



Public Utilities Commission

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Daniel R. Conway
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April 13, 2023

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 Corporate Restructuring*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations Letter concerning the applications filed by Cleveland Thermal Steam Distribution, LLC and Cleveland Thermal Chilled Water Distribution, LLC, seeking approval of a corporate restructuring in Case No. 22-1090-HT, et. al.

A handwritten signature in black ink, appearing to read "R. Jason Well".

R. