

Suburban Water Systems
Affiliate Transaction Rules and
Non-Tariffed Products and Services Rules
Compliance Plan

Pursuant to Rules Adopted in D.10-10-019,
D.11-10-035 and as modified by D.12-01-042
By the California Public Utilities Commission

June 1, 2021
Amendment No. 7

Table of Contents

	<u>Page</u>
INTRODUCTION.....	1
RULE I.....	3
RULE II.....	6
RULE III.....	8
RULE IV.....	10
RULE V.....	12
RULE VI.....	13
RULE VII.....	15
RULE VIII.....	16
RULE IX.....	19
RULE X.....	19
ATTACHMENT A – Suburban Water Systems Affiliates.....	23
ATTACHMENT B - Affiliated Transaction Rules and Non-Tariffed Products and Service.....	24

INTRODUCTION

In compliance with Rule VIII.C of the California Public Utilities Commission's ("CPUC" or "Commission") Rules for Water and Sewer Utilities Regarding Affiliate Transactions and the Use of Regulated Assets for Non-Tariffed Utility Services adopted in D.10-10-019, Suburban Water Systems ("Suburban") has prepared and files this 2011 Affiliate Rules Compliance Plan, Amendment 6 ("2011 Plan"), which reflects the current status of its efforts to comply with the Affiliate Transactions Rules ("Rules" or "ATRs").

Suburban submits the following Compliance Plan ("Plan") to comply with the Affiliate Transaction Rules ("Rules") for Class A and B Water Companies adopted by the CPUC in D.10-10-019. Suburban's Plan includes a variety of procedures and mechanisms for implementation and compliance with these Rules, which when taken as a whole, will provide a comprehensive approach to ATRs compliance. Although not specifically described in the Plan, all Rules will be implemented by means of a combination of one or more of the following:

- Development and distribution of written policies and procedures;
- Education, training for and communications to Suburban employees and its affiliates;
- Collection of companywide records for required reports and reviews;
- Monitoring affiliate transactions and overall compliance on a continuing basis; and
- Additional training and corrective actions as needed.

Suburban's Accounting Department will implement this Plan under the direction of the Accounting Manager who will have operational responsibility to ensure that Suburban complies with these Rules. The Accounting Department will be responsible for issuing periodic memoranda to its affiliates governed by these Rules. These memoranda outline the importance to Suburban of complying with these Rules and that it expects employees to comply with Company policies. Among the compliance tools that the Accounting Department will use are: employee education and training; a document that describes certain policies and procedures governing affiliate transactions and NTP&S activities; preparing compliance reports for the Division of Water & Audits, as prescribed; and ongoing internal reviews of compliance with these Rules.

In the following pages, each Rule is shown in **bold** type. Following each Rule, in normal type, is Suburban's Plan (where applicable).

Suburban will have in place or complete the following items that are deemed necessary to fully implement these Rules:

- (1) A written policy describing these Rules and the obligations under these Rules will be disseminated to employees of Suburban and its affiliates that are subject to these Rules;

- (2) Suburban employees providing permitted corporate support or shared services with access to non-public utility information shall be required to sign a statement that they are aware of, have read and will follow all written policies regarding limitations on the use of non-public utility information and that failure to observe these limitations in the future will result in subjecting them to corporate discipline policies;
- (3) All support personnel services rendered between Suburban and its affiliates will be direct charged or allocated in a manner consistent with these Rules;
- (4) Training regarding these Rules will be provided to the employees of Suburban and affected affiliates;
- (5) Suburban employees transferred to an affiliate will be required to conform to these Rules, especially those Rules limiting the use of utility information in an anti-competitive manner.

The undersigned verifies the adequacy of these specific mechanisms to ensure that the utility is not utilizing the parent company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules:

Craig Gott

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contractworks

Craig Gott, President

Affiliate Transaction Rules Applicable to Class A and B Water Utilities

RULE I. Jurisdiction and Applicability

I.A.

These Rules apply to all Class A and Class B California public utility water and sewer corporations or companies subject to regulation by the California Public Utilities Commission (Commission).

As a Class A water utility subject to Commission regulation, Suburban affirms that these Rules apply to it and its employees. Suburban maintains appropriate policies, procedures and mechanisms to ensure compliance with these Rules. Further, Suburban's training materials and resources reference the respective compliance requirements associated with each rule.

I.B.

These Rules apply to transactions between a Commission-regulated utility and another affiliated entity that is engaged in the provision of products that use water or sewer services or the provision of services that relate to the use of water or sewer services, including the utility's parent company, and to the utility's use of regulated assets for non-tariffed utility services, unless specifically modified or exempted by the Commission. Transactions between a Commission-regulated utility and an affiliated utility regulated by a state regulatory commission (whether the utility is located in California or elsewhere) are exempt from these Rules, except for provisions of Rule IV.B and Rule X.

Suburban affirms that these Rules apply to transactions with its covered affiliates, as defined in Rule 1.E. Suburban will maintain appropriate policies, procedures and mechanisms to ensure compliance with Rule I.B. Further, Suburban will maintain a list of covered affiliates subject to Rule 1.B, Attachment A, which reflects that Suburban currently has no affiliates subject to Rule 1.B.

I.C.

Utilities shall comply with all applicable State and Federal statutes, laws and administrative regulations to which they are subject.

Suburban affirms that it will comply with all applicable State and Federal statutes, laws and administrative regulations to which it is subject.

I.D.

Existing Commission rules for each utility and its parent company continue to apply except to the extent they conflict with these Rules. In such cases, these Rules supersede prior rules and guidelines, provided that nothing herein shall preclude (1) the Commission from adopting other utility-specific guidelines; or (2) a utility or its parent company from adopting other utility-specific guidelines, with advance Commission approval through Decision or Resolution. In the case of ambiguity regarding whether a conflict exists, there shall be a rebuttable presumption that these Rules apply.

The Rate Case Plan requirements adopted in D.04-06-018 (shown below) are not superseded by these Rules:

Transactions with Corporate Affiliates

Identify and explain all transactions with corporate affiliates involving utility employees or assets, or resulting in costs to be included in revenue requirement. Include all documentation, including a list of all such contracts, and accounting detail necessary to demonstrate that any services provided by utility officers or employees to corporate affiliates are reimbursed at fully allocated costs.

Unregulated Transactions

To the extent the utility uses assets or employees included in revenue requirement for unregulated activities, the utility shall identify, document, and account for all such activities, including all costs and resulting revenue, and provide a list of all contracts.

Decision 10-09-012 provided that the terms of a settlement in that proceeding were subject to the Commission adoption of water utility industry affiliate transaction rules. The approved settlement required that these Rules would supersede and wholly replace the interim affiliate transaction rules contained in that settlement.

I.E.

Where these Rules do not address an item currently addressed in a utility's existing rules imposed by this Commission, which govern that utility's transactions with its affiliate(s) or its use of regulated assets for non-tariffed utility services, the existing utility-specific rules continue to apply for that item only.

See response to I.D.

I.F.

These Rules do not preclude or stay any form of civil relief, or rights or defenses thereto, that may be available under state or federal law.

The Plan does not require a response to this Rule.

I.G.

A California utility that is also a multi-state utility and subject to the jurisdiction of other state regulatory commissions, may file an application with this Commission, served on all parties to this proceeding and its most recent general rate case, requesting a limited exemption from these Rules or a part thereof, for transactions between the utility solely in its capacity serving its jurisdictional areas wholly outside of California, and its affiliates if such out-of-state operations do not substantially affect the utility's operations and the operating costs inside California. The applicant has the burden of proof.

Rule I.G does not apply to Suburban.

I.H.

A California utility's affiliates that operate entirely outside of California are exempt from Rule III.B and Rule III.C of these Rules, for transactions between the utility and such affiliates, if the affiliates' operations do not substantially affect the utility's operations and the operating costs inside California.

The following affiliates of Suburban that operate outside of California are exempt from Rules III.B and III.C:

1. 1710 WOODCREEK FARMS, INC.
2. ALABAMA UTILITY SYSTEMS, INC.
3. CUC HOLDING COMPANY, INC.
4. FLORIDA UTILITY SYSTEMS, INC.
5. KIAWAH ISLAND UTILITY, INC.
6. METRO WATER SYSTEMS, INC.
f/k/a Metro-H2O, Ltd.
7. MIDWAY WATER UTILITIES, INC.
8. MONARCH UTILITIES I L.P.
9. MONARCH UTILITIES, INC.
10. NEW MEXICO UTILITIES, INC.
11. NI AMERICA OPERATING, INC.
12. NI AMERICA TEXAS, LLC
13. NI FLORIDA, INC.
14. NI SC ENVIRONMENTAL SERVICES, INC.
15. NI SOUTH CAROLINA, INC.
16. NI SOUTH CAROLINA UTILITIES, INC.
17. NORTHWEST UTILITY SYSTEMS, INC.
18. OREGON WATER UTILITIES, INC.
19. OREGON WATER UTILITIES CLINE BUTTE, INC.
20. OREGON WATER UTILITIES MOUNTAIN LAKES, INC.
21. PALMETTO UTILITIES, INC.
22. PALMETTO WASTEWATER RECLAMATION, INC.
23. SHELBY RIDGE UTILITY SYSTEMS LLC
24. SOUTH CAROLINA UTILITY SYSTEMS, INC.
25. SOUTH CAROLINA WATER UTILITIES, INC.
f/k/a Low Country Utility Systems, Inc.
26. SOUTH CAROLINA WATER UTILITIES – CUC, INC.
f/k/a CUC Utility Company, Inc.
27. SOUTHEAST UTILITY SYSTEMS, INC.
28. SW MERGER ACQUISITION CORP.

29. SWWC SERVICES, INC.
30. SWWC UTILITIES, INC.
31. TEXAS WATER SERVICES GROUP, LLC
32. TWC UTILITY COMPANY, LLC

I.I.

These Rules shall be interpreted broadly, to effectuate the Commission’s stated objectives of protecting consumer and ratepayer interests and, as an element thereof, preventing anti-competitive conduct.

Suburban affirms that its compliance policies, procedures and mechanisms will be guided by our understanding of the Rules, factoring in the concept embodied by this Rule.

RULE II. Definitions

II.A. “Parent company” or “parent”

“Parent company” or “parent” is the entity, including a holding company or corporation, that owns, or has substantial operational control (as defined in Rule II.E) of, the regulated utility.

II.B. “Utility”

“Utility” (unless specified as a water utility) refers to all water utilities and sewer utilities regulated by the Commission.

II.C. “Water utility”

“Water utility” refers to all water utilities regulated by the Commission.

II.D. “Sewer utility”

“Sewer utility” refers to all sewer utilities regulated by the Commission.

II.E. “Affiliate”

“Affiliate” means any entity whose outstanding voting securities are more than 10 percent owned, controlled, directly or indirectly, by a utility, by its parent company, or by any subsidiary of either that exerts substantial operational control.

For purposes of these Rules, “substantial operational control” includes, but is not limited to, the possession, directly or indirectly of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of more than 10 percent by the utility in an entity’s company creates a rebuttable presumption of substantial operational control.

For purposes of these Rules “affiliate” includes the utility’s parent company, or any company that directly or indirectly owns, controls, or holds the power to vote more than 10 percent of the outstanding voting securities of a utility or its parent company.

Regulated subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate for the purpose of these Rules. However, these Rules apply to all interactions any such regulated subsidiary has with other

affiliated unregulated entities covered by these Rules.

For the purpose of this Rule, “affiliate” shall not include a mutual water company, a joint powers authority, other governmental or quasi-governmental agency or authority, a public/private partnership, a watermaster board, a water basin association, or a groundwater management authority in which a utility participates or in which a utility is a member or shareholder.

II.F. “Costs”

“Costs” are used in these Rules to refer to the total expenses assigned or allocated to different projects or activities through the utility’s and parent company’s accounting systems. Cost categories include:

1. ***Direct Costs.*** Direct costs are costs that can be clearly identified to specific projects or activities because the resource in question, or some measurable portion of that resource, has been dedicated to the project or activity. An example would be the hours of a worker’s time spent on the effort, materials purchased and used specifically on that effort, or the proportion of a machine’s hours dedicated to the effort.
2. ***Direct Overhead Costs.*** For organizations that produce multiple outputs, direct overhead costs are the common costs of a subset of the organization, such as supervisors and support staff of a division not assigned or traceable to specific projects, or machinery shared among a subset of the company’s projects. Such overhead costs require allocation to specific projects through proxies and methodologies designed to accurately reflect the particular production aspects of each project; e.g., some processes are more capital-intensive than others and need less supervision input. Allocation methodologies for direct overhead costs can make use of several factors, often activity-based and often using “cost causation” as one of the principles in their design.
3. ***Indirect Overhead Costs.*** Indirect overhead costs are functions that affect the entire organization, such as the headquarters building, the Chief Executive Officer and Chief Financial Officer, General Counsel and associated legal support, personnel departments, security for this building or these offices, shareholder and public relations, insurance, depreciation, advertising, and similar functions. These are real costs of the organization and must be allocated to the ongoing projects and activities to determine the total cost of each. These are also sometimes called “General Overhead Costs.”
4. **Fully-loaded (also known as fully-allocated) costs.** Fully-loaded (or fully- allocated) costs refer to the total cost of a project or activity, which is the sum of Direct, Direct Overhead, and Indirect Overhead costs, as defined in Rule II.F.1, 2 and 3.

