

August 1, 2023

**VIA ELECTRONIC FILING**

Ms. A. Shonta Dunston, Chief Clerk  
North Carolina Utilities Commission  
4325 Mail Service Center  
Raleigh, North Carolina 27699-4325

Re: *Joint Settlement and Stipulation Agreement by Carolina Water Service, Inc. of North Carolina, along with Corix Infrastructure (UC) Inc. and SW Merger Acquisition Corp. Docket No. W-354, Sub 412*

Dear Ms. Dunston:

Enclosed for filing in the above-referenced docket, on behalf of Carolina Water Service, Inc. of North Carolina, along with Corix Infrastructure (US) Inc. and SW Merger Acquisition (the "Companies"), is a fully executed copy of the *Joint Settlement and Stipulation Agreement*. This document that was filed with the North Carolina Utilities Commission on July 31, 2023, inadvertently left out the electronic signature of Christopher J. Ayers, Executive Director - Public Staff. No other changes have been made to this document.

Please feel free to contact me with any questions. Thank you for your assistance in this matter.

Sincerely,

/s/ Mary Lynne Grigg

MLG/tll

Cc: Parties of Record

**STATE OF NORTH CAROLINA  
UTILITIES COMMISSION  
RALEIGH**

DOCKET NO. W-354, SUB 412

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by Carolina Water Service,	)	
Inc. of North Carolina, along with Corix	)	JOINT SETTLEMENT
Infrastructure (US) Inc. and SW Merger	)	AGREEMENT AND
Acquisition Corp., for Approval of a	)	STIPULATION
Business Combination Transaction Under	)	
N.C. Gen. Stat. § 62-111	)	

Carolina Water Service, Inc. of North Carolina (“CWSNC”), along with Corix Infrastructure (US) Inc. (“Corix US”) and SW Merger Acquisition Corp. (“SWMAC”, collectively, “Joint Applicants”), through counsel, and the Public Staff – North Carolina Utilities Commission (“Public Staff”), through its Executive Director, Christopher J. Ayers (collectively, the “Stipulating Parties”), pursuant to N.C. Gen. Stat. § 62-111 and Commission Rule R1-5, respectfully submit the following Joint Settlement Agreement and Stipulation (“Stipulation”) for consideration by the Commission in this proceeding. The Stipulating Parties hereby stipulate and agree as follows with regard to settling all of the issues in Docket No. W-354, Sub 412:

**I. BACKGROUND**

A. On November 23, 2022, the Joint Applicants filed the Joint Application for approval of a business combination transaction whereby the water and wastewater businesses of Corix US and SWMAC will be combined (the “Proposed Transaction”), including testimony by the following witnesses:

- 1) Donald H. Denton, President of CWSNC;
  - 2) Ellen Lapson, CFA, founder and principal of Lapson Advisory;
  - 3) Dante M. DeStefano, Director of Regulatory Affairs for Corix Infrastructure Inc. (“CII”), the parent of Corix US; and
  - 4) Brian D. Bahr, Director of Rates and Regulatory Affairs for SouthWest Water Company (“SouthWest”), a subsidiary of SWMAC.
- B. On December 13, 2022, the Joint Applicants filed a confidential copy of the Transaction Agreement.
- C. On April 12, 2023, the Public Staff filed a Proposed Scheduling Order.
- D. On April 25, 2023, the Commission issued an Order Scheduling Hearings, Establishing Discovery Guidelines, and Requiring Customer Notice.
- E. On May 1, 2023, the Commission issued an Order Providing Corrected Notice to Customers.
- F. On May 17, 2023, the Joint Applicants filed a Certificate of Service of Customer Notice.
- G. Subsequent to the filing of the Joint Application in this docket, the Public Staff engaged in substantial discovery of the Joint Applicants regarding the matters addressed by the Joint Application and their testimony.
- H. On June 30, 2023, the Public Staff filed Direct Testimony of the following witnesses:

