Liberty Utilities (New York Water) Corp.

Evaluation of Necessity of Services and Reasonableness of Charges from Affiliate Companies During 2022

May 2023

Baryenbruch & Company, LLC

Liberty Utilities (New York Water) Corp.

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Purpose of This Evaluation

This study was undertaken to determine the necessity of services provided by affiliates to Liberty Utilities (New York Water) Corp. ("LUNYW") and the reasonableness of the associated charges for those services during 2022. In January 2022, the sale of the assets of New York American Water Company to Liberty Utilities Co.[1] ("Liberty Utilities") took place. Throughout 2022, American Water Works Corporation ("AWWC") continued to provide certain services under a Transition Service Agreement ("TSA"). Beginning in November 2022, these support services were substantially all assumed by LUNYW and its affiliate companies:

- Algonquin Power & Utilities Corporation ("APUC") – Canadian holding company that owns Liberty and provides executive management services to the enterprise.

- Liberty Utilities Service Corporation ("LUSC") and Liberty Utilities (Canada) Corporation ("LUCC") – LUSC and LUCC collectively provide A&G services to APUC business units, including regulated utilities owned by Liberty. These service company entities are maintained to meet regulatory requirements that require staff to be employees of legal entities of the countries of which they are residents. Services are delivered by a single executive leadership team and a unified service organization.

Baryenbruch & Company, LLC, determined the necessity of affiliate services and reasonableness of the associated charges by answering the following questions:

1. Are services that LUNYW receives from affiliates necessary for the delivery of water service to customers?

2. Are affiliates' charges to LUNYW for administrative and general ("A&G") services during 2022 in line with the level of charges to other utilities from their service company affiliates?

3. Are LUNYW's total expenses, both incurred directly and allocated to it by affiliates, in line with those of other water companies?

Evaluation Results

Based on the work described above, Baryenbruch & Company, LLC, reached the following conclusions regarding the necessity of affiliate services provided to LUNYW and the reasonableness of the associated charges during 2022:

Conclusions concerning question 1:

- Services provided by affiliates are comparable to those provided by other service companies of comparison group holding companies. Affiliates' services are necessary and would be required even if LUNYW were a stand-alone water utility.

- There is no redundancy or overlap in the services provided by affiliates to LUNYW based on an analysis of the responsibilities for a comprehensive set of water utility functions.

[1] Liberty Utilities Co. is the immediate parent company of Liberty Utilities (Eastern Water Holdings) Corp. which is the immediate parent company of LUNYW.

- The governance structure and processes applied to affiliates' charges directly contribute to ensuring that affiliates' services are necessary to LUNYW.

Conclusions concerning question 2:

- Affiliate A&G-related charges to LUNYW during 2022 are reasonable.
  - During 2022, LUNYW was charged $80 per customer for A&G services provided by affiliates. This is lower than the average of $136 per customer for comparison group service companies. In total, 17 of the 21 comparison group service companies had higher costs.

Conclusions concerning question 3:

- LUNYW's total customer accounts and A&G expenses per customer, which include those incurred directly by LUNYW and charges from affiliates, are below the average of the water company comparison group from New York and neighboring states. During 2022, LUNYW's customer accounts and A&G expenses per customer were $168 compared to the utility comparison group's average of $205. Ten of the comparison group's 16 water companies have a higher cost than LUNYW.

- LUNYW's total utility expenses per customer are below the average of the water company comparison group from New York and neighboring states. During 2022, LUNYW's total utility expenses per customer were $373 compared to the utility comparison group's average of $379. Fourteen of the comparison group's 21 water companies have a higher cost than LUNYW.

Based on these results, Baryenbruch & Company, LLC, concludes that the services provided by affiliates to LUNYW are necessary and the costs charged during 2022 are reasonable.

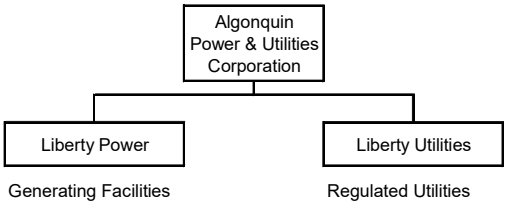
Overview of Liberty Utilities (New York Water) Corp.

LUNYW provides residential and non-residential water and wastewater services and public and private fire protection services primarily on Long Island and in certain upstate communities. It has approximately 127,000 customers. LUNYW's assets include iron removal treatment plants, ground water production facilities, 1,200 miles of water mains, 8,800 fire hydrants and 25 water storage tanks. LUNYW has approximately 130 utility-dedicated persons.

Liberty Utilities (Eastern Water Holdings) Corporation acquired New York American Water Company, Inc. ("NYAW") on January 1, 2022, when it became known as LUNYW. The New York State Public Service Commission ("NYPSC") approved the acquisition in Case 20-W-0102, in its *Order Adopting Terms of Joint Proposal, Approving Stock Purchase Agreement and Long-Term Indebtedness, With Additional Requirements* which was issued and effective on December 16, 2021 ("Acquisition Order").

Overview of APUC and Liberty Utilities

LUNYW is a wholly owned subsidiary of APUC, which is publicly traded on the New York and Toronto stock exchanges. APUC owns a widely diversified portfolio of independent power production facilities and regulated utilities consisting of water distribution, wastewater treatment, electric and gas distribution utilities. APUC's companies are organized into the following two business units.

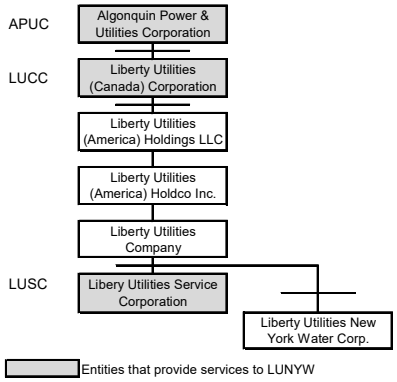


Source: Company information

Before the acquisition of LUNYW, Liberty Utilities owned approximately 30 regulated electric, natural gas, water and wastewater utilities serving approximately 1,200,000 residential, commercial, and industrial customers.

Services Provided by Affiliates

APUC legal entities that provide services to LUNYW are shaded below.



Source: Company information

Total staffing for the APUC enterprise in January 2023, was 3,165, as shown below.

Entity	Corporate Headquarters	Service Company Support		Business Operations	
		LABS (A)	BU Support	Reg. Utilities	Power
Algonquin Power & Utilities Corporation (APUC)	14				
Liberty Utilities (Canada) Corporation (LUCC)		358	37		
Liberty Utilities Service Corporation (LUSC)		154	65		
Liberty Utilities business unit				2,261	
Liberty Power business unit					276
Total	14	512	102	2,261	276
Provide services to LUNYW					

Note A: Liberty Algonquin Business Services (LABS)

APUC provides financing, financial control, legal, executive and strategic management and related services. LUCC and LUSC provide managerial, professional, and technical services. Services to affiliate operating utilities, like LUNYW, are provided at cost. LUCC and LUSC are not profit-making entities.

Liberty Algonquin Business Services ("LABS") is a business unit (not a legal entity) found organizationally within LUCC and LUSC, that serves both regulated and unregulated entities. The LABS business unit provides shared services throughout the organization. LABS employees and functions provided from Canada are employed within LUCC. LABS employees and functions located in the U.S. are typically employed within LUSC. LABS has a single management chain of command structure that delivers these services to LUNYW and other operating company affiliates.

The table below shows how the categories of affiliate costs are pooled and assigned to the regulated and unregulated businesses.

Affiliate		Cost Pools	Business Units: Liberty Utilities (Regulated)	Business Units: Liberty Power (Unregulated)
APUC		Indirect	X	X
LUCC	LABS	Direct - Regulated	X	
	LABS	Direct - Unregulated		X
	LABS	Indirect	X	X
	Non-LABS	Direct - Regulated	X	
	Non-LABS	Indirect	X	
LUSC	LABS	Direct - Regulated	X	
	LABS	Direct - Unregulated		X
	LABS	Indirect	X	
	Non-LABS	Direct - Regulated	X	
	Non-LABS	Direct - Unregulated		X
	Non-LABS	Indirect	X	

Source: Assessment of cost allocation manual, PwC (July 16, 2021)

Proceedings Before the NYPSC

During the NYPSC acquisition proceedings, Liberty made several commitments regarding transactions between LUNYW and affiliates. The following requirement, on page 39 of the Acquisition Order, prohibits recovery of transaction costs:

> *7. Transaction Costs With respect to the costs of the Transaction, the Joint Proposal provides that they will not be borne by ratepayers and that such costs will be tracked in separate designated accounts, with NY American Water filing a report to the Commission that includes journal entries recording Transaction costs in accordance with generally accepted accounting principles (GAAP).*

In the Acquisition Order, transaction costs were defined as: (1) consultant, investment banker, legal, and regulatory support fees (internal as well as external) associated with the Transaction; and (2) change in control payments, i.e., property transfer tax.

Transition Services Agreement

To ensure the continuity of corporate support services after the acquisition, a TSA was established among AWWC, Liberty Utilities (Eastern Water Holdings) Corporation and NYAW. The agreement is dated January 1, 2022, and runs through December 31, 2023. Services provided by AWWC to LUNYW under the TSA included the following:

- Hire-to-Retire – Maintain data for LUNYW's employees and contractors in AWWC systems and incorporate updates of the data and the labor costing information from Purchaser's HR systems.
- Meter-to-Cash – Provide customer care services, including billing, handling customer calls, collections and customer payment processing support.
- Operations – Provide work order management and engineering support for in-flight projects.
- Procure-to-Pay – Provide vendor and disbursement services, including purchasing card, invoice processing, and vendor support.
- Record-to-Report – Manage and execute agreed upon accounting and tax processes.
- Regulatory - Provide recorded financial and operating data required for certain regulatory filings.
- Technology – Manage applications, host environment, local technology, systems access and physical security.

During 2022 Liberty established the capability to provide these services through its service companies, LUSC and LUCC, and locally. The transition was completed in November 2022, when substantially all services previously provided by AWWC were discontinued.

During the historic test period, 2022, affiliates charged LUNYW approximately $22.2 million as shown in the table below:

Affiliate Entity	2022
Algonquin Power & Utilities Corporation	$ 1,774,775
Liberty Utilities (Canada) Corporation	
LABS Canada	$ 5,379,252
Regulated Services	$ 799,723
Liberty Utilities Service Corporation	
LABS US	$ 1,408,781
Transition Expenses (A)	$ 7,582,297
Regulated Services	$ 735,393
Eastern Division	$ 4,500,249
Total Affiliate Charges	$ 22,180,471

Note A: These are charges paid to American Water Works Corporation under the Transtion Services Agreement

Source: Company information

The necessity of the services provided by affiliates was evaluated in the following ways:

- Comparing the type of services provided by affiliates to those provided by other utility service companies to determine their similarity

- Comparing affiliates' services to LUNYW's own activities to ensure there are no instances of duplication or overlap.

- Evaluating governance structures and processes applied to affiliate services and charges to LUNYW to determine they receive appropriate scrutiny.

The reasonableness of affiliate charges is evaluated in the following ways:

- Determining if the 2022 affiliates' charges for A&G services provided to LUNYW are in line with services provided by other utility service companies. The comparison is accomplished by comparing 2022 affiliate A&G-related service charges to a comparison group of utility service companies. Comparison group data comes from the 2021 FERC Form 60, which is filed by utility service companies that are regulated by the FERC. Their A&G services are similar to those provided to LUNYW. The comparison metric is A&G-related charges per customer. Comparison group charges were escalated for 2022 inflation for purposes of comparison to LUNYW's charges.

- Determining if LUNYW's 2022 total A&G expenses per customer and total utility expenses per customer are in line with those of comparable water companies in New York and surrounding states. For LUNYW, these expenses include those incurred directly and those charged to it by affiliates. These measures provide a broader cost perspective for evaluating affiliate charges to LUNYW. Comparison group includes investor-owned water companies in New York and surrounding states. Data for these water companies was obtained from 2021 annual reports to state regulators. Comparison group expenses were escalated for 2022 inflation for purposes of comparison to LUNYW's expenses.

Services Provided by Affiliates

The table below identifies the type of services provided to LUNYW by the affiliates.

Service	Affiliates	
	APUC	LUCC/LUSC
Administrative & General Services		
Accounting & Finance		X
Audit	X	X
Compliance		X
Customer Care & Billing		X
Customer Communications		X
Director Fees & Insurance	X	
Environ., Health, Safety & Security		X
Escrow & transfer agent fees	X	
Executive & Strategic Management	X	X
Management		X
External Communications		X
Facilities & Build Rent		X
Financial Reporting, Planning & Adm		X
Human Resources		X
Information Technology		X
Investor Relations	X	
Legal	X	X
Licenses, Fees & Permits	X	
Other Adminstration costs	X	
Other Professional services	X	
Procurement		X
Regulatory & Government Relations		X
Risk Management		X
Taxes	X	
Training		X
Treasury		X
Operational Services		
Energy Procurement		X
Engineering, Dispatch & Control		X
Gas Control		X
GIS/Mapping		X
Operations		X
Outage Management		X
Technical Services		X
Utility Planning		X
Vegetation Management		X

Source: Company information

Consistency with Other Utility Service Companies

LUNYW's need for APUC services was first evaluated by determining if those services are typically provided by other utility service companies. This determination was made with the use of information from the FERC Form 60. Exhibit 1 (page 9) presents the results, which shows APUC's services are like those provided by the utility holding company comparison group's service companies.

No Redundancy

This study compared services provided by affiliates to LUNYW's own activities to identify any duplication or overlap. This was accomplished by determining if the services provided by affiliates would be required if LUNYW were a stand-alone water utility. The evaluation determined in detail what affiliates do for LUNYW. This is documented by the responsibility matrix shown in Exhibit 2 below. Exhibit 2 was prepared to show which entity—LUNYW, APUC or LUCC/LUSC—is responsible for each of the functions LUNYW requires to ultimately provide service to its customers. This matrix was reviewed to determine: (1) if there was redundancy or overlap in the services being provided by affiliates; and (2) if affiliates' services are typical of those needed by a stand-alone water utility.

Upon review of Exhibit 2, the following conclusions can be drawn:

- Services provided by affiliates are comparable to those provided by other service companies of comparison group holding companies. Affiliates' services are necessary and would be required even if LUNYW were a stand-alone utility.

- There is no redundancy or overlap in the services provided by the affiliates to LUNYW. For all the services listed in Exhibit 2, there was only one entity that was primarily responsible for the services provided by affiliates to LUNYW.

Liberty Utilities (New York Water) Corp.
Services Provided by Utility Service Company Comparison Group

Service Categories	Algonquin	AEPSC	AES	Alliant	Ameren	Avangrid	Black Hills	Dominion	Duke	Entergy	Eversource	Exelon	FirstEnergy	National Grid	NiSource	PPL	Southern Co	Unitil	WEC	Xcel
Executive/Management	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Utility System Operations																				
Generation		X	X	X			X		X	X	X	X		X		X	X			X
Transmission		X	X	X	X	X	X	X	X	X	X	X	X	X		X	X			X
Distribution		X	X	X			X	X	X	X	X	X	X	X	X	X	X	X	X	X
Customer Service	X	X	X	X			X	X	X	X	X	X	X	X	X	X		X	X	X
Corporate Strategy, Planning and Development	X	X		X	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	X	X	X	X		X	X
Corporate/External Affairs and Communications	X	X	X	X	X	X	X	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	X	X	X	X	X	X	X
Financial Services																				
Finance	X	X	X	X	X	X	X	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	X	X	X	X	X	X	X
Taxes	X	X	X	X	X	X	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			X	X		X	X
Corporate Risk Management	X	X	X	X		X	X	X	X		X		X	X	X	X		X		X
Audit Services	X	X	X	X	X	X	X	X	X		X		X	X	X	X			X	X
Rates and Regulatory Affairs	X	X	X	X		X	X	X	X	X		X	X	X	X	X		X	X	X
Information Technology	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Environment and Safety	X	X	X	X	X	X	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	X	X	X	X		X	X
Other (A)	X	X		X	X	X	X	X	X		X	X	X	X	X	X			X	X
Total Services	17	20	18	20	14	17	19	19	20	17	19	17	19	19	17	20	15	10	16	20

Note A: includes services such as transportation/fleet, aviation, real estate, facilities and rights of way.

Source: FERC Form 60 (2021); Baryenbruch & Company, LLC, analysis

Liberty Utilities (New York Water) Corporation
Responsibility Matrix

P - Primarily Responsible S - Provides Support	Performed By:				
		LUNYW Affiliates			
Company Function	LUNYW	APUC	LUCC	LUSC	LABS
Executive and Strategic Management		P			
Engineering and Construction Management					
Project Design	P			S	
Construction Project Management	P			S	
Hydraulics Review	P			S	
Water Quality and Purification					
Water Quality Program Implementation	P		S	S	
Water Treatment Operations & Maintenance	P		S	S	
Testing and Compliance Sampling	P		S	S	
Transmission and Distribution					
Preventive Maintenance Program Development	P			S	
System Maintenance	P			S	
Leak Detection	P			S	
Customer Experience					
Customer Contact	P			S	
Service Order Processing	P			S	
Meter Reading	P			S	
Customer Bill Preparation	P			S	
Bill Collection	P			S	
Finance					
Financial Planning		P	S		S
Financings		P			
Investor Relations		P			
Risk Management		P	S		S
Cash Management/Disbursements					P
Audit		P		S	S
Budgeting and Variance Reporting					
Budget Preparation	S				P
Variance Analysis and Reporting	S				P
Accounting and Taxes					
Accounts Payable Accounting	P				
Payroll Accounting	S				P
Asset Accounting					P
Reporting					P
Income Taxes--Federal		P			S
Income Taxes--State					P
Property Taxes					P
Gross Receipts (Town) Taxes					P
Regulatory					
Administration	P		S	S	S
Commission Inquiry Response	P			S	S
Legal		P			S
Government Affairs	S				
Communications	S				P
Procurement					
Specification Development	S			P	S
Bid Solicitation				P	S
Contract Administration	S			P	S
Inventory Management	P				
Environmental, Safety and Health	S				P
Human Resources Management					
Benefits Administration	S	P			S
Compensation Administration	S	P			S
Labor Relations	S			P	
Training	S			P	
Diversity and Equity	S			P	
Technology & Innovation Services					
IT Planning and Governance		P	S		S
Transformation					P
IT Operations					P
Applications Support					P
Network Administration					P
Local IT Support					P

Governance Practices Applied to Affiliate Services and Charges

Several management oversight practices and controls exist to ensure that affiliate charges to LUNYW are necessary and reasonable. The most important of these review, approval and monitoring mechanisms are described below.

Code of Conduct

LUNYW has established an Affiliate Code of Conduct that governs its interactions with its new affiliates. The code of conduct is an important mechanism for ensuring that the interactions among its regulated and non-regulated affiliates are proper and do not jeopardize the safe and adequate provision of service.

Board of Directors

In connection with transactions with affiliates, the Board of Directors has the responsibility to:

- Review and approve annual LUNYW's business plan
- Review and approve LUNYW's annual budget, including spending on affiliate services
- Monitor and evaluate LUNYW actual spending against budget, including charges for affiliate services
- Monitor the quality of services provided by affiliates

And when the next Board seat becomes available, the Board of Directors will appoint an independent director to provide an outside perspective on LUNYW's business, including transactions with affiliates.

Planning and Budgeting Process

Operating companies and functional groups develop operational plans. Corporate Planning and Budgeting develops O&M and capital targets which provide direction in the preparation of LUNYW's budget.

- Longer Range Planning
- Budget Year Goal and Target Setting
- Budget Development, Review and Approval
- Operating company Budget Development, Review and Approval
- Review and Final Approval

Variance Analysis Process – Affiliates

Every month, the Financial Planning and Analysis ("FP&A") team prepares a set of variance reports showing the following for Corporate and East Region spending:

- Actual current year month/year-to-date versus budget current year month/year-to-date
- Actual for current year month/year-to-date versus actual for previous year month/year-to-date

Material variances are researched and documented in an information package for review by LUNYW and East Region Finance management. Affiliates' spending status is also reviewed on monthly or quarterly basis by the Executive Management Team.

Variance Analysis Process – LUNYW

LUNYW's own variance analysis process requires that material variances between actual and budgeted affiliate charges be researched and explained. Follow-up questions for material variances are directed to Corporate and East Region accounting teams, which research questions and reply with a proposed correction or an explanation of why the charges are appropriate.

LUNYW's management team presents LUNYW's budget status to the LUNYW President and East Region President on a monthly basis. LUNYW management must identify and explain the drivers of material spending variances, including those associated with charges from affiliates.

Reviews of Allocation Factors

Allocation factor unit statistics upon which affiliates' allocations are based are updated at least annually. Changes in unit statistics from one period to the next are identified, researched, and validated before the next allocation cycle runs. Events that will affect allocation factor unit statistics are evaluated in advance to ensure a proper cutoff/starting point is established for the associated units. For instance, if the decision is made to retire an asset, Property Accounting will plan for the date on which the plant's statistics are to be removed from the related allocation factors.

Accounting Controls/Transaction Validation

Internal controls incorporated into accounting processes ensure that transactions are validated at the point of origination and that they receive proper levels of authority review and approval. Enterprise financial systems automate these controls and facilitate their consistent application and effectiveness. Controls are scrutinized and tested in connection with regular reviews mandated by Section 404 of the Sarbanes Oxley Act of 2002.

Audit and Regulatory Oversight

APUC is subject to the following audit and reporting requirements by federal and state jurisdictions:

- Annual independent audit of APUC by Ernst & Young.
- Annual "Report of Affiliate Activities" filed with the NYPSC.
- Annual report of financial and allocation information in FERC Form 60
- Periodic audits of Liberty Utilities' accounting and billing policies and procedures conducted by the FERC staff
- Periodic audits of Liberty Utilities' accounting and billing procedures conducted by the APUC's Internal Audit Department
- Review and update of significant internal control procedures as required by the Sarbanes Oxley Act

Cost Allocation Manual

APUC maintains a Cost Allocation Manual ("CAM") that documents the process by which affiliates assign costs to operating companies, including LUNYW. Baryenbruch & Company, LLC's, review of the CAM found it to be a comprehensive reference document that provides thorough directions to personnel responsible for assigning expenses to LUNYW.

The practices described above support the conclusion that the governance structure and processes applied to APUC's charges directly contribute to ensuring that affiliates' services are necessary to LUNYW. Furthermore, Liberty Utilities' governance practices ensure affiliates' charges to LUNYW are accurate and reasonable.

Methodology

Utility service companies deliver a variety of services. Some may support their regulated utility affiliate's operations-related functions (e.g., transmission O&M, distribution O&M, engineering). All utility service companies, however, provide A&G-related services to their affiliates. This is the case because considerable economies of scale can be obtained from centralizing the management of corporate A&G services such as finance, human resources, and technology. This study uses A&G charges per customer as the metric by which to test the reasonableness of affiliate charges.

The comparison group consists of utility holding companies that file with the FERC a Form 60, which is the best source of publicly available information on affiliate charges to regulated utilities. Service companies that file a Form 60 are part of utility holding companies that own electric or combination electric/gas utilities. These service companies provide their utility affiliates with the same type of A&G services that affiliates provide to LUNYW. Form 60 information is broken down by FERC account, which allows a specific identification of A&G-related charges.

LUNYW Affiliate A&G Charges per Customer

In calculating LUNYW's A&G-related affiliate charges per customer, the following items are eliminated from the 2022 total affiliate charges numerator:

- Operations-Related Charges – These are charges for services related to system operations and maintenance. They are not A&G related.
- Capitalized Portion of Affiliate Charges – A portion of total affiliate charges are associated with capital work. These charges are excluded because they are not A&G expenses.
- TSA Non-Recovery Charges – LUNYW is not seeking rate case recovery for the labor-related portion of 2022 TSA charges from AWWC.

Exhibit 3 below presents the calculation of LUNYW's A&G charges from affiliates. After adjustments, LUNYW's A&G charges from affiliates during 2022 are $80 per customer.

Exhibit 3

Liberty Utilities (New York Water) Corp.
Calculation of LUNYW's 2022 Affiliate A&G-Related Charges by Service

Affiliate Services		2022 Charges
Audit	$	123,484
Board of Directors	$	554,786
Business Development	$	281,419
Communications	$	103,438
Compliance	$	22,883
Customer Service	$	473,633
EH&S	$	404,860
Energy Procurement	$	2,094
Executive	$	963,411
Facilities	$	193,831
Finance	$	2,694,265
Government Affairs	$	78,349
Human Resources	$	459,180
Information Technology	$	2,854,022
Insurance	$	2,356
Internal Audit	$	218,995
Internal Service	$	1,292
Investor Relations	$	28,389
Legal	$	636,311
Marketing	$	16,761
Meter Service	$	4,501
Operations	$	640,038
Other	$	537,571
Payroll	$	474,828
Payroll & HRIS	$	162,714
Procurement	$	496,460
Production	$	106,928
Purchasing	$	49,576
Regulatory	$	392,261
Risk	$	1,471,063
Strategic Planning	$	25,572
Sustainability	$	82,645
Tax	$	(38,212)
Training	$	120,207
Treasury	$	143,626
TSA	$	7,396,932
Total Affiliate Charges	$	22,180,471
Less: Operations (not A&G)	$	(640,038)
Less: Capitalized Portion of Affiliate Charges	$	(7,097,751)
Less: Non-Recovery of TSA Labor	$	(4,297,899)
Net 2022 A&G Charges	$	10,144,783
LUNYW Customer Count		127,155
2022 A&G-Related Charges/Customer	$	80

Source: Company information

Comparison Group A&G Charges per Customer

Every centralized service company in a holding company system subject to regulation by the FERC must file a Form 60 in accordance with the Public Utility Holding Company Act of 2005, Section 1270, Section 390 of the Federal Power Act, and 18 Code of Federal Regulations paragraph 366.23. Form 60 is designed to collect financial information from service companies within a holding company structure.

Charges to utility affiliates for the comparison group service companies were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (p. 303 to 306) of each entity's FERC Form 60. Information from Form 60 schedule Account 457 – Analysis of Billing – Associate Companies was also used to isolate and eliminate charges to non-regulated affiliates from the cost pool used to calculate A&G expenses per regulated service customer.

For 2021, a Form 60 was filed by service companies associated with 21 utility holding companies, besides APUC, shown in the table below.

American Electric Power Company, Inc.	Eversource Energy
AES Corporation	Exelon Corporation
Alliant Energy Corporation	FirstEnergy Corporation
Ameren Corporation	National Grid PLC
American Electric Power Corporation	PPL Corporation
Avangrid, Inc.	PNM Resources, Inc.
Black Hills Corporation	Southern Company
CenterPoint Energy, Inc.	Unitil Corporation
Dominion Energy, Inc.	WEC Energy Group, Inc.
Duke Energy Corporation	Xcel Energy Inc.
Entergy Corporation	

Source: FERC Form 60

The table below shows a list of FERC A&G accounts and designates which correspond to services affiliates provide to LUNYW. Amounts in the designated FERC accounts are included in the calculation of service company A&G charges per regulated customer.

FERC Account	Included In Cost Calculation
901 - Supervision	Yes
902 - Meter reading expenses	
903 - Customer records and collection expenses	Yes
904 - Uncollectible accounts	
905 - Miscellaneous customer accounts expenses	Yes
907 - Supervision	Yes
908 - Customer assistance expenses	Yes
909 - Informational And Instructional Advertising Expenses	
910 - Miscellaneous Customer Service And Informational Expense	Yes
911 - Supervision	
912 - Demonstrating and Selling Expenses	
913 - Advertising Expenses	
916 - Miscellaneous Sales Expenses	
920 - Administrative and General Salaries	Yes
921 - Office Supplies and Expenses	Yes
923 - Outside Services Employed	Yes
924 - Property Insurance	Yes
925 - Injuries and Damages	
926 - Employee Pensions and Benefits	Yes
928 - Regulatory Commission Expenses	
930.1 - General Advertising Expenses	
930.2 - Miscellaneous General Expenses	Yes
931 - Rents	Yes
935 - Maintenance of Structures and Equipment	Yes

A&G-related charges for the 21 utility holding companies whose service companies filed a Form 60 for 2021 are calculated in the table below. The comparison group's actual 2021 expenses are escalated for inflation to arrive at projected 2022 expenses per customer.

	2021 Actual			2022	
Utility Company	Regulated Retail Service Company A&G Expenses	Regulated Retail Customers	Cost per Customer	Inflation (A)	2022 Projected
AEP	$587,302,141	5,500,000	$ 107	6.45%	$ 114
AES	$93,876,438	991,229	$ 95	6.45%	$ 101
Alliant	$210,615,298	1,395,000	$ 151	6.45%	$ 161
Ameren	$235,318,183	3,300,000	$ 71	6.45%	$ 76
Avangrid	$245,518,798	3,300,000	$ 74	6.45%	$ 79
Black Hills	$184,957,652	1,265,945	$ 146	6.45%	$ 156
CenterPoint	$445,622,560	5,842,684	$ 76	6.45%	$ 81
Dominion	$506,009,294	6,664,000	$ 76	6.45%	$ 81
Duke	$1,738,513,167	9,400,000	$ 185	6.45%	$ 197
Entergy	$602,866,456	3,206,000	$ 188	6.45%	$ 200
Eversource	$703,118,546	4,009,000	$ 175	6.45%	$ 187
Exelon	$2,027,101,694	10,200,000	$ 199	6.45%	$ 212
FirstEnergy	$290,715,426	6,000,000	$ 48	6.45%	$ 52
Nat Grid	$1,556,479,671	7,000,000	$ 222	6.45%	$ 237
NiSource	$395,939,148	3,573,000	$ 111	6.45%	$ 118
PNM	$112,122,878	786,000	$ 143	6.45%	$ 152
PPL	$405,058,651	2,728,000	$ 148	6.45%	$ 158
Southern Co	$751,067,052	9,000,000	$ 83	6.45%	$ 89
Unitil	$51,725,393	194,300	$ 266	6.45%	$ 283
WEC	$325,723,396	4,600,600	$ 71	6.45%	$ 75
Xcel	$620,259,894	5,800,000	$ 107	6.45%	$ 114
Total/Average	$12,089,911,736	94,755,758	$ 128	6.45%	$ 136

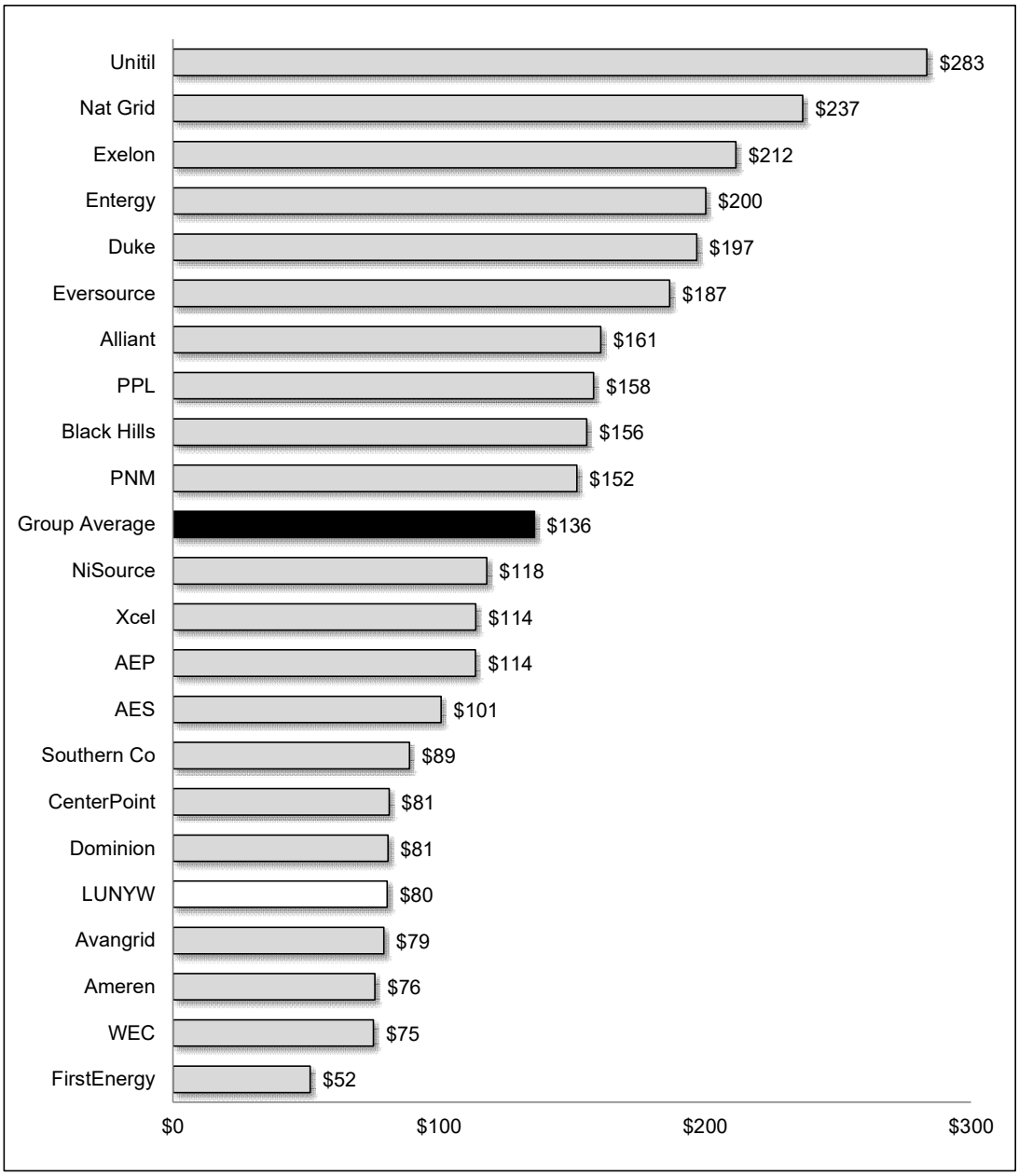
Note A: Increase in CPI from 2021 to 2022

Source: FERC Form 60; Bureau of Labor Statistics; Baryenbruch & Company, LLC, analysis

Exhibit 4 below shows LUNYW's 2022 affiliate A&G-related charges per customer of $80 are below the average of $136 per customer for comparison group service companies. Seventeen of the 21 comparison group service companies had a higher per-customer.

Exhibit 4

Liberty Utilities (New York Water) Corp.
Comparison of Service Company 2022 A&G Charges Per Customer



Source: Company information; 2021 FERC Form 60; Bureau of Labor Statistics; Baryenbruch & Company, LLC, analysis

Benchmarking LUNYW's total expenses per customer provides a broader cost view by which to judge the reasonableness of affiliate charges. For purposes of this study, total LUNYW total expenses are benchmarked against other water companies for the following metrics:

- Total Customer Accounts and A&G Expenses per Customer - The numerator includes Customer Accounts and A&G expenses incurred directly by LUNYW plus those charged to it by affiliates.

- Total Operations and Maintenance Expenses per Customer – The numerator includes all water O&M expenses, including the functions of supply, pumping, treatment, transmission, distribution, customer accounts, sales and A&G. This metric provides the most comprehensive comparative view of LUNYW's expenses.

In calculating LUNYW's total expenses per customer, an adjustment is made for the labor portion of TSA charges for which LUNYW is not seeking recovery. The table below shows the adjustments to arrive at LUNYW's expenses per customer.

	2022	
	Total CS & A&G Expenses	Total Utility Expenses
Total Affiliate Charges per Books	$ 25,609,795	$ 51,674,097
Less: Non-Recovery of TSA Labor	$ (4,297,899)	$ (4,297,899)
Net Cost Pool Expenses	$ 21,311,896	$ 47,376,198
LUNYW Customer Count	127,155	127,155
Expenses per Customer	$ 168	$ 373

Source: Company information

The comparison group is made up of investor-owned water companies in New York and surrounding states. Regulators in these states make the annual reports of water companies available on their websites. Annual reports for Pennsylvania water companies do not break out expenses by function (e.g., A&G). Thus, water companies from that state are not in the customer accounts and A&G expenses per customer comparison.

Customer Accounts and A&G Expenses per Customer

Exhibit 5 shows the calculation of total customer accounts and A&G expenses per customer. The comparison group's actual 2021 expenses are escalated for inflation to arrive at projected 2022 expenses per customer. These are compared to LUNYW's actual 2022 expenses per customer. LUNYW's cost of $168 per customer is below the comparison group's average of $205 per customer. Ten of the comparison group's 16 water companies have a higher cost than LUNYW.

Total O&M Expenses per Customer

Exhibit 6 shows the calculation of total utility expenses per customer. The comparison group's actual 2021 expenses are escalated for inflation to arrive at projected 2022 expenses per customer. These are compared to LUNYW's actual 2022 expenses per customer. LUNYW's cost of $373 per customer is below the comparison group's average of $379 per customer. Fourteen of the comparison group's 21 water companies have a higher cost than LUNYW.

Overall Conclusion

Based upon the cost comparisons presented in this report, it can be concluded that affiliate charges to LUNYW are reasonable and LUNYW's total expenses are in line with those of neighboring water companies.

Exhibit 5

Liberty Utilities (New York Water) Corp.
Comparison of Total Customer Accounts and A&G Expenses Per Customer