II.G. “Transaction”

“Transaction” means any transfer of an item of value such as a good, service, information or money between a utility and one or more of its affiliates.

II.H. “Property”

“Property” refers to any right or asset, tangible or intangible, to which an entity has legal or equitable title.

II.I. “Real Property”

“Real property” refers to any interest in real estate including leases, easements, and water rights.

II.J. “Customer”

“Customer” means any person, firm, association, corporation or governmental agency supplied or entitled to be supplied with water, wastewater, or sewer service for compensation by a utility.

II.K. “Customer information”

“Customer information” means non-public information and data specific to a utility customer which the utility acquired or developed in the course of its provision of utility services.

II.L. “Cross-subsidy”

“Cross-subsidy” means the unauthorized over-allocation of costs to captive ratepayers resulting in under-allocation of costs to a utility affiliate.

RULE III. Utility Operations and Service Quality

III.A.

A utility shall not allow transactions with affiliates to diminish Suburban staffing, resources, or activities in a manner that would result in degradation of the reliability, efficiency, adequacy, or cost of utility service or an adverse impact on customer service. Utility management attention shall not be diverted to such transactions in a way that would result in such degradation. The utility’s parent and affiliates shall not acquire utility assets at any price if such transfer of assets would impair the utility’s ability to fulfill its obligation to serve or to operate in a prudent and efficient manner.

Suburban will maintain a policy to ensure compliance with Rule III.A. Further, Suburban’s ongoing compliance with General Order (“GO”) 103-A precludes the possibility of degradation of the reliability, efficiency, adequacy, or cost of utility service (in particular, Section II of GO 103-A, Standards of Service, requires that “each utility shall operate its system so as to deliver reliable, high quality service to its customers at reasonable cost” and that “each water utility shall ensure that it complies with the [California Dept. of Public Health’s] permit requirements and all applicable drinking water regulations”). Further, Suburban’s compliance with Public Utilities Code Section 851 precludes the acquisition of utility assets in such a manner as to impair the utility’s ability to fulfill its obligation to serve or to operate in a prudent and efficient manner.

III.B

Except as otherwise provided by these Rules, a utility shall not

1. Provide leads to its affiliates;

Suburban affirms that it has a policy in place to comply with Rule III.B.1. Suburban employees

will not provide any leads to affiliates that fall under the applicability of this Rule. Those affiliates falling under the applicability of this Rule will be specifically identified to Suburban employees. Suburban will issue periodic communications to its employees and affiliates governed by these Rules directing them to comply with this Rule. Suburban will provide training, as necessary, to its employees.

Suburban's understanding is that the intent of this Rule is to ensure that the utility did not provide leads to unregulated affiliates providing products or services in a manner that unfairly disadvantaged the competitive marketplace. Therefore, a utility advising its parent that it had been contacted by a third party or of public information about water or sewer systems being available for purchase, leased or provision of services under operating contract would not be a violation of this Rule.

2. Solicit business on behalf of its affiliates;

Suburban affirms that it has a policy in place to comply with Rule III.B.2. Suburban employees will not solicit business on behalf of affiliates subject to this Rule, which will be specifically identified to Suburban employees. Suburban will issue periodic communications to its employees and affiliates governed by these Rules directing them to comply with this Rule. Suburban will provide training, as necessary, to its employees.

3. Acquire information on behalf of or to provide to its affiliates;

Suburban affirms that it has a policy in place to comply with Rule III.B.3, with the exception noted in Rule III.B.8 and subject to the response to Rule III.B.1, above. Suburban will issue periodic communications to its employees and affiliates governed by these Rules directing them to comply with this Rule. Suburban will provide training, as necessary, to its employees.

4. Share market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates, except that a utility may share such information with a parent under the condition that the parent does not share the information with any other entity;

Suburban affirms that it has a policy in place to comply with Rule III.B.4, with the exceptions noted in Rule III.B.8 and subject to the response to Rule III.B.1, above. Suburban will provide training, as necessary, and issue periodic communications to its employees and affiliates governed by these Rules directing them to comply with this Rule.

Suburban interprets this Rule to exclude any information that an employee might otherwise legally disclose to others after termination of employment. Further, corporate governance and corporate support services covered by Rule V are expressly permitted.

5. Request authorization from its customers to pass on customer information exclusively to its affiliates;

Suburban affirms that it has a policy and a procedure in place to comply with Rule III.B.5. Under these procedures, information will be released to affiliates only with the specified customer's explicit written consent.

6. Give the appearance that the utility speaks on behalf of its affiliates; or

Suburban affirms that it has a policy in place to comply with Rule III.B.6. Suburban will provide training, as necessary, and issue periodic communications to its employees and affiliates governed

by these Rules directing them to comply with this Rule.

7. **Represent that, as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers.**

Suburban affirms that it has a policy in place to comply with Rule III.B.7. Suburban will provide training, as necessary, and issue periodic communications to its employees and affiliates governed by these Rules directing them to comply with this Rule.

8. **Provisions 3, 4 and 5 of Rule III.B shall not apply to utility affiliates that are non-profit and whose sole purpose is to serve the functions of regulated utilities, the parents of regulated utilities, governmental or non-profit entities, including non-profit affiliates of regulated utilities.**

Suburban acknowledges the exceptions provided for in Rule III.B.8.

9. **Utilities may file an Advice Letter seeking an exemption to Rule III.B.8 within ninety days of the effective date of the Commission decision adopting these rules, requesting that a non-profit affiliate subject to Rule III.B.8 be allowed to serve the functions of other affiliates, as long as those other affiliates provide no more than five per cent of the annual revenues of the non-profit affiliate.**

This Rule is not currently applicable to Suburban or its affiliates as none is a non-profit.

III.C.

Except as provided for elsewhere in these rules, if a utility provides customer or utility information, services, or unused capacity or supply to an affiliate, it must offer such customer or utility information, services, or unused capacity or supply to all similarly situated market participants in a non-discriminatory manner, which includes offering on a timely basis.

Suburban affirms that it has a policy in place to comply with Rule III.C. Suburban will issue a communication to its employees and to its affiliates governed by these Rules directing them to comply with Rule III.C. Further, if Suburban offers customer or utility information, services or unused capacity to an affiliate governed by these Rules, it will make such information available to all similarly situated market participants on Suburban's web site.

RULE IV. Separation

IV.A

The utility shall maintain accounting records in accordance with Generally Accepted Accounting Principles, the Commission's Uniform System of Accounts, Commission decisions and resolutions, and the Public Utilities Code.

Suburban affirms that its accounting records are available in accordance with Generally Accepted Accounting Principles, the Commission's Uniform System of Accounts, relevant Commission decisions and resolutions, and that its accounting records are available consistent with the provisions in Public Utility Code Sections 314 and 701. Utility accounting records are available for review upon Commission request. SouthWest Water Company financial statements and Suburban financial statements are audited for compliance by independent accountants on an

annual basis.

IV.B

The utility, its parent and other affiliated companies shall allocate common costs among them in such a manner that the ratepayers of the utility shall not subsidize any parent or other affiliate of the utility.

Suburban affirms that it has adequate policies, procedures and mechanisms to comply with Rule IV.B. In addition, the Public Advocates Office has the opportunity to review Suburban's allocation of common costs in each of Suburban's general rate cases.

IV.C

The utility shall list all shared directors and officers between the utility and its affiliates in its annual report to the Commission. Not later than 30 days following a change to this list, the utility shall notify the Director of the Division of Water and Audits and the Director of the Division of Ratepayer Advocates of the change(s).

Suburban affirms that it has adequate policies, procedures and mechanisms to comply with Rule. Suburban will provide a list of all shared directors and officers between the utility and its affiliates in its Annual Report to the Commission and provide the required notification to the Director of the Division of Water and Audits and the Director of the Public Advocates Office no later than 30 days following a change.

IV.D

Employees transferred or temporarily assigned from the utility to an affiliate shall not use non-public, proprietary utility information gained from the utility in a discriminatory or exclusive fashion to the benefit of the affiliate to the detriment of unaffiliated competitors.

Suburban has a policy in place to comply with Rule IV.D. Suburban will provide training to employees transferred or temporarily assigned to affiliates that fall under the applicability of this Rule, specifying that the employees shall not use non-public, proprietary utility information gained from the utility in a discriminatory or exclusive fashion to the benefit of the affiliate to the detriment of unaffiliated competitors.

IV.E

All employee movement between a utility and its affiliates, as defined in Rule I.B, shall be consistent with the following provisions:

Since intermittent use is covered by Rule IV.E.3, Suburban interprets Rules IV.E.1 and IV.E.2 below as being applicable to permanent movement only.

IV.E.1

A utility shall track and report to the Commission all employee movement between the utility and affiliates, consistent with Rule VIII.F.

Suburban affirms that it has adequate procedures to comply with Rule IV.E.1. Suburban will include this information in its Annual Report to the Commission.

IV.E.2

When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 15% of the employee's base annual compensation. All such fees paid to the utility shall be accounted for in a separate memorandum account to track them for future ratemaking treatment on an annual basis, or as otherwise necessary to ensure that the utility's ratepayers receive the fees. This transfer payment provision does not apply to clerical workers.

Suburban affirms that it has adequate procedures to comply with Rule IV.E.2. Suburban will include this information in its Annual Report to the Commission.

IV.E.3

Utility employees may be used on a temporary or intermittent basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates only if:

- a. All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility shall be priced at a minimum of the greater of fully loaded cost plus 5% of direct labor cost, or fair market values. When the affiliate obtains the services of an executive employee, compensation to the utility shall be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value;**
- b. Utility needs for utility employees always take priority over any affiliate requests;**
- c. No more than 10% of full time equivalent utility employees may be on loan at a given time;**
- d. Utility employees agree, in writing, that they will abide by these Rules; and**
- e. Affiliate use of utility employees shall be conducted pursuant to a written agreement approved by the appropriate utility and affiliate officers.**

Suburban affirms that it has adequate procedures to comply with Rule IV.E.3. Suburban will include this information in its Annual Report to the Commission.

RULE V. Shared Corporate Support

V.A.

A utility, its parent company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems, and personnel as further specified in these Rules. Any shared support shall be priced, reported and conducted in accordance with these Rules as well as other applicable Commission pricing and reporting requirements.

Suburban affirms that it has adequate procedures and mechanisms to comply with Rule V.A. The relevant accounting procedures and mechanisms that impact the allocation of costs for the shared corporate services are consistent with Commission rate case decisions. The Public Advocates Office has the opportunity to review these accounting procedures and mechanisms in each general rate case proceeding.

V.B.

Corporate support shall not be shared in a manner that allows or provides a means for the transfer of confidential information from the utility to the affiliate, creates the opportunity for preferential treatment or unfair competitive advantage, leads to customer confusion, or creates significant opportunities for cross-subsidy of affiliates. The restriction on transfer of confidential information from the utility to the affiliate does not apply to corporate support, shared services and access to capital.

Suburban affirms that its policy is adequate to ensure that the provision of corporate support services will not provide a means for the transfer of confidential non-public utility information from the utility to an affiliate that would create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidy of affiliates.

V.C.

Examples of services that may be shared include: corporate governance and oversight, payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, pension management, engineering, water or sewage for resale, water storage capacity, and purchasing of water distribution systems.

Suburban affirms its understanding that the listed services are examples of services which can be rendered to or received from Suburban's unregulated affiliates.

V.D.

Examples of services that may not be shared include: hedging, financial derivatives, arbitrage services, and marketing.

Suburban affirms its policy is sufficient to ensure that the example services and similar services will not be shared with Suburban's unregulated affiliates, except in the instance of water or sewage for resale, which will be shared only as necessary to provide safe and adequate service.

**RULE VI. Pricing of Goods and Services between the Utility and Its Affiliate(s)
To the extent that these Rules do not prohibit the transfer of goods and services between a utility and its affiliates:**

Suburban interprets the services aspect of this Rule not to apply to Shared Corporate Services as there are separate Rules for that classification of service and the Public Advocates Office has the opportunity to review that allocation of costs during every general rate case. Suburban affirms that it has adequate procedures and mechanisms to record the cost of goods and services between the Utility and its affiliates consistent with the following Rules. The responses below are for information only as they highlight the areas of transactions that are applicable or not applicable currently between Suburban and its affiliates. Should any Rule become applicable, Suburban will comply with such Rule.

VI.A.

Transfers from the utility to its affiliates of goods and services offered by the utility on the open market will be priced at fair market value.

Not currently applicable.

VI.B

Transfers from an affiliate to the utility of goods and services offered by the affiliate on the open market shall be priced at no more than fair market value.

Not currently applicable.

VI.C.

For goods or services for which the price is regulated by a state agency, that price shall be deemed to be the fair market value, except that in cases where more than one state commission regulates the price of goods or services, this Commission's pricing provisions govern.

Not currently applicable.

VI.D.

Goods and services produced, purchased or developed to be offered on the open market by the utility shall be provided to the utility's affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise required or permitted by these Rules or applicable law.

Not currently applicable.

VI.E.

Transfers from the utility to its affiliates of goods and services not produced, purchased or developed to be offered on the open market by the utility shall be priced at fully allocated cost plus 5% of direct labor cost.

Not currently applicable.

VI.F.

Transfers from an affiliate to the utility of goods and services not produced, purchased or developed to be offered on the open market by the affiliate shall be priced at the lower of fully loaded cost or fair market value.

Suburban affirms its policy is sufficient to ensure that transfers from an affiliate to the utility of goods and services not produced, purchased or developed to be offered on the open market by the affiliate shall be priced at the lower of fully loaded cost or fair market value.

VI.G.

The utility shall develop a verifiable and independent appraisal of fair market value for any goods or services that are transferred to any affiliated company at fair market value under these Rules. The Commission's staff shall have access to all supporting documents used in the development of the fair market value. If sufficient support for the appraisal of fair market value does not exist to the reasonable satisfaction of the Commission's staff, the utility shall hire an independent consultant acceptable to the Commission staff to reappraise the fair market value for these transactions.

Not currently applicable.

RULE VII. Financial Health of the Utility

VII.A.

The parent shall provide the utility with adequate capital to fulfill all of its service obligations prescribed by the Commission.

Suburban affirms that its parent's policies ensure that Suburban shall be provided with adequate capital to fulfill all of its service obligations prescribed by the Commission.

VII.B.

If the parent is publicly traded, the utility shall notify the Director of the Commission's Division of Water and Audits and the Director of the Division of Ratepayer Advocates in writing within 30 days of any downgrading to the bonds of the parent, another affiliate, and/or the utility, and shall include with such notice the complete report of the issuing bond rating agency.

SouthWest Water Company is not publicly traded, so this Rule is not applicable.

VII.C.

The creation of a new affiliate by the parent or another affiliate shall not adversely impact the utility's operations and provision of service.

Suburban will maintain a policy to ensure compliance with Rule VII.C. Further, Suburban's ongoing compliance with General Order 103-A precludes the possibility of degradation of the reliability, efficiency, adequacy, or cost of utility service (in particular, Section II of GO 103-A, Standards of Service, requires that each utility shall operate its system so as to deliver reliable, high quality service to its customers at reasonable cost and that each water utility shall ensure that it complies with the California Dept. of Public Health's permit requirements and all applicable drinking water regulations.)

VII.D.

Debt of the utility's parent or other affiliates shall not be issued or guaranteed or secured by the utility.

Suburban's parent maintains an appropriate policy to ensure compliance with Rule VII.D.

VII.E.

Financial Separation. Within three months of the effective date of the decision adopting these Rules, each utility with a parent company shall file a Tier III advice letter proposing provisions that are sufficient to prevent the utility from being pulled into the bankruptcy of its parent company. The process specified by the Advice Letter Filing shall include a verification that the provisions have been implemented and signed by the utility's senior management (e.g., the Chief Executive Officer, Chief Financial Officer, and General Counsel).

On March 31, 2011, Suburban filed Advice Letter 282-W proposing provisions sufficient to prevent Suburban from being pulled into the bankruptcy of its parent.

VII.F.

Rules VI, VII, VIII(B) and VIII(C) adopted in Decision 97-12-011 (applicable to California Water Service Company), and Rules 12, 13, 15 and 16 adopted in Decision 98-06-068 (applicable to Golden State Water Company), continue in effect for those companies only.

This Rule is not applicable to Suburban.

RULE VIII Regulatory Oversight

VIII.A

The officers and employees of the utility and its affiliated companies shall be available to appear and testify in any proceeding before the Commission involving the utility. If, in the proper exercise of the Commission staff's duties, the utility cannot supply appropriate personnel to address the staff's reasonable concerns, then the appropriate staff of the relevant utility affiliated companies including, if necessary, its parent company, shall be made available to the Commission staff.

Suburban affirms that it will make available the appropriate officers or employees necessary to testify in any proceeding before the Commission.

VIII.B

The utility and its affiliated companies shall provide the Commission, its staff, and its agents with access to the relevant books and records of such entities in connection with the exercise by the Commission of its regulatory responsibilities in examining any of the costs sought to be recovered by the utility in rate proceedings or in connection with a transaction or transactions between the utility and its affiliates. The utility shall continue to maintain its books and records in accordance with all Commission rules. The utility's books and records shall be maintained and housed available in California.

Suburban affirms that it will make available the relevant records that are germane to any of the costs sought to be recovered by the utility in rate proceedings or in connection with a transaction or transactions between Suburban and its affiliates. Suburban affirms that it will make available its books and records in accordance with all Commission rules. The utility affirms that its books and records will be available in California.

VIII.C.

Compliance Plans. Each utility shall include a compliance plan as part of its annual report, starting in 2011 with the 2010 annual report and biennially thereafter. The compliance plan shall include:

- 1. A list of all affiliates of the utility, as defined in Rule II.D, and for each affiliate a description of its purposes or activities, and whether the utility claims that Rule I.B makes any portion of these Rules applicable to the affiliate;**
- 2. A description of the procedures in place to assure compliance with these Rules; and**
- 3. A description of both the specific mechanisms and the procedures that the utility and parent company have in place to assure that the utility is not utilizing the parent company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules in any respect. The description shall address, but shall not be limited to (a) the dissemination of information transferred by the utility to an affiliate covered by these Rules, (2) the provision of services to its affiliates covered by these Rules or (c) the transfer of employees to its affiliates covered by these Rules in contravention of these Rules. A corporate officer from the utility and parent company shall verify the adequacy of these specific mechanisms and procedures to ensure that the utility is not utilizing the parent company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules.**

This filing constitutes the required Plan responsive to this Rule. Suburban affirms that it has a policy in place that will comply with the subsequent biennial update filing requirements of Rule VIII.C. The list of affiliates is provided in Attachment A (currently there are none), and the policies and procedures are provided in Attachment B.

VIII.D

New Affiliates. Upon the creation of a new affiliate, the utility shall immediately notify the Commission of its creation, as well as posting notice of this event on its web site. No later than 60 days after the creation of this affiliate, the utility shall file an information-only filing, as provided for in Rule 6.1 of General Order 96-B, with the Director of the Commission's Division of Water and Audits, with service on the Director of the Division of Ratepayer Advocates. The advice letter shall state the affiliate's purpose or activities and whether the utility claims these Rules applicable to the new affiliate, and shall include a demonstration to the Commission that there are adequate procedures in place that will assure compliance with these Rules. The advice letter may include a request, including supporting explanation, that the affiliate transaction rules not be applied to the new affiliate. If the utility requests that the affiliate transactions rules not be applied to the new affiliate, in lieu of an information-only filing, the utility shall file a Tier 2 advice letter making such a request, including an explanation of why these Rules should not apply to the new affiliate.