- 1) Lynn Feasel, Financial Manager, Accounting Division of the Public Staff;
  - 2) June Chui, Public Utilities Regulatory Analyst, Accounting Division of the Public Staff;
  - 3) Lindsay Q. Darden, Public Utilities Engineer, Water, Sewer, and Telephone Division of the Public Staff; and
  - 4) John R. Hinton, Director of the Economic Research Division of the Public Staff.
- I. On July 24, 2023, the Joint Applicants filed Rebuttal Testimony of the following witnesses:
- 1) Donald H. Denton;
  - 2) Dante M. DeStefano;
  - 3) Brian D. Bahr; and
  - 4) Ellen Lapson.
- J. A public hearing was held in this matter remotely via WebEx on July 20, 2023.
- K. Following completion of the Public Staff's investigation of the Joint Application and accompanying documents, review of the Joint Applicants' responses to the Public Staff's Data Requests, and after the Public Staff filed its Direct Testimony and the Joint Applicants filed their Rebuttal Testimony, the Stipulating Parties met and participated in virtual meetings and conference calls to discuss possible settlement.

- L. After settlement negotiations, in which some concessions from their respective litigation positions were made by all Stipulating Parties, the Stipulating Parties were ultimately able to arrive at a joint settlement proposal resolving all of the issues in dispute, the terms of which are reflected in the following sections of this Stipulation and Appendix A attached hereto. The Stipulating Parties agree and stipulate as follows:

## **II. APPROVAL OF THE PROPOSED TRANSACTION WITH REGULATORY CONDITIONS**

The Stipulating Parties agree that the Commission should authorize the Joint Applicants to consummate the Proposed Transaction, subject to the Regulatory Conditions on attached Appendix A. The Stipulating Parties agree that with the attached Regulatory Conditions, the Proposed Transaction is justified by the public convenience and necessity.

## **III. AGREEMENT TO SUPPORT SETTLEMENT; NON-WAIVER**

A. The Stipulating Parties will act in good faith to support the reasonableness of this Stipulation in any hearing before the Commission and any proposed order or brief in this docket. The Stipulating Parties further agree that this Stipulation is in the public interest, in part because it reflects a give-and-take settlement of contested issues.

B. The provisions of this Stipulation do not necessarily reflect any position asserted by any of the Stipulating Parties but reflect instead the

compromise and settlement between the Stipulating Parties as to all of the issues covered hereby. No Stipulating Party waives any right to assert any position in any future proceeding or docket before this or any other Commission and in any court except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation. This Stipulation shall not be cited as precedent by any of the Stipulating Parties regarding any issue in any other proceeding or docket before this Commission or in any court.

C. This Stipulation is a product of negotiation between the Stipulating Parties, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

## **V. INTRODUCTION OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION**

A. The prefiled testimony and exhibits of the Stipulating Parties may be received in evidence without objection, and each Party waives all right to cross-examine any witness with respect to such prefiled testimony and exhibits, If, however, questions are asked by any Commissioner, then any Stipulating Party may respond to such questions by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits.

B. The Stipulating Parties agree that the Joint Application and the testimony and exhibits of the Stipulating Parties will provide sufficient support for

the Commission's approval of the Proposed Transaction pursuant to N.C. Gen. Stat. § 62-111 and the agreed-upon Regulatory Conditions contained in Appendix A to this Stipulation.

#### **VIII. STIPULATION BINDING ONLY IF ACCEPTED IN ITS ENTIRETY**

This Stipulation is the product of negotiation and compromise of a complex set of issues, and no portion of this Stipulation is or will be binding on any of the Stipulating Parties unless the entire Settlement Agreement and Stipulation is accepted by the Commission. If the Commission rejects any part of this Stipulation or approves this Stipulation subject to any change or condition, or if the Commission's approval of this Stipulation is rejected or conditioned by a reviewing court, the Stipulating Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Stipulating Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Stipulating Party withdraws from the Stipulation, each Stipulating Party retains the right to seek additional procedures before the Commission, including cross-examination of witnesses, with respect to issues addressed by the Stipulation and shall not be bound or prejudiced by the terms and conditions of the Stipulation.

**IX. COUNTERPARTS**

This Stipulation may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to this the 31st day of July, 2023.

**Electronically Submitted**

**Carolina Water Service, Inc. of North Carolina**

**Corix Infrastructure (US) Inc.**

**By: /s/ Jo Anne Sanford**  
Sanford Law Office, PLLC

**SW Merger Acquisition Corp.**

**By: /s/ Mary Lynne Grigg**  
McGuire Woods LLP

**Public Staff – North Carolina Utilities Commission**

**By: /s/ Christopher J. Ayers**  
Executive Director, Public Staff



## Appendix A

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These Regulatory Conditions set forth commitments made by Corix Infrastructure (US) Inc. (“Corix US”), Intermediate Newco,<sup>1</sup> and Carolina Water Service, Inc. of North Carolina (“CWSNC” and, together with Corix US and Intermediate Newco, the “Regulatory Condition Parties”), as a precondition of approval of the application by CWSNC, Corix US, and SW Merger Acquisition Corp. pursuant to N.C. Gen. Stat. § 62-111(a) for authority to engage in their proposed business combination transaction (“Proposed Transaction” or “Merger”). These Regulatory Conditions, which become effective only upon the closing of the Proposed Transaction, shall be interpreted in a manner that ensures CWSNC’s customers (a) are protected from any known adverse effects from the Proposed Transaction, (b) are protected as much as possible from potential costs and risks resulting from the Proposed Transaction, and (c) receive sufficient known and expected benefits to offset any potential costs and risks resulting from the Proposed Transaction.

British Columbia Investment Management Corporation (“BCI”), Corix Infrastructure Inc. (“CII”) and any affiliate of CII that, collectively with CII, owns 50% of Corix US upon the closing of the Proposed Transaction, Bazos CIV, L.P. (“Bazos”), IIF Subway Investment LP (“IIF Subway”), and SWMAC Holdco,<sup>2</sup> as well as any additional or successor entities with control over Corix US, Intermediate Newco or CWSNC (collectively, the “Parent Entities”) hereby acknowledge and consent to these Regulatory Conditions agreed and entered into by the Regulatory Condition Parties. The Parent Entities further commit not to cause the Regulatory Conditions Parties to violate such Regulatory Conditions and not to prevent the Regulatory Condition Parties from taking commercially reasonable actions to comply with the Regulatory Conditions, for so long as such Regulatory Conditions remain in effect and applicable to the Regulatory Condition Parties. This consent and acknowledgement of the Parent Entities does not constitute a general consent to an expansion of, and shall not be interpreted to expand, the North Carolina Utilities Commission’s jurisdiction over the Parent Entities beyond that, if any, established by Chapter 62 of the North Carolina General Statutes.

For purposes of these Regulatory Conditions, the North Carolina Utilities Commission is referred to as “the Commission,” and the Public Staff – North Carolina Utilities Commission is referred to as “the Public Staff.” “Affiliate” shall mean Corix US and any business entity of which ten percent (10%) or more of the voting securities or interests are owned, directly or indirectly, by Corix US, including but not limited to CWSNC and Intermediate Newco.

The “Transaction Agreement” means the Transaction Agreement dated as of August 26, 2022, among Corix Infrastructure Inc., Corix Infrastructure (US) Inc., IIF Subway Investment LP, SW Merger Acquisition Corp. and SouthWest Water Company.

1. **Merger-related Expenses and Capital Costs.** Any expenses or capital costs associated with the Merger will be excluded from the revenue requirement of CWSNC for Commission financial reporting and ratemaking purposes. Merger expenses and capital costs include, but are not limited to, the costs of securing formal written evaluations of the transaction; the costs of structuring the transaction and obtaining tax advice on the structure of the transaction; the costs of negotiating, preparing, and reviewing the Transaction Agreement; the costs of retained consultants and advisors to evaluate the transaction and perform due diligence; legal and other fees of completing pre-closing restructuring; legal and other fees to close the

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<sup>1</sup> Intermediate Newco is an entity that has not yet been formed but will be formed prior to the closing of the Proposed Transaction. As the Commission’s approval of the Proposed Transaction will be conditioned on the Regulatory Conditions, the Regulatory Conditions will apply to Intermediate Newco only upon the closing of the Proposed Transaction.

<sup>2</sup> SWMAC Holdco is an entity that has not been formed but will be formed prior to the closing of the Proposed Transaction. The provisions of the Regulatory Conditions that apply to the Parent Entities shall apply to SWMAC Holdco upon closing the Proposed Transaction.

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Proposed Transaction; financial advisor fees; the costs of securing regulatory approvals; change-in-control payments made to terminated executives, merger-related bonuses, incentive payments, retention payments, and severance payments; and regulatory process costs. Any premium paid related to the Merger will not be “pushed down” to CWSNC and will not be recovered from CWSNC’s ratepayers. The Merger should not result in any writeups, write-offs, or restatements of financial results on CWSNC’s books and records. However, if any such writeups, write-offs, or restatements of financial results do occur, and are required to be recorded on CWSNC’s books and records pursuant to GAAP, then any such writeups, write-offs, or restatements on CWSNC’s books and records will be excluded for ratemaking purposes. CWSNC will file a summary report of its final accounting for Merger-related expenses and capital costs within 150 days after the close of the Merger, and supplemental reports within 90 days after each quarter until such expenses and capital costs cease to be incurred.

2. **Costs to Achieve Merger Savings.** Beginning with the first quarter after the closing of the Proposed Transaction, CWSNC shall track, quantify, and report on a quarterly basis in conjunction with its Quarterly Earnings Reports,<sup>3</sup> beginning with the first quarter after the closing of the proposed transaction, the North Carolina portion of actual costs to achieve Merger savings and Merger benefits (both quantitative and qualitative). Additionally, CWSNC will include the information in any future base rate case in which such tracked benefits accrue in the test/rate years applicable to the particular rate filing(s).
3. **Non-Consummation of Merger.** If the Proposed Transaction is not consummated, neither the cost, nor the receipt, of any termination payment or monetary damages shall be allocated to CWSNC or included in regulated expenses of CWSNC for Commission financial reporting and ratemaking purposes. CWSNC’s customers shall not otherwise bear any direct expenses or costs associated with a failed Proposed Transaction.
4. **Inclusion of Cost Savings in Future Rate Proceedings.** Notwithstanding the provisions of Regulatory Condition 1, for purposes of future general rate case proceedings of CWSNC, CWSNC may seek to recover costs to achieve Merger savings to the extent there are Merger savings or cost savings resulting from the Merger. CWSNC and the Public Staff shall not be limited to or constrained by the provisions of these Regulatory Conditions in asserting or sustaining arguments regarding the proper treatment of costs incurred to achieve those savings in setting just and reasonable rates for CWSNC.
5. **Hold Harmless Commitment.** The Proposed Transaction shall be effectuated in a manner designed to prevent harm to CWSNC’s ratepayers, although it is recognized that matters not currently foreseeable could possibly have the potential to negatively impact CWSNC ratepayers in the future. Notwithstanding this, the Regulatory Condition Parties (as well as any successor entities exercising control over CWSNC) shall take commercially reasonable actions to hold CWSNC’s customers harmless from the effects of the Proposed Transaction.<sup>4</sup>

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<sup>3</sup> Quarterly Earnings reports are filed with the Commission in accordance with Commission Rules R1-17A(j)(1), R7-39, and R10-26.

<sup>4</sup> CWSNC, Intermediate Newco and Corix US reserve the right to dispute future assertions by the Public Staff that any particular future action or event may cause or represent harm to CWSNC’s

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6. **Distributions.** Absent Commission approval, dividends from CWSNC will be no more than 100 percent of net income. This Regulatory Condition shall continue for the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or Water and Sewer Investment Plan ("WSIP") that occurs at least five years after the closing of the Proposed Transaction. The Commission retains the right to impose future limitations on distributions of CWSNC if the public interest requires, as provided pursuant to applicable law and prior Commission orders.
7. **Protection Against Decreased Creditworthiness.**
  - A. Intermediate Newco shall be established with a target investment grade capital structure profile and operated in a way that is consistent with maintaining an investment grade profile. Within 18 months after the Proposed Transaction closes, Intermediate Newco shall, on an annual basis, retain a third-party consultant to prepare a report assessing whether Intermediate Newco has maintained an investment grade profile and shall provide the confidential report to the Public Staff within 30 days after the report is completed. For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, Intermediate Newco shall, on an annual basis, retain a third-party consultant to update such report and provide the confidential updated report to the Public Staff within 30 days after the report is completed. In assessing whether it has maintained an investment grade profile, consideration shall be given, in part, to the financial benchmarks published in S&P Global Rating Criteria,<sup>5</sup> and the financial ratios noted in the testimony of witness Lapson.<sup>6</sup> If Intermediate Newco obtains a credit rating from a nationally recognized credit rating agency, this condition shall terminate.
  - B. Within 6 months after the Proposed Transaction closes, representatives of Intermediate Newco, including Intermediate Newco's CFO, shall meet with the Public Staff to discuss Intermediate Newco's approach to financing utility operations.
  - C. Within 18 months after the Proposed Transaction closes, Intermediate Newco shall cause Corix Regulated (US) Inc. ("CRU US") to retain a third-party consultant to prepare a report assessing whether CRU US's capital structure is consistent with an investment grade profile and shall provide the confidential report to the Public Staff within 30 days after the report is completed. For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, Intermediate Newco shall, on an annual basis, retain a third-party consultant to update such report and provide the confidential updated report to the Public Staff within 30 days after the report is completed. In assessing whether it has maintained an investment grade profile, consideration shall be given, in part, to the financial benchmarks

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customers was attributed to the Proposed Transaction for which relief could be granted under this Condition.

<sup>5</sup> S&P Global Ratings, "Criteria | Corporates | General: Corporate Methodology", Nov 19, 2013, republished on December 15, 2021, as amended or republished.

<sup>6</sup> Testimony of Ms. Ellen Lapson, Docket No. W-354, Sub 412, dated November 23, 2022, page 11.

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- published in S&P Global Rating Criteria,<sup>7</sup> and the financial ratios noted in the testimony of witness Lapson.<sup>8</sup> If CRU US obtains a credit rating from a nationally recognized credit rating agency, this condition shall terminate.
- D. Within 36 months after the Proposed Transaction closes, Intermediate Newco shall cause CRU US to evaluate the costs and benefits of accessing debt capital through publicly traded debt instruments instead of private placements.
- E. CWSNC will continue to identify and evaluate opportunities to apply for SRF funds when possible and where feasible.
- F. Notwithstanding any time limitation or anything that may appear to the contrary, nothing herein shall be deemed to remove or impair the Public Staff's ability to argue in any subsequent matters that the Merger negatively and inappropriately impacted CWSNC's cost rate of debt or limit the Public Staff's ability to seek to adjust the cost rate of debt.
8. **Notice of Certain Investments**. For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, Corix US and Intermediate Newco shall cause CWSNC to file annually by April 30 with the Commission and serve upon the Public Staff a list of all legal entities directly or indirectly controlled by Corix US; such list shall identify any entity or asset acquisitions representing ten percent (10%) or more of Intermediate Newco's book capitalization.
9. **Notice of Certain Intermediate Newco Investments**. For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, Intermediate Newco shall cause CWSNC to file a notice with the Commission within ten (10) business days after Intermediate Newco makes any application to any state utility regulatory commission to acquire a controlling interest in a public utility.
10. **Notice by CWSNC of Default or Bankruptcy of an Affiliate**. If Corix US, Intermediate Newco or an Affiliate of CWSNC experiences a default on an obligation that is material to Corix US or Intermediate Newco or files for bankruptcy, and such bankruptcy is material to Corix US, Intermediate Newco or CWSNC, CWSNC shall notify the Commission of the event as soon as possible but not later than ten days after such event.
11. **Common Equity Capital**. Until the final order is issued in CWSNC's next general rate case, CWSNC will maintain common equity capital at levels equal to or greater than 45% of total adjusted capital (including common equity, long-term debt, long-term capital leases, and current maturities of long-term debt). No equity distributions, whether by dividend or other form, will be allowed that would result in equity capital falling below this minimum level during the specified period, without prior approval of the Commission. Notwithstanding the foregoing, CWSNC shall maintain the right to petition the Commission for an exception to this Regulatory Condition.
12. **Post-Closing Financial Information**. CWSNC will provide to Public Staff a confidential copy of pre- and post-Proposed Transaction preliminary unaudited closing balance sheets and the proposed closing journal entries,

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<sup>7</sup> S&P Global Ratings, "Criteria | Corporates | General: Corporate Methodology", Nov 19, 2013, republished on December 15, 2021, as amended or republished.

<sup>8</sup> Testimony of Ms. Ellen Lapson, Docket No. W-354, Sub 412, dated November 23, 2022, page 11.

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including relevant descriptions and disclosures for the transactions recorded, for Intermediate Newco, Corix Regulated Utilities (US) Inc., SouthWest Water Company, and itself, by the end of the second full quarter following the close of the Merger, and final, audited closing balance sheets and closing journal entries, including relevant descriptions and disclosures for the transactions recorded for Intermediate Newco, Corix Regulated Utilities (US) Inc., SouthWest Water Company, and itself as soon as practicable but not later than 30 days after the completion of the first year's audit after the closing of the Proposed Transaction, if such companies have audited financial statements.

13. **Meetings with Public Staff.** CWSNC and key leadership from Intermediate Newco shall meet annually with the Public Staff to discuss CWSNC's financial condition and results, service quality initiatives and results, customer service changes, and potential new tariffs.
14. **Access to Books and Records.** In accordance with and to the extent provided by North Carolina law, the Commission and the Public Staff shall continue to have access to the books and records of CWSNC and its Affiliates.
15. **Changes to Boards of Directors.** For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, CWSNC shall notify the Commission within ten days of any changes to the membership of the Board of Directors of Corix US, Intermediate Newco, or CWSNC.
16. **Notice to Public Staff Regarding Proposed Structural and Organizational Changes.** CWSNC shall promptly inform the Public Staff of any change in CWSNC's corporate structure or the corporate structure of any of its Affiliates. Upon request, the Regulatory Conditions Parties shall meet and consult with, and provide requested relevant data to, the Public Staff (a) regarding plans for material changes in CWSNC's or any of its Affiliates' corporate structure, (b) the expected or potential impact of such changes on CWSNC's rates, operations and service, and (c) plans to mitigate the adverse impacts, if any, such changes might have on CWSNC's customers.
17. **Mergers and Acquisitions.** CWSNC shall file an application for approval pursuant to N.C.G.S. § 62-111(a) at least 180 days before the proposed closing date for such merger or other business combination, except for good cause shown.
18. **Financial Statements.** For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, CWSNC will provide to Public Staff, within 30 days of their completion, a confidential copy of audited financial statements of Corix Regulated Utilities (US) Inc. and Intermediate Newco, if such companies have audited financial statements.
19. **Obligations with Affiliates.** CWSNC will not make a loan to any Affiliate, issue a guarantee for an obligation of any Affiliate, or otherwise assume any obligation of any Affiliate without prior Commission approval.

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20. **Capital Budgets.** CWSNC shall maintain a level of capital and operational support in North Carolina necessary to provide safe, efficient, and reliable service at reasonable rates For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, CWSNC shall provide to the Public Staff, on a confidential basis and for informational purposes, its Board-approved capital budget for new, expanded, or upgraded water and sewer facilities in North Carolina by April 30 of every year.
21. **Regulatory Reporting Requirements.** CWSNC will remain a public utility subject to regulation by the Commission pursuant to the North Carolina Public Utilities Act and the Commission's regulations. CWSNC shall comply with all regulatory reporting requirements.
22. **Regulatory and Operational Staffing.** CWSNC will use prudent business practices to maintain sufficient, adequately trained personnel to ensure that regulatory requirements are complied with in a timely and accurate manner. For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, CWSNC shall notify the Public Staff when there is any change to the Director of Operations or Director of Regulatory Affairs or equivalent roles. Each year by April 30, for the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, CWSNC shall provide the Public Staff with an updated directory of personnel, including titles, phone numbers, and e-mail addresses.
23. **Customer Surveys.** CWSNC shall informally survey its customers regarding their satisfaction with CWSNC's public utility service. CWSNC will use prudent business practices to incorporate this information, if necessary, into its processes, programs, and services.
24. **Overall Service Quality.** CWSNC shall continue its commitment to provide safe, reliable, and affordable water and sewer service and effective customer service support.
25. **Cost Allocation Manual.** CWSNC shall keep on file with the Commission a cost allocation manual ("CAM") with respect to goods or services provided between and among CWSNC and its Affiliates. Any change to the CAM's cost allocation methodology or introduction of a new cost allocation methodology shall not become effective until 10 days after CWSNC has filed such changes with the Commission. The CAM shall be updated annually, and the revised CAM shall be filed with the Commission no later than April 30 of the year that the CAM is to be in effect. The CAM shall also be updated, if necessary, whenever the structure of Intermediate Newco or companies below Intermediate Newco changes. Should the CAM be updated more frequently than annually, CWSNC will file the revised version with the Commission within 30 days. The CAM shall include a list of all goods and services that CWSNC provides to an Affiliate or is provided by an Affiliate to CWSNC on a frequent or continuing basis.
26. **Charges for and Allocations of the Costs of Affiliate Transactions.** Affiliate transactions will be directly charged where practicable. The CAM shall encompass transactions, allocations, and the bases for the allocations occurring (a) at the Corix US level and below and (b) with any Affiliate with which CWSNC has a frequent or continuing cost allocation or transaction

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relationship, either directly or indirectly, including any and all service companies.

27. **Transfer Pricing Between Affiliates.**

- A. For untariffed goods and services provided by CWSNC to a non-utility Affiliate, the transfer price paid to CWSNC shall be set at the higher of market value or CWSNC's cost.
- B. For untariffed goods and services provided to CWSNC by a non-utility Affiliate, the transfer price charged by a non-utility Affiliate to CWSNC shall be set at the lower of market value or the non-utility Affiliate's cost.
- C. Services provided by CWSNC to utility Affiliates or by utility Affiliates to CWSNC shall be transferred at the supplier's cost, unless otherwise directed by order of the Commission.
- D. Services or functions provided by a service company to CWSNC shall be provided at cost, except that CWSNC shall not pay (whether directly or through allocation) any amount for a service or function that exceeds the fair market value of that service or function.

28. **Transfer of Services, Functions, Departments, or Assets.** CWSNC shall file notice with the Commission at least 30 days prior to the transfer of any services, functions, departments, or assets from CWSNC to a service company or another Affiliate, or any subsequent transfer of any services, functions, departments, or assets from CWSNC to a service company or another Affiliate that would have a material effect on CWSNC's customers.