Company	State	2021 Actual Cust Accts and A&G Exp	2021 Actual Customers	2021 Actual CA & A&G Exp/Customer	2022 Inflation (A)	2022 Projected
Aqua New Jersey Sewer	NJ	$ 494,410	6,505	$ 76	6.45%	$ 81
Aqua New Jersey Water	NJ	$ 6,395,229	55,009	$ 116	6.45%	$ 124
Aquarion Water of Connecticut	CT	$ 31,321,159	207,075	$ 151	6.45%	$ 161
Aquarion Water of Massachusetts	MA	$ 2,632,467	8,828	$ 298	6.45%	$ 317
Hazardville Water	CT	$ 1,328,612	7,426	$ 179	6.45%	$ 190
Middlesex Water	NJ	$ 18,088,374	61,041	$ 296	6.45%	$ 315
Milford Water	MA	$ 3,859,524	9,150	$ 422	6.45%	$ 449
New Jersey American Water	NJ	$ 136,002,179	659,870	$ 206	6.45%	$ 219
Pinehills Water	MA	$ 619,606	2,542	$ 244	6.45%	$ 259
Pinelands Water	NJ	$ 323,708	2,438	$ 133	6.45%	$ 141
Saratoga Water Services	NY	$ 464,148	2,754	$ 169	6.45%	$ 179
Shore Water	NJ	$ 320,758	1,277	$ 251	6.45%	$ 267
Suez Water New York	NY	$ 22,506,006	127,054	$ 177	6.45%	$ 189
Suez Water Owego-Nichols	NY	$ 576,350	2,541	$ 227	6.45%	$ 241
Suez Water Westchester	NY	$ 5,378,916	43,610	$ 123	6.45%	$ 131
Valley Water Systems	CT	$ 1,028,487	6,822	$ 151	6.45%	$ 160
Comparison Group Average		$ 231,339,933	1,203,942	$ 192	6.45%	$ 205
Liberty Utilities New York Water Company 2022		$ 21,311,896	127,155			$ 168

Note A: Increase in CPI from 2021 to 2022
Source: Annual reports to state regulators; Bureau of Labor Statistics; LUNYW information

2022 Customer Accounts and
A&G Expenses per Customer

Comparison Group	Cost/Customer
Milford Water	$ 449
Aquarion Water of Massachusetts	$ 317
Middlesex Water	$ 315
Shore Water	$ 267
Pinehills Water	$ 259
Suez Water Owego-Nichols	$ 241
New Jersey American Water	$ 219
Comparison Group Average	**$ 205**
Hazardville Water	$ 190
Suez Water New York	$ 189
Saratoga Water Services	$ 179
LUNYW	**$ 168**
Aquarion Water of Connecticut	$ 161
Valley Water Systems	$ 160
Pinelands Water	$ 141
Suez Water Westchester	$ 131
Aqua New Jersey Water	$ 124
Aqua New Jersey Sewer	$ 81

Exhibit 6

Liberty Utilities (New York Water) Corp.
Comparison of Total Utility Expenses Per Customer

Company	State	2021 Actual Total Utility Expenses	2021 Actual Customers	2021 Actual Total Utility Exp/Customer	2022 Inflation (A)	2022 Projected
Aqua New Jersey Sewer	NJ	$ 3,386,133	6,505	$ 521	6.45%	$ 554
Aqua New Jersey Water	NJ	$ 11,456,631	55,009	$ 208	6.45%	$ 222
Aqua Pennsylvania	PA	$ 118,900,629	446,966	$ 266	6.45%	$ 283
Aquarion Water of Connecticut	CT	$ 72,834,732	207,075	$ 352	6.45%	$ 374
Aquarion Water of Massachusetts	MA	$ 4,225,229	8,828	$ 479	6.45%	$ 510
Hazardville Water	CT	$ 2,300,562	7,426	$ 310	6.45%	$ 330
Middlesex Water	NJ	$ 41,735,103	61,041	$ 684	6.45%	$ 728
Milford Water	MA	$ 5,489,730	9,150	$ 600	6.45%	$ 639
New Jersey American Water	NJ	$ 266,587,880	659,870	$ 404	6.45%	$ 430
Newtown Artesian Water	PA	$ 4,061,505	10,787	$ 377	6.45%	$ 401
Pennsylvania-American Water	PA	$ 226,318,450	756,071	$ 299	6.45%	$ 319
Pinehills Water	MA	$ 1,478,308	2,542	$ 582	6.45%	$ 619
Pinelands Water	NJ	$ 504,709	2,438	$ 207	6.45%	$ 220
Saratoga Water Services	NY	$ 842,892	2,754	$ 306	6.45%	$ 326
Shore Water	NJ	$ 469,349	1,277	$ 368	6.45%	$ 391
Suez Water Bethel	PA	$ 1,516,765	2,565	$ 591	6.45%	$ 629
Suez Water New York	NY	$ 64,208,422	127,054	$ 505	6.45%	$ 538
Suez Water Owego-Nichols	NY	$ 1,044,130	2,541	$ 411	6.45%	$ 437
Suez Water Westchester	NY	$ 29,615,456	43,610	$ 679	6.45%	$ 723
The York Water	PA	$ 2,745,611	1,207	$ 2,275	6.45%	$ 2,422
Valley Water Systems	CT	$ 1,547,849	6,822	$ 227	6.45%	$ 242
Comparison Group Average		$ 861,270,075	2,421,538	$ 356	6.45%	$ 379
Liberty Utilities New York Water Company 2022		$ 47,376,198	127,155			$ 373

Note A: Increase in CPI from 2021 to 2022
Source: Annual reports to state regulators; Bureau of Labor Statistics; LUNYW information

2022 Total O&M Expenses per Customer

Comparison Group	Cost/Customer
The York Water	$ 2,422
Middlesex Water	$ 728
Suez Water Westchester	$ 723
Milford Water	$ 639
Suez Water Bethel	$ 629
Pinehills Water	$ 619
Aqua New Jersey Sewer	$ 554
Suez Water New York	$ 538
Aquarion Water of Massachusetts	$ 510
Suez Water Owego-Nichols	$ 437
New Jersey American Water	$ 430
Newtown Artesian Water	$ 401
Shore Water	$ 391
Comparison Group Average	**$ 379**
Aquarion Water of Connecticut	$ 374
LUNYW	**$ 373**
Hazardville Water	$ 330
Saratoga Water Services	$ 326
Pennsylvania-American Water	$ 319
Aqua Pennsylvania	$ 283
Valley Water Systems	$ 242
Aqua New Jersey Water	$ 222
Pinelands Water	$ 220