

BEFORE THE  
LOUISIANA PUBLIC SERVICE COMMISSION

UTILITIES, INC. OF LOUISIANA,  
EX PARTE

DOCKET NO. U-\_\_\_\_\_

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*In re: Application for Consolidation of Rate Base, Phased Uniform Rate Structure, Adjustment in Retail Rates, Depreciation Study Implementation, Modification and Extension of Formula Rate Plan, Approval of Terms and Conditions, Approval of Industrial Biochemical Oxygen Demand Class, Updated System Development Charges, and Interim Rate Relief.*

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# **EXHIBIT G *in globo***

**(Public Version)**



LPSC DOCKET NO. U- \_\_\_\_\_

DIRECT TESTIMONY

of

**MR. STEVEN M. LUBERTOZZI**

on behalf of

UTILITIES, INC. OF LOUISIANA

*In re: Application for Consolidation of Rate Base, Phased Uniform Rate Structure, Adjustment in Retail Rates, Depreciation Study Implementation, Modification and Extension of Formula Rate Plan, Approval of Terms and Conditions, Approval of Industrial Biochemical Oxygen Demand Class, Updated System Development Charges, and Interim Rate Relief.*

August 2025

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**EXHIBITS**

<b><u>Name</u></b>	<b><u>Description</u></b>
<b>Confidential Exhibit SML-1 2025 Nexus Water Group, Inc. Corporate Allocation Manual.</b>	
<b>Confidential Workpaper J</b>	<b>Adjustments to Annualized Corporate Support Service Costs.</b>

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

3 A. My name is Steven M. Lubertozzi. I am Senior Vice President of Rates, Regulatory and  
4 Legislative Affairs for Nexus Water Group, Inc. (“NWG”), a holding company that indirectly  
5 controls Utilities, Inc. of Louisiana (“UIL” or “Company”). My business address is 500 West  
6 Monroe Street, Suite 3600, Chicago, Illinois 60661-3779.

7 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.**

8 A. I graduated from Indiana University in 1990, and I am a Certified Public Accountant. I earned  
9 my Master of Business Administration from Northwestern University’s Kellogg School of  
10 Management. I am a member of the American Institute of Certified Public Accountants, and I  
11 have been employed by NWG or an affiliate of NWG since June 2001.

12 I am a past Board Member of the National Association of Water Companies, a past Board  
13 Member of the Indiana Chapter of the National Association of Water Companies, a past Board  
14 Member of the Illinois Chapter of the National Association of Water Companies, and a past  
15 Board Member of the Financial Research Institute.

16 **Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY AUTHORITIES?**

17 A. Yes. I have provided written and oral testimony before public utilities commissions throughout  
18 the United States, on topics ranging from cost of equity, capital structure, cost of debt,  
19 acquisition adjustments, divestment strategies, appropriate levels of operations and  
20 maintenance expense, parent company allocations, affiliate transactions, income taxes, and  
21 almost every aspect of utility operations. State commissions where I have presented testimony

22 include California, Florida, Illinois, Indiana, Kentucky, Maryland, New Jersey, New Mexico,  
23 Nevada, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, and Virginia.

24 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

25 A. I am testifying on behalf of UIL.

26 **II. PURPOSE OF DIRECT TESTIMONY**

27 **Q. PLEASE STATE THE PURPOSE OF YOUR DIRECT TESTIMONY.**

28 A. The purpose of my Direct Testimony is to 1) explain the parent company merger that created  
29 NWG, 2) describe changes to the Company's cost allocation methodology, 3) identify  
30 integration activity since the merger, and 4) support the proposed corporate support service  
31 expenses in this proceeding.

32 **Q. ARE YOU SPONSORING ANY ATTACHMENTS?**

33 A. Yes. I am sponsoring the following attachments:

- 34 - Confidential Exhibit SML-1: The 2025 NWG Cost Allocation Manual ("CAM"); and  
35 - Confidential Workpaper J: Adjustments to Annualized Corporate Support Service Costs.

36 **III. NEXUS WATER GROUP, INC.**

37 **Q. PLEASE EXPLAIN THE PARENT COMPANY MERGER THAT OCCURRED**  
38 **SINCE THE COMPANY'S LAST RATE CASE.**

39 A. On August 26, 2022, Corix Infrastructure Inc. ("CII") and Corix Infrastructure (US), Inc.  
40 ("Corix US"; collectively, the "Corix Parties") entered into a transaction agreement  
41 ("Transaction Agreement") with IIF Subway Investment LP, SWMAC, and Southwest Water  
42 Company ("Southwest") (collectively, the "Southwest Parties"; together with the Corix

43 Parties, the “Merger Parties”). The Transaction Agreement provided a framework for  
44 combining CII’s water, wastewater, and related businesses, with the water and wastewater  
45 businesses owned by SWMAC (the “NWG Merger”). Because the NWG Merger occurred at  
46 the Corix US and SWMAC levels, UIL and French Settlement Water Company (“French  
47 Settlement”) were not directly affected by the NWG Merger. SWMAC and Corix US had a  
48 common vision and mission and shared corporate values. After the closing of the NWG  
49 Merger, UIL and French Settlement (now consolidated as UIL) continue to strive to provide  
50 high-quality, safe, reliable, and sustainable water and wastewater service for their customers.  
51 Customers receive their existing services from the same local operational employees at the  
52 Company’s tariffed rates and on approved terms and conditions. The NWG Merger did not  
53 change UIL or French Settlement’s corporate status or tariffs. While the parties to the  
54 Transaction Agreement have incurred transaction costs, they will not seek to recover  
55 transaction costs from Louisiana customers. After closing, UIL and FSW continued to be  
56 directly owned and controlled by Nexus Regulated Utilities, LLC (formerly Corix Regulated  
57 Utilities (US), Inc.) and Southwest, respectively. The Company will continue to have access  
58 to the capital needed to make the investments necessary to provide reliable service to its  
59 customers. Accordingly, the NWG Merger has been and transparent and seamless to the  
60 Company’s customers.

61 The NWG Merger was officially consummated on April 1, 2024, forming a new parent  
62 company for the Company known as Nexus Water Group, Inc. The NWG Merger was granted  
63 approval by the Louisiana Public Service Commission (“LPSC” or “Commission”) in Docket  
64 No. U-36003 on February 28, 2023, via a letter of non-opposition.

65 **Q. DUE TO THE MERGER OF UIL AND FRENCH SETTLEMENT SUBSEQUENT TO**  
66 **THE NWG MERGER, WHO IS THE PARENT OF THE RESULTING**  
67 **CONSOLIDATED ENTITY?**

68 A. UIL and French Settlement were authorized to and subsequently consummated a merger (“UIL  
69 Merger”), with the UIL name surviving for the consolidated entity. The merged UIL entity is  
70 a direct subsidiary of Louisiana Water Utilities, Inc., which in turn is a direct subsidiary of  
71 Southwest.

72 **Q. HOW DOES THE COMPANY DEFINE “TRANSACTION COSTS,” AND DOES THE**  
73 **COMPANY AFFIRM THAT NO TRANSACTION COSTS ARE INCLUDED IN THE**  
74 **REVENUE REQUIREMENT IN THIS CASE?**

75 A. The Company defines transaction costs related to the NWG Merger as:

- 76 • The costs of securing formal written evaluations of the transaction;
- 77 • The costs of structuring the transaction and obtaining tax advice on the structure of the  
78 transaction;
- 79 • The costs of negotiating, preparing, and reviewing the Transaction Agreement;
- 80 • The costs of retained consultants and advisors to evaluate the transaction and perform due  
81 diligence;
- 82 • Legal and other fees of completing pre-closing restructuring;
- 83 • Legal and other fees to close the proposed transaction;
- 84 • Financial advisor fees; and
- 85 • The costs of securing regulatory approvals.

86 Transaction costs were incurred before or on the date that the NWG Merger closed. UIL will  
87 not seek to recover transaction costs in the revenue requirement of this proceeding. Likewise,

88 while NWG’s definition of transaction costs does not include incentive and retention payments  
89 made to employees, UIL will also not seek to recover from customers incentive and retention  
90 payments directly related to and paid solely because of the NWG Merger.  
91 Thus, the Company affirms that no transaction costs are included in the Company’s proposed  
92 revenue requirement.

#### 93 **IV. COST ALLOCATION METHODOLOGY**

##### 94 **Q. HAS UIL ENTERED INTO A NEW AFFILIATE AGREEMENT FOR PROVISION OF** 95 **SERVICES?**

96 A. Yes. UIL has entered into an agreement with NWG to provide corporate support and other  
97 services to UIL. This agreement replaces UIL’s agreement with Water Service Corporation to  
98 provide substantially similar services. Due to the NWG Merger closing, a new support services  
99 agreement was necessary to adapt the provision of such services to the new organization. The  
100 effective date of the agreement was April 1, 2024, in alignment with the NWG Merger. The  
101 agreement provides for continuity of service support to UIL and its customers, while  
102 incorporating the broader resources available within the larger NWG organization.

##### 103 **Q. IS THERE ANY CHANGE TO THE COMPANY’S COST ALLOCATION** 104 **METHODOLOGY DUE TO THE NWG MERGER?**

105 A. Yes, consistent with the new services agreement, NWG has developed and implemented a new  
106 CAM, also effective April 1, 2024. The new CAM describes the methodologies used to either  
107 directly charge or allocate, as applicable, costs incurred to support NWG's operating  
108 subsidiaries. The new manual updates the pre-NWG Merger CAM for the NWG organization,  
109 including for UIL.

110 **Q. PLEASE EXPLAIN THE CHANGES WITH THE NEW CAM.**

111 A. After the NWG Merger, NWG reviewed the existing methodologies of legacy CII companies  
112 and legacy Southwest companies, identified similarities and differences, and confirmed the  
113 organizational structure that would generate allocated costs. NWG then determined a method  
114 that would effectively pool and allocate costs for the affiliate companies, in accordance with  
115 the *Guidelines for Cost Allocations and Affiliate Transactions* published by the National  
116 Association of Regulatory Utility Commissioners. The primary change is that, while the  
117 previous CII method included a two-tier allocation of common costs from the corporate support  
118 and regional levels, the new method utilizes a single three-factor methodology for allocating  
119 indirect costs to NWG's subsidiary operating companies. This three-factor methodology is  
120 consistent with French Settlement's pre-Merger methodology under Southwest.

121 Additionally, operating companies under CII, like UIL, previously would receive allocations  
122 based on Equivalent Residential Connections ("ERCs") via the second tier directly from Water  
123 Service Corporation, where ERC values would be updated monthly. The new method utilizes  
124 ERCs to allocate within operating companies only and requires static ERC values to be set at  
125 the same time annually as the three-factor allocators. This change simplifies the allocation  
126 methodology, allowing for more consistency and greater leverage of the three-factor allocators  
127 to determine allocations. NWG's CAM left largely unchanged the nature and scope of  
128 allocated cost categories and maintained and solidified direct cost protocols.

129 Please see attached Confidential Exhibit SML-1, the 2025 NWG CAM, for further details on  
130 the methodology.

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## V. INTEGRATION EFFORTS

**Q. CAN YOU PLEASE PROVIDE AN UPDATE ON THE STATUS OF INTEGRATING THE MERGER PARTIES?**

A While the Merger Parties could begin planning for integration, integration activities could not commence until the NWG Merger closed. As noted above, the NWG Merger closed on April 1, 2024. Accordingly, integration of the administrative and general functions that support the separate water and wastewater operations of CII and Southwest has only begun since that date and continues to progress.

The NWG Merger is expected to produce financial benefits associated with increased scale. The Merger Parties anticipate that the integration of the administrative and general functions that support the operations of former CII's operating subsidiaries with the administrative and general functions of Southwest will take several years. The Merger Parties have taken and will continue to take a deliberate approach to planning for integration and then executing on integration plans to mitigate potential risks to customers. To this end, the Merger Parties have established an Integration Management Office to supervise the projects necessary to ensure continuity of service upon closing and integrate operations following closing of the NWG Merger.

**Q. WHAT INTEGRATION ACTIVITIES HAVE BEEN COMPLETED AS OF THE END OF THE TEST YEAR?**

A. While numerous qualitative integration efforts have occurred, such as sharing of best practices, increased flexibility in allocation of resources, especially during emergency events, and broadening use of software applications and products to the larger organization, the Company

153 notes the following integration efforts have occurred since the NWG Merger closing, as of the  
154 end of the Test Year:

- 155 - Consolidation of the Executive Leadership Teams;
- 156 - Consolidation of the Boards of Directors;
- 157 - Consolidation of External Auditors;
- 158 - Elimination of Certain Redundant Positions;
- 159 - Vancouver Office Lease Assignment;
- 160 - Consolidation of Bill and Letter Printing;
- 161 - Consolidation of Insurance Policies and Broker Services; and
- 162 - Consolidation of Employee Benefits Programs.