29. **Affiliate Agreements.** CWSNC shall file pursuant to N.C.G.S. § 62-153 agreements for the provision and receipt of goods or services between and among CWSNC and its Affiliates. All such agreements that involve payment of fees or other compensation by CWSNC shall require acceptance and authorization by the Commission and shall be subject to any other Commission action required or authorized by North Carolina law and the Rules and orders of the Commission. Prior to making any non-substantive changes to existing agreements, CWSNC shall file such changes with the Commission.

30. **Affiliate Transaction Report.** CWSNC shall file an annual report of affiliated transactions with the Commission in a format prescribed by the Commission. The first such report on affiliated transactions shall be filed on April 30, 2025, for activity through December 31, 2024, and annually thereafter on April 30 for the activity from January 1 through December 31 of the preceding year.

31. **Service Area Reporting.** CWSNC shall file an annual report on April 30 of each year detailing the Company's North Carolina service areas with the associated Commission docket numbers for which a certificate of public convenience and necessity area was granted, or a contiguous extension was recognized.

32. **Geographic Information Systems (GIS) Mapping.** Upon request, CWSNC shall provide the Public Staff and the Commission a confidential downloaded version of CWSNC's GIS map of specifically requested North Carolina service areas. CWSNC will provide Public Staff a direct staff contact as a resource for service area related inquires and mapping functions. CWSNC will collaborate with the Public Staff to develop a process of sharing GIS data.

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33. **Emergency Operator System**. CWSNC shall continue to serve as emergency operator of the following systems: Harrco Utility Corporation (Docket No. W-796, Sub 12); Cross-State Development Company (Docket No. W-408, Sub 9); Outer Banks/Kinnakeet Associates, LLC (Docket Nos. W-1125, Subs 9 and 10); and Mountain Air Utilities Corporation (Docket No. W-1148, Sub 20). This Regulatory Condition shall remain in effect for the lesser of three years after the consummation of the Proposed Transaction or until CWSNC is relieved of its requirement by future Commission order. This condition is not intended to, and does not, modify any of the provisions in the respective Emergency Operator orders issued by the Commission, specifically including the Company's right to petition the Commission at any time to be discharged as the emergency operator, and the Commission's obligation to approve same.
34. **Customer Assistance Program (CAP)**. CWSNC, at its own cost, shall develop a low-income customer assistance program ("CAP") and file it in a separate docket within one year of consummation of the Proposed Transaction. CWSNC shall work with the Public Staff to develop a CAP proposal filing that shall include, but not be limited to, the following information: (1) customer eligibility criteria; (2) number of customers in need; (3) number of customers the program can assist based on funding; (4) summary of similar programs used by CWSNC and its regulated affiliate(s); and (5) description of how the program will be administered. The costs associated with the development and funding of the CAP shall not be included for recovery by CWSNC in any future general rate case or rider proceeding. Additionally, if the CAP is approved by the Commission, determination of the appropriateness of cost recovery for ongoing costs associated with the CAP shall be determined by the Commission in a CWSNC general rate case, and nothing in this condition shall hinder either CWSNC or the Public Staff from making any arguments regarding the appropriateness of inclusion or disallowance of the costs for recovery.
35. **Leadership Retention**. For the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, CWSNC, acting in good faith, shall, when possible, notify the Commission before, and in no event more than 10 days after, a change to any officer of CWSNC, Intermediate Newco, or Corix US occurs.
36. **Operator Development and Retention**. CWSNC shall report annually on April 30, for the period beginning upon the closing of the Proposed Transaction through the filing of the next general rate case or WSIP that occurs at least five years after the closing of the Proposed Transaction, on efforts to develop and retain qualified operators.



**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Joint Settlement Agreement and Stipulation* as filed in Docket No. W-354, Sub 412, was served via electronic delivery or mailed, first-class, postage prepaid, upon all parties of record.

This, the 1st day of August, 2023.

/s/Mary Lynne Grigg

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