



STATE OF ALABAMA

ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 304260
MONTGOMERY, ALABAMA 36130-4260

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CHRIS V. BEEKER III, COMMISSIONER, PLACE 2

JOHN A. GARNER, EXECUTIVE DIRECTOR

**COMMUNITY UTILITIES OF ALABAMA,
INC., ALABAMA WATER UTILITIES, INC.**

PETITIONERS,

**OFFICE OF THE ATTORNEY GENERAL OF
ALABAMA,**

Intervenor.

**PETITION: FOR APPROVAL OF A
MERGER OF COMMUNITY
UTILITIES OF ALABAMA INC. AND
ALABAMA WATER UTILITIES, INC.
AND
TRANSFER OF CERTIFICATE OF
FINANCIAL VIABILITY**

DOCKET 32553

ORDER

Petitioners seek approval for the merger of Community Utilities of Alabama, Inc. (“CUA”) and Alabama Water Utilities, Inc. (“AWU”) and the transfer of CUA’s certificate of financial viability to AWU, the surviving entity. A hearing was held on February 14, 2025, in which Petitioners, the Office of the Attorney General of Alabama (“Attorney General”), and Commission Staff were present and participated.

Summary of Hearing Testimony

At the hearing, Petitioners offered two witnesses to support the petition: Andrew Dickson (vice president of finance for CUA and AWU) and Guy Locker (the president of AWU, its subsidiary Shelby Ridge Utility Systems, LLC, and CUA). Mr. Dickson testified regarding the financial aspects of the proposed merger. He stated that the two companies are already under common ownership and control. Mr. Dickson indicated that the merger would involve consolidating accounting systems and creating one set of books for regulatory filings and reports. He asserted that the merger would create efficiencies by simplifying regulatory proceedings, reducing filing costs, and allowing staff to focus more on budgets, forecasting, and operational improvements, adding that having one rate case instead of two would result in cost savings on expert witnesses and legal counsel.

Mr. Locker testified that the purpose of the proposed merger is to gain efficiency. He explained that the companies already operate in close proximity within Alabama, so the merger is expected to reduce costs, including regulatory and rate case expenses. Mr. Locker represented that the merger itself would not result in immediate rate changes for customers. He stated that the merger would appear seamless to customers, as both companies already operate out of the same Alabama office. Mr. Locker noted that the internal target date for completing the merger is August 1, 2025.

On examination of both witnesses by Commission Staff, the witnesses indicated no immediate plans to change rates after the merger. They explained that AWU has been working to align rates across its systems, with North Shelby and Shelby Ridge at \$92.95, while Riverview has a different structure. The witnesses stated that CUA customers currently pay a flat rate of \$76.68 per month. While Petitioners noted an intention to create a consolidated tariff in the future, that consolidation was not proposed for consideration in this proceeding. When questioned about the potential for rate disparities post-merger, Mr. Dickson explained that consolidation could benefit customers with currently lower rates because future investments in smaller systems like CUA could lead to more drastic rate increases if costs are not spread across a larger customer base.

On cross-examination of both witnesses by the Attorney General, the witnesses stated that AWU was previously SWWC Utilities Inc. and has been in business for about 20-25 years. They indicated that the company was not previously rate regulated but had some environmental regulations. The witnesses stated that AWU has six wastewater systems in Alabama, with three coming under Commission jurisdiction due to a constitutional amendment.¹ The witnesses stated that operations and decision-making would remain at the Alabama level, though some functions, like customer service, would report through a corporate enterprise services group. They stated that managerial, technical, and

¹ Prior to the hearing, Petitioners filed a memorandum addressing some of the issues that may arise given that the Commission's jurisdiction over CUA and AWU originates from different sources. The Commission has jurisdiction over CUA as a wastewater management entity ("WME") pursuant to Ala. Code Chapter 22-25B and the Commission has jurisdiction over AWU pursuant to Alabama Const. Local § 58-11.21 ("Shelby County Amendment").

financial resources from the larger Nexus Water Group would be available, with corporate costs allocated across states using a defined methodology. The witnesses reiterated that the merger is not expected to impact rates directly but may allow for some operational efficiencies.

