
1779	00401	Wip - Equipment
1779	00404	Wip - Equipment
1779	00406	Wip - Equipment
1780	00401	Wip - Material
1780	00402	Wip - Material
1780	00403	Wip - Material
1780	00404	Wip - Material
1780	00405	Wip - Material
1780	00406	Wip - Material
1780	00407	Wip - Material
1780	00408	Wip - Material
1781	00408	Wip - Site Work
1782	00401	Wip - Contractor/Labor
1782	00402	Wip - Contractor/Labor
1782	00403	Wip - Contractor/Labor
1782	00405	Wip - Contractor/Labor
1782	00406	Wip - Contractor/Labor
1783	00404	Wip - Grouting/Sealing
1784	00404	Wip - Jet Cleaning
1785	00407	Wip - Pump & Haul Sludge
1786	00404	Wip - Rental/Machine
1786	00405	Wip - Rental/Machine
1787	00402	Wip - Repair
1787	00403	Wip - Repair
1799	00401	Wip - Transfer To Fixed Assets
1799	00402	Wip - Transfer To Fixed Assets
1799	00403	Wip - Transfer To Fixed Assets
1799	00404	Wip - Transfer To Fixed Assets
1799	00405	Wip - Transfer To Fixed Assets
1799	00406	Wip - Transfer To Fixed Assets
1799	00407	Wip - Transfer To Fixed Assets
1799	00408	Wip - Transfer To Fixed Assets
1970		Acc Depr-Office Structure
1975		Acc Depr-Office Furn/Eqpt
1985		Acc Depr-Tool Shop & Misc Eqpt
2000		Acc Depr-Communication Eqpt
2215		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Eqpt
2230		Acc Depr-Tool Shop & Misc Eqpt
2245		Acc Depr-Communication Eqpt
2315		Acc Depr-Desktop Computer Wtr
2320		Acc Depr-Mainframe Comp Wtr
2325		Acc Depr-Mini Comp Wtr
2330		Comp Sys Amortization Wtr
2335		Micro Sys Amortization Wtr
2345		Acc Depr-Desktop Computer Swr
2350		Acc Depr-Mainframe Comp Swr
2355		Acc Depr-Mini Comp Swr
2360		Comp Sys Amortization Swr
2365		Micro Sys Amortization Swr
2950		Def Chgs-Landscaping
2955		Def Chgs-Customer Complaints
2960		Def Chgs-Tank Maint&Rep Wtr
2965		Def Chgs-Relocation Expenses
2970		Def Chgs-Attorney Fee
2975		Def Chgs-Hurricane/Storms Cost
2980		Def Chgs-Emp Fees
2985		Def Chgs-Other
3000		Def Chgs-Other Wtr & Swr
3005		Def Chgs-Voc Testing
3020		Def Chgs-Sludge Hauling
3025		Def Chgs-Pr Wash/Jet Swr Mains
3030		Def Chgs-Tv Sewer Mains
3040		Def Chgs-Tank Maint&Rep Swr
3080		Amort - Landscaping
3090		Amort - Customer Complaints

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APPENDIX A

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

JDE Object Number Account Description

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

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
3110		Amort - Tank Maint&Rep Wtr
3120		Amort - Relocation Exp
3125		Amort - Attorney Fee
3130		Amort - Hurricane/Storms
3135		Amort - Employee Fees
3140		Amort - Other
3155		Amort - Other Wtr & Swr
3160		Amort - Voc Testing
3175		Amort - Sludge Hauling
3180		Amort - Pr Wash/Jet Swr Mains
3185		Amort - Tv Sewer Mains
3195		Amort - Tank Maint&Rep Swr
4367		Accum Def Income Tax-Fed
4369		Def Fed Tax - Ciac Pre 1987
4371		Def Fed Tax - Tap Fee Post 2000
4373		Def Fed Tax - Idc
4375		Def Fed Tax - Rate Case
4377		Def Fed Tax - Def Maint
4379		Def Fed Tax - Other Operation
4381		Def Fed Tax - Sold Co
4383		Def Fed Tax - Orgn Exp
4385		Def Fed Tax - Bad Debt
4387		Def Fed Tax - Depreciation
4389		Def Fed Tax - Nol
4391		Def Fed Tax - Cont Prop
4393		Def Fed Tax - Amt
4395		Def Fed Tax - Pre Acrs
4397		Def Fed Tax - Res Cap Fee
4417		Accum Def Income Tax - St
4419		Def St Tax - Ciac Pre 1987
4421		Def St Tax - Tap Fee Post 2000
4423		Def St Tax - Idc
4425		Def St Tax - Rate Case
4427		Def St Tax - Def Maint
4429		Def St Tax - Other Operation
4431		Def St Tax - Sold Co
4433		Def St Tax - Orgn Exp
4435		Def St Tax - Bad Debt
4437		Def St Tax - Depreciation
4439		Def St Tax - Nol
4441		Def St Tax - Cont Prop
4443		Def St Tax - Amt
4445		Def St Tax - Res Cap Fee

**AFFILIATE AGREEMENT
APPENDIX B**

The formula used to calculate all allocations is as follows:

Expenses:

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

Assets/Liabilities:

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