Suburban affirms that it has policies in place to conform to Rule VIII.D.

VIII.E

Independent Audits. Commencing in 2013, and biennially thereafter, the utility shall have an audit performed by independent auditors if the sum of all unregulated affiliates' revenue during the last two calendar years exceeds 5% of the total revenue of the utility and all of its affiliates during that period. The audits shall cover the last two calendar years which end on December 31, and shall verify that the utility is in compliance with these Rules. The utility shall submit the audit report to the Director of the Division of Water and Audits and the Director of the Division of Ratepayer Advocates no later than September 30 of the year in which the audit is performed. The Division of Water and Audits shall post the audit reports on the Commission's web site. The audits shall be at shareholder expense.

Suburban affirms that it has adequate procedures in place to comply with this Rule.

VIII.F.

Annual Affiliate Transaction Reports. Each year, by March 31, the utility shall submit a report to the Director of the Division of Water and Audits and the Director of the Division of Ratepayer Advocates that includes a summary of all transactions between the utility and its affiliated companies for the previous calendar year. The utility shall maintain such information on a monthly basis and make such information available to the Commission's staff upon request. The summary shall include a description of each transaction and an accounting of all costs associated with each transaction although each transaction need not be separately identified where multiple transactions occur in the same account (although supporting documentation for each individual transaction shall be made available to the Commission staff upon request). These transactions shall include the following:

1. Services provided by the utility to the affiliated companies;
2. Services provided by the affiliated companies to the utility;
3. Assets transferred from the utility to the affiliated companies;
4. Assets transferred from the affiliated companies to the utility;
5. Employees transferred from the utility to the affiliated companies;
6. Employees transferred from the affiliated companies to the utility;
7. The financing arrangements and transactions between the utility and the affiliated companies;
8. Services provided by and/or assets transferred from the parent holding company to affiliate company which may have germane utility regulations impacts; and
9. Services provided by and/or assets transferred from affiliated company to the parent holding company which may have germane utility regulation impacts.

Suburban interprets these requirements as applying to all services (excluding shared corporate services), assets or employee transfers and financing arrangements and transactions. Suburban affirms that it has adequate procedures in place to comply with Rule VIII.F.

RULE IX. Confidentiality

Any records or other information of a confidential nature furnished to the Commission pursuant to these Rules that are individually marked Confidential are not to be treated as public records and shall be treated in accordance with P. U. Code § 583 and the Commission's General Order 66-C, or their successors.

Suburban affirms that it has adequate procedures in place to comply with Rule IX.

RULE X. Provision of Non-tariffed Products and Services (NTP&S)

X.A

Except as provided for in these rules, new products and services shall be offered through affiliates.

Suburban affirms that it has adequate policies, procedures and mechanisms to comply with Rule X.A.

X.B.

A utility may only offer on the open market the following products and services:

- 1. Existing products and services offered by the utility pursuant to tariff;**
- 2. New products and services that are offered on a tariffed basis; and**
- 3. Products and services that are offered on a non-tariffed basis (NTP&S) and that meet the following conditions:**
 - a) The NTP&S utilizes a portion of the excess or unused capacity of a utility asset or resource;**
 - b) Such asset or resource has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;**
 - c) The involved portion of such asset or resource may only be used to offer the product or service on a non-tariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;**
 - d) The products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers, and no undue diversion of utility management attention; and**
 - e) The utility's offering of the NTP&S does not violate any California law, regulation, or Commission policy regarding anticompetitive practices.**

Suburban affirms that it has adequate policies, procedures and mechanisms to comply with Rule X.B.

X.C.

Revenues. Gross revenue from NTP&S projects shall be shared between the utility's shareholders and its ratepayers. In each general rate case, NPT&S revenues shall be determined and shared as follows:

- 1. Active NTP&S projects: 90% shareholder and 10% ratepayer.**
- 2. Passive NTP&S projects: 70% shareholder and 30% ratepayer.**
- 3. A utility shall classify all NTP&S as active or passive according to the table below. For a new NTP&S not listed in the table, which requires approval by the Commission by advice letter pursuant to Rule X.G, an "active" project requires a shareholder investment of at least \$125,000. Otherwise the new NTP&S shall be classified as passive. No costs recoverable through rates shall be counted toward the \$125,000 threshold.**
- 4. Revenues received that are specified in a contract as pass-through of costs, without any mark-up, shall be excluded when determining revenue sharing. If an advice letter is required pursuant to Rule X.G, the utility shall specify in the**

advice letter any items other than postage, power, taxes, and purchased water for which it proposes pass-through treatment and must obtain Commission approval for such treatment.

- 5. For those utilities with annual Other Operating Revenue (OOR) of \$100,000 or more, revenue sharing shall occur only for revenues in excess of that amount. All NTP&S revenue below that level shall accrue to the benefit of ratepayers.**
- 6. For those utilities with annual OOR below \$100,000, there shall be no sharing threshold, and ratepayers shall accrue all benefits for non-tariffed products and services.**

Suburban affirms that it has adequate policies, procedures and mechanisms to comply with Rule X.C. Suburban will share gross revenues from NTP&S projects as described above.

Furthermore, in each general rate case, the Public Advocates Office will have the opportunity to review the sharing of the gross revenues from NTP&S projects.

X.D.

Cost Allocation. All costs, direct and indirect, including all taxes, incurred due to NTP&S projects shall not be recovered through tariffed rates. These costs shall be tracked in separate accounts and any costs to be allocated between tariffed utility services and NTP&S shall be documented and justified in each utility's rate case. More specifically, all incremental investments, costs, and taxes due to non-tariffed utility products and services shall be absorbed by the utility shareholders, i.e., not recovered through tariffed rates.

Suburban affirms that it has adequate policies, procedures and mechanisms to comply with Rule X.D.

X.E.