In response to questions from the administrative law judge, the witnesses described the differences between the wastewater systems operated by the companies, stating that CUA operates smaller WME systems serving dozens to hundreds of customers, typically in rural subdivisions, and that AWU operates larger "municipal scale" systems serving thousands of customers across multiple subdivisions and commercial areas. They elaborated that CUA's systems are usually built by developers and then turned over to CUA to operate, while AWU's systems were originally built speculatively by utilities about 30 years ago, with developers adding infrastructure over time as areas developed.² Addressing the administrative law judge's concerns about Petitioners' plans for future consolidation of tariffs for service from the two types of systems, especially given that CUA customers may have already paid for their local infrastructure through property costs, the witnesses indicated they will analyze bill impacts and consider factors like past customer contributions when looking at future rate designs. The witnesses also pledged to maintain separate cost tracking for regulated and unregulated systems to prevent cross-subsidization, and they also agreed to provide information to allow the Commission to verify that costs are properly allocated between regulated and unregulated operations. The representatives of the Petitioners also agreed to participate in an informal workshop to address issues arising from merging entities subject to different legal frameworks.

Analysis and Findings

The evidence indicates that the proposed merger would lead to cost savings through simplified regulatory proceedings, consolidated accounting, and operational efficiencies. While these cost savings appear to be in the public interest, concerns remain in two areas: 1) the impact on current CUA

² The witnesses represented that Petitioners do not plan to build new speculative large-scale systems going forward.

customers who have lower rates and are served by sewer systems different from those operated by AWU; and 2) any different regulatory treatment given that the Commission's jurisdiction over CUA and AWU arises from different sources (CUA as a WME pursuant to Ala. Code Chapter 22-25B and AWU pursuant to the Shelby County Amendment). The Petitioners adequately addressed the first concern by pledging that the merger will be seamless for existing customers (no immediate rate changes or consolidation of tariffs). They also pledged to maintain their books and records to prevent lower-cost customers from subsidizing higher-cost customers. The Petitioners also responded sufficiently to the second concern by agreeing to participate in a workshop to address regulatory issues stemming from merging entities subject to different legal frameworks. Therefore, the proposed merger appears to be in the public interest and is due to be approved.

IT IS THEREFORE ORDERED that Petitioners' request for the approval of the merger of Community Utilities of Alabama, Inc. and Alabama Water Utilities, Inc. is hereby approved.

IT IS FURTHER ORDERED that Community Utilities of Alabama, Inc.'s certificate of financial viability is transferred to Alabama Water Utilities, Inc., the surviving entity, effective upon merger of the entities.

IT IS FURTHER ORDERED that Alabama Water Utilities, Inc. shall provide notice of the merger to all customers between 30 and 60 days prior to the effective date of the merger.

IT IS FURTHER ORDERED that Alabama Water Utilities, Inc. shall maintain the current tariffs and rates for all customers, with a separate tariff for the former customers of Community Utilities of Alabama, Inc.

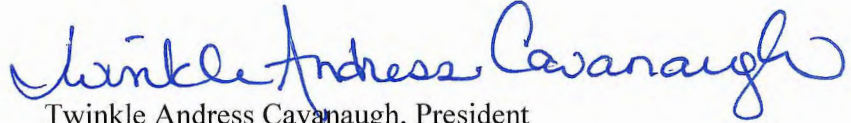
IT IS FURTHER ORDERED that Alabama Water Utilities, Inc. shall file both tariffs within 30 days of the effective date of this order.

IT IS FURTHER ORDERED that Alabama Water Utilities, Inc. shall coordinate with Commission Staff to schedule a workshop to address regulatory issues stemming from merging entities subject to different legal frameworks.

IT IS FURTHER ORDERED that this Order is effective as of the date hereon.

DONE at Montgomery, Alabama, this 14th day of May, 2025.

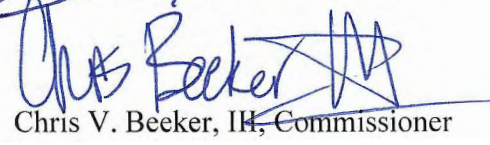
ALABAMA PUBLIC SERVICE COMMISSION

A handwritten signature in blue ink, reading "Twinkle Andress Cavanaugh".

Twinkle Andress Cavanaugh, President

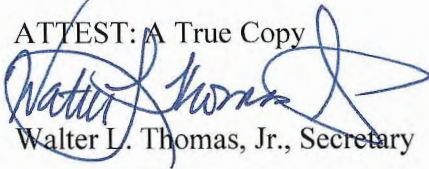
A handwritten signature in blue ink, reading "Jeremy H. Oden".

Jeremy H. Oden, Commissioner

A handwritten signature in blue ink, reading "Chris V. Becker, III".

Chris V. Becker, III, Commissioner

ATTEST: A True Copy

A handwritten signature in blue ink, reading "Walter L. Thomas, Jr.". The signature is stylized and includes a large flourish.

Walter L. Thomas, Jr., Secretary