



**Public Utilities
Commission**

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M. Beth Trombold
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June 9, 2020

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Cleveland Thermal Steam Distribution, LLC and Cleveland Thermal Chilled Water Distribution, LLC for Approval of a Conversion to a Domestic Corporation and Related Matters, Case Nos. 19-2106-HT-UNC and 19-2107-CC-UNC.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation regarding the corporate conversion filing made by Cleveland Thermal Steam Distribution, LLC, Case No. 19-2106-HT-UNC and Cleveland Thermal Chilled Water Distribution, LLC, Case No. 19-2107-CC-UNC.

David Lipthrott
Chief, Accounting and Finance Division
Rates and Analysis Department
Public Utilities Commission of Ohio

Barbara Bossart
Chief, Reliability and Service Analysis Division
Service Monitoring and Enforcement Department
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Cleveland)
Thermal Steam Distribution, LLC for) Case No. 19-2106-HT-UNC
Approval of a Conversion to a Domestic)
Corporation and Related Matters)

In the Matter of Cleveland Thermal Chilled)
Water Distribution, LLC for Approval of a) Case No. 19-2107-CC-UNC
Conversion to a Domestic Corporation and)
Related Matters)

Staff Review and Recommendation

APPLICATION DESCRIPTION

On December 4, 2019, Cleveland Thermal Steam Distribution, LLC (“CTSD”) and Cleveland Thermal Chilled Water Distribution, LLC (“CTCWD”) (collectively, “Companies”) filed an application with exhibits (“Application”) for the approval of a conversion from limited liability companies to Ohio domestic corporations (“Conversion”), approval of revised tariffs to reflect the conversion, approval of changes in customer materials to reflect the conversion, approval of automatic approval processes for standard contracts, and approval of tariff modifications.

According to the Application, the Companies are wholly owned subsidiaries of Cleveland Thermal, LLC (“Parent”). The Parent, through an intermediary company, is a wholly owned subsidiary of Corix Utilities (Cleveland) Inc., which is a private corporation ultimately owned by British Columbia Investment Management Corporation through its ownership of Corix Infrastructure, Inc. To address a potentially adverse tax consequence owing to the operation of an international tax treaty, parties with an interest in CTSD and CTCWD have elected to convert from limited liability companies to domestic corporations.

Upon completion of the Conversion, CTSD will be converted to Cleveland Thermal Steam Distribution, Inc. and CTCWD will be converted to Cleveland Thermal Chilled Water Distribution, Inc. The Companies will be Ohio domestic corporations after conversion and will continue to operate as public utilities subject to the jurisdiction of the Public Utilities Commission of Ohio (“Commission”).

The Conversion will provide the Parent a substitution of ownership interests in the limited liability companies for interests in the domestic corporations. The assets and liabilities of the

Companies will be unchanged as a result of the Conversion, and the substitution of ownership interests will not adversely affect management, property, capitalization, or any utility service. The Conversion will not result in a change in capitalization, and there will be no abandonment of services.

The Application states that the Conversion will not change requirements imposed by the Commission in any prior proceeding including Case No. 15-1451-HC-UNC. The Companies agree to incorporate those requirements as a condition for the approval of the relief requested. Current reasonable arrangements provide for and will be assigned from the limited liability companies to the domestic corporations.

The Application states that the Conversion will not change tariff rates or terms and conditions, and it does not change current billing statements. The Companies are requesting to change the tariffs and billing statements only to identify the service companies by their status as domestic corporations.

The Application incorporates several exhibits for Commission review that include revised tariffs, updated contracts as appendices to the revised tariffs, revised billing statements and draft customer notices pertaining to the Conversion. Also included is a revised standard steam contract for which the Companies request continued authorization of the automatic approval process. The Companies also request permission to offer a similar standard contract for chilled water that is approved automatically in 30 days unless the Commission takes action to suspend approval within 30 days of the filing.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the Application, inclusive of all exhibits, as well as clarifications provided to Staff by the Companies. As stated in the Application, the Companies have elected to pursue a Conversion to address a potentially adverse tax consequence due to the operation of an international tax treaty. The Conversion will result in the Companies each obtaining status as a resident in the United States under the United States – Canada Income Tax Convention as the converted corporations will be liable to pay tax in the United States. The proposed Conversion will not result in a change of ownership as the Parent will continue to own 100 percent of the stock of the Companies. The Companies have also confirmed that there are no increased financial or tax burdens as a result of the proposed Conversion. The Companies were unable to provide Staff its proposed articles of incorporation for review, stating that the articles of incorporation would be finalized once all necessary regulatory approvals were received and the Conversion could be completed. Staff considers the Conversion to be reasonable, and recommends the Companies be directed to provide its articles of incorporation to Staff upon the completion of the Conversion.

Staff also reviewed the proposed changes to the tariffs, billing statements, standard steam contract, proposed chilled water contract and customer notices. The proposed standard chilled

water contract with 30-day automatic approval appears reasonable. Staff has two recommended tariff changes and a change to the customer service notice:

- First, Staff recommends the Companies correct the lettering in Exhibit A Appendix A and Exhibit B Appendix A, under paragraph 5. *RATES, CHARGES AND BILLING*. The first paragraph should be A. and the '(1)' deleted. The reference to 'B.(2)' should also be deleted. The sentence "Company's invoice for service supplied to Customer pursuant to this Agreement shall include the following:" should be the last sentence of paragraph A.
- Second, Staff recommends the Companies correct the Table of Contents within Exhibits C and D. Section 19 of the Table of Contents refers to the "Rate Schedule for Chilled Water Distribution Default Service." The rates first appear on Sheet No. 23 which should be reflected in the Table of Contents.
- Finally, since the Commission does not issue certificates to steam or chilled water companies, Staff recommends the Companies remove the "certified to" reference from its proposed customer notice.

Therefore, with adoption of the recommendations made herein, Staff recommends that the Commission approve the Companies' Application.

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 19-2106-HT-UNC, 19-2107-CC-UNC

Summary: Staff Review and Recommendation regarding the corporate conversion filing made by Cleveland Thermal Steam Distribution, LLC, Case No. 19-2106-HT-UNC and Cleveland Thermal Chilled Water Distribution, LLC, Case No. 19-2107-CC-UNC electronically filed by Zee Molter on behalf of PUCO Staff