Annual Report of NTP&S Projects. Each utility shall include information regarding its NTP&S projects in its Annual Reports, including but not be limited to the following:

- 1. A detailed description of each NTP&S activity;**
- 2. Whether and why it is classified active or passive;**
- 3. Gross revenue received;**
- 4. Revenue allocated to ratepayers and to shareholders, as established in the company's current general rate case;**
- 5. A complete identification of all regulated assets used in the transaction;**
- 6. A complete list of all employees (by position) that participated in providing the non-tariffed service, with amount of time spent on provision of the service;**
- 7. If the NTP&S has been classified as active through advice letter submission, provide the number of the advice letter and the authorizing Resolution; and**
- 8. If the NTP&S did not require approval through advice letter, provide the date notice was given to the Commission.**

Suburban affirms that it will comply with all provisions of Rule X.E. Suburban will file a Report on Non-Tariffed Products and Services annually with its Annual Report to the Commission, beginning on June 30, 2011.

X.F.

When a utility initiates the offering of NTP&S that are designated as active or passive in the table below, the utility shall provide notice of such activity by letter to the Director of the Division of Water and Audits and the Program Manager of the Division of Ratepayer

Advocates-Water Branch, within 30 days of instituting such activity.

When required, Suburban will provide notice of such activity by letter to the Director of the Division of Water and Audits and the Program Manager of the Public Advocates Office, within 30 days of instituting such activity.

X.G.

Provision of New NTP&S. Any water or sewer utility that proposes to engage in the provision of new NTP&S not included in the table below, using the excess capacity of assets or resources reflected in the utility's revenue requirement, and which are proposed to be classified as active as described herein, shall file a Tier 3 advice letter (see Resolution ALJ-202) with the Director of the Division of Water and Audits seeking Commission approval. The advice letter shall be served on the service list for Rulemaking 09-04-012 and the service list for the utility's current or most recent general rate case. The advice letter shall contain the following:

- 1. A full description of the proposed NTP&S, including, without limitation, the identity of parties served (if known), revenue and cost forecasts, and the term of any contract to be employed.**
- 2. A description of the accounting method to be used to allocate the incremental costs between tariffed services and caused by the NTP&S.**
- 3. Copies of all operative documents for the proposed service.**
- 4. A detailed description of any items other than postage, power, taxes, and purchased water for which the utility proposes pass-through treatment for purposes of calculating revenue sharing.**
- 5. Complete identification of all utility regulated assets and personnel resources that will be used in the proposed transaction. Identify the particular excess capacity (or capacities) asset or resource to be used to provide the NTP&S.**
- 6. A complete list of all employees that will participate in providing the service, with an estimate of the amount of time each will spend.**
- 7. A showing that the proposed NTP&S may be offered without adversely affecting the cost, quality, or reliability of the utility services.**
- 8. A showing of how the NTP&S will be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk, and no undue diversion of utility management attention.**
- 9. A showing of how the NTP&S does not violate any law, regulation, or Commission policy regarding anti-competitive practices.**
- 10. A justification for classifying the NTP&S as active. The utility shall demonstrate that there is or will be incremental shareholder investment above \$125,000.**
- 11. A statement that all risks incurred through this proposed NTP&S project shall be borne by the utility's shareholders.**
- 12. A description of the market served by the proposed NTP&S project, a list or description of the current incumbents in that market, and an analysis of how the utility's entry into the market will affect the market's competitiveness. Include in this analysis a description of how the utility will guard against using anti-competitive pricing in this market.**
- 13. Any other information, opinions, or documentation that might be relevant to the Commission's consideration of the NTP&S.**

When required, Suburban will file a Tier 3 advice letter containing the above information with the Director of the Division of Water and Audits seeking Commission approval. Suburban will serve the advice letter on the service list for Rulemaking 09-04-012 and the service list for Suburban's current or most recent general rate case.

Attachment A

Suburban Water Systems Affiliates

Subsidiary Name	Subsidiary's Line of Business	Primary Location of Subsidiary	Applicability of Rules
N/A	N/A	N/A	N/A

Attachment B

Suburban Water Systems Company

Affiliated Transaction Rules and Non-Tariffed Products and Services

Policies and Procedures

Policy on Compliance with ATR and NTP&S Rules

Suburban's policy is to comply with all applicable Rules established in the Decision. Suburban's management team has the overall responsibility to ensure that the Company complies with the Rules established in the Decision and those related rules that were not superseded by these Rules. Where interpretation of a Rule is required by Suburban's management team, it will do so in good faith and consistent with Rule I.I. which would require a broad interpretation and with the intent of meeting the objectives of protecting consumer and ratepayer interests and preventing anti-competitive conduct.

Policy on Utility Operations and Service Quality

It is Suburban's policy not to allow affiliate transactions to diminish staffing, resources, or activities in a manner that would result in degradation of the reliability, efficiency, adequacy, or cost of utility service or an adverse impact on customer service. Utility management attention shall not be diverted to such transactions in a way that would result in such degradation. Suburban shall not sell utility assets at any price if such transfer of assets would impair the utility's ability to fulfill its obligation to serve or to operate in a prudent and efficient manner."

It is Suburban's policy not to engage in anti-competitive behaviors. As such, employees are prohibited from the following activities:

1. Providing business leads to its unregulated affiliates;
2. Soliciting business on behalf of its unregulated affiliates;
3. Acquiring information on behalf of or to provide to its unregulated affiliates;
4. Sharing market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its unregulated affiliates, except that Suburban may share such information with a parent under the condition that the parent does not share the information with any other entity;
5. Requesting authorization from its customers to pass on customer information exclusively to its unregulated affiliates;
6. Giving the appearance that the utility speaks on behalf of its affiliates; or
7. Representing that, as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers.

It is Suburban's policy that should it provide information, services or unused capacity to an unregulated affiliate that Suburban will provide similarly situated market participants with the same. This information will be posted on Suburban's internet site.

Suburban's unregulated affiliates are as follows:

1. 1710 WOODCREEK FARMS, INC.
2. ALABAMA UTILITY SYSTEMS, INC.
3. CUC HOLDING COMPANY, INC.
4. FLORIDA UTILITY SYSTEMS, INC.
5. METRO WATER SYSTEMS, INC.
6. MONARCH UTILITIES, INC.
7. NEW MEXICO UTILITIES, INC.
8. NI AMERICA OPERATING, INC.
9. NI AMERICA TEXAS, LLC
10. NI SC ENVIRONMENTAL SERVICES, INC.
11. NI SOUTH CAROLINA, INC.
12. NI SOUTH CAROLINA UTILITIES, INC.
13. NORTHWEST UTILITY SYSTEMS, INC.
14. OREGON WATER UTILITIES, INC.
15. SHELBY RIDGE UTILITY SYSTEMS LLC
16. SOUTH CAROLINA UTILITY SYSTEMS, INC.
17. SOUTHEAST UTILITY SYSTEMS, INC.
18. SOUTHWEST WATER COMPANY
19. SW MERGER ACQUISITION CORP.
20. SWWC SERVICES, INC.
21. TEXAS WATER SERVICES GROUP, LLC
22. TWC UTILITY COMPANY, LLC

Policy on Separation

It is Suburban's policy to fairly allocate, pursuant to an established cost allocation manual, common costs amongst all affiliates benefitting from those common costs such that ratepayers of the utility are not subsidizing activities of the parent or another affiliate.