## 163 **VI. PRO FORMA CORPORATE SUPPORT SERVICES**

164 **Q. HOW HAS THE COMPANY THUS FAR IMPLEMENTED ITS NEW CAM WITH**  
165 **REGARD TO CORPORATE SUPPORT SERVICES COSTS?**

166 A As described above, as the process to analyze, determine, and implement the appropriate CAM  
167 for NWG necessarily occurred in the time after the NWG Merger closed, the new CAM was  
168 finalized in late 2024. Because the new methodology is effective back to the date of the NWG  
169 Merger closing, the processes and accounting systems to support the new CAM were not in  
170 place at the effective date of the CAM and are under ongoing development, in part due to the  
171 continued existence of separate accounting systems for the former CII and Southwest entities.  
172 NWG's accounting staff has, therefore, adjusted its and its subsidiaries' books to reflect the  
173 new methodology through periodic reconciling entries for activity since April 1, 2024.

174 **Q. DOES THE COMPANY BELIEVE ITS TEST YEAR ACTIVITY FOR THE 12-**  
175 **MONTHS ENDED DECEMBER 31, 2024, IS REPRESENTATIVE OF ONGOING**  
176 **CORPORATE SUPPORT SERVICE COSTS?**

177 A. No, for a few reasons. Due to the ongoing transition in administrative processes, as well as  
178 significant other integration activity after closing the NWG Merger, the booked activity in the  
179 Test Year is not reflective of expected costs going forward. Also, as noted above, the NWG  
180 accounting team has reviewed the relevant activity and recorded periodic reconciling entries  
181 to the books, while intervening periods reflect accruals for the eventually reconciled actual  
182 activity.

183 The Company has, therefore, utilized its forecasted allocation of corporate support service  
184 costs for 2025 as the basis of its *pro forma* expense in this proceeding. This calculation reflects  
185 the currently applicable allocation factors and cost levels experienced.

186 **Q. PLEASE SUMMARIZE THE RESULTS OF THE ABOVE PROCESS TO**  
187 **DETERMINE *PRO FORMA* CORPORATE SUPPORT SERVICE COSTS.**

188 A. The Company has calculated the *pro forma* corporate support service expenses as \$2,879,950.  
189 Please see Confidential Workpaper J for the results of the calculation and Exhibit AD01,  
190 Schedule B for its incorporation into the proposed revenue requirement.

191 **Q. ARE THE FINANCIAL IMPACTS OF THE INTEGRATION ACTIVITIES**  
192 **DESCRIBED ABOVE IN YOUR TESTIMONY REFLECTED IN THE *PRO FORMA***  
193 **PROPOSED CORPORATE SUPPORT SERVICES EXPENSES?**

194 A. Yes. Since all of the above-listed integration activities that have financial impacts occurred by  
195 the end of 2024, their effects are reflected in the 2025 expense level utilized for the *pro forma*  
196 expense calculation.

Utilities, Inc. of Louisiana  
Direct Testimony of Mr. Steven M. Lubertozi  
LPSC Docket No. \_\_\_\_\_

197 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

198 A. Yes, at this time. I reserve the right to supplement or amend my testimony as may be needed.

**AFFIDAVIT OF WITNESS**

STATE OF Nevada

COUNTY OF Clark

I, Steven Lubertozi, being duly sworn, depose that  
the Pre-filed Direct Testimony attached hereto in the matter identified therein,  
on behalf of Utilities, Inc. of Louisiana,  
is true and correct to the best of my knowledge, information and belief.

**UTILITIES, INC. OF LOUISIANA**

*Steven M Lubertozi*

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**Mr. Steven Lubertozi**

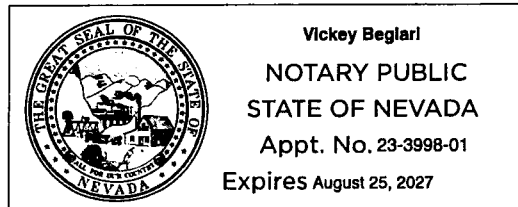
Subscribed and sworn before me this 7<sup>th</sup> day of August, 2025.

*Vickey Beglari*

\_\_\_\_\_  
Notary Public

Print Notary Name: Vickey Beglari

Notary No. 23-3998-01



Notarized remotely using audio-video communication technology via Proof.

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**CONFIDENTIAL**

**EXHIBIT SML-1**

**and WORKPAPER J**

**Attached to Lubertoizzi**

**Direct Testimony**

**(Rule 12.1 Confidential Versions  
Removed from Public Versions)**