It is Suburban's policy that employees transferred or temporarily assigned from the utility to an affiliate shall not use non-public, proprietary utility information from the utility in a manner that would be detrimental to unaffiliated competitors.

Policy on Shared Corporate Services

It is Suburban's policy that the provision of shared corporate services will not provide a means to transfer confidential non-public utility information from the utility to an affiliate that would create the opportunity for preferential treatment or unfair competitive advantage for the utility's affiliate, lead to customer confusion or create significant opportunities for cross-subsidy of affiliates.

It is Suburban's policy that it will not provide to unregulated affiliates any of the following services:

1. Engineering
2. Hedging and financial derivatives
3. Arbitrage services
4. Water or sewage for resale, except as necessary to provide safe and adequate service.

5. Water storage capacity
6. Purchasing of water distribution services
7. Marketing

Policy on the Financial Health of the Utility

It is Suburban's policy that it will not allow the creation of a new affiliate to adversely impact Suburban's operation or provision of service.

It is Suburban's policy not to issue, guarantee or secure debt of Suburban's affiliates.

Policy on the Provision of Non-Tariffed Products and Services

It is Suburban's policy to only offer services consistent with those services provided for in this Decision. Consistent with the Commission Rules established in Decision 00.07.018, as subsequently amended.

Procedures on Related Rules Not Superseded by the Decision

These related rules pertain to filing of the general rate cases and debt financing. As these rules are an on-going requirement for Suburban, the existing procedures for filing of the general rate cases and debt financing applications do not require modification. Suburban's Accounting Department is directly responsible for compliance with these Rules.

Procedure on Utility Operations and Service Quality

1. Any request from an affiliate to Suburban for customer information must include the specified customer's explicit written consent. The written consent must include a release to provide the same information to any similarly situated market participant. The request must be made to Suburban's President. If the President deems the request to be approved by the customer, the information can be released. The written consent will be retained for three years by Suburban's Customer Service Manager for the applicable service area.
2. Provision of any of the following to an affiliate is to be approved in writing by Suburban's President:
 - a. Provision of customer information
 - b. Provision of utility services
 - c. Allowing use of unused capacity or supply

A copy of the written approval will be posted on Suburban's website so that similarly situated market participant can request similar treatment.

Procedures on Separation

1. Suburban has allocated common costs for more than 30 years. The accounting procedures used by Suburban have routinely been reviewed by the Public Advocates Office or its predecessors in Suburban's general rate cases. No changes in those procedures are required

to comply with the related rules of this Decision 10.10.019, D.11.10.035 and as modified by D.12.01.042.

2. Existing procedures and mechanisms provide direction and the means for employees to charge time between affiliates when appropriate. Mechanisms for allocating direct and indirect costs are routinely reviewed by the Public Advocates Office in every general rate case.
3. All permanent transfers of Suburban employees to an affiliate will be coordinated through SouthWest's Human Resources Department. The Human Resources Department will provide notification of the transfer, after it has been finalized and consummated, to the Manager of Accounting. The Manager of Accounting will coordinate the necessary recordation of any applicable fees in a separate Memorandum Account so that the ratepayers receive those fees in the next general rate case. In addition, SouthWest's Human Resource department will provide a copy of the Policy on Separation and will review it with the transferring employee and the hiring authority at the affiliate.
4. Each month, the Manager of Accounting will coordinate the preparation of a report showing the number of hours worked by an employee for an unregulated affiliate in accordance with Rule IV.E.3. All potential problems will be communicated to Suburban's President and Chief Financial Officer for resolution, if necessary.

Procedure for Shared Corporate Services

The accounting procedures that Suburban uses for shared corporate services have routinely been reviewed by the Public Advocates Office in its general rate cases. No changes in those procedures are required to comply with the related Rules of this Decision 10.10.019, D.11.10.035 and as modified by D.12.01.042.

Procedure for Pricing of Goods and Services between Suburban and Unregulated Affiliates

This procedure is not applicable to Suburban because Suburban does not transact with unregulated affiliates.

Procedure for Regulatory Oversight

1. SouthWest's Legal Department will advise Suburban's Manager of Regulatory Affairs within 14 days of establishing a new affiliate. Suburban's Manager of Regulatory Affairs will provide this information to Suburban's Vice President of Regulatory Affairs, and will file the necessary information only filing with the Commission within the 60 day requirement.
2. Biennially, Suburban's Manager of Accounting will make the necessary calculation to determine if an independent audit is required. This calculation will be provided to Suburban's Chief Financial Officer by March 31st. If an audit is required, the Chief Financial Officer will direct the Manager of Regulatory Affairs to scope the audit and engage an appropriate firm to perform such an audit. The audit results will be provided to

the Commission by September 30th of the year in which the audit is performed.

3. Suburban's Manager of Regulatory Affairs will review annually the reporting requirements associated with the Annual Report to the Commission to ensure that the report is complete. This includes the biennial requirement to update this Plan.
4. The existing accounting system has sufficient capability to track the requirements of the Annual Affiliate Transaction Reports. Suburban's Manager of Accounting will coordinate the preparation of this report and submit it as required by Rule VIII.F.

Procedure on Confidentiality

All individuals responsible for submitting reports to the Commission or members of the Commission's staff will determine if any portion of the information is deemed to be confidential. If so, it will mark the filing as Confidential in the manner required by the Commission.

Procedures on Provision of Non-tariffed Products and Services

The Rules in this Decision made minimal change to the rules adopted in D.00-07-018. Suburban has reviewed its existing procedure from D.00-07-018 and no changes are deemed necessary to comply with the requirements of the Decision. The procedure covers gross revenue sharing, classification of products and services, reporting requirements, accounting treatment and the process of dealing with proposed new products or services Suburban may consider providing. Prior to the provision of any new services, the individual advocating that Suburban undertake this endeavor is required to convene a meeting where the Commission Rules are discussed, and if appropriate, the Company would request approval of the Commission prior to engaging in that service.

Procedure for Seeking an Interpretation of the Commission Rules

Any individual who is responsible for complying with the Rules of this Decision or engaged in any activity that is subject to these Rules and who has a question about the Rules, shall email a request for interpretation to the Chief Financial Officer and Manager of Accounting. The request should include a brief explanation of the question or concern and indicate when they need a response. The Chief Financial Officer and/or Manager of Accounting will respond in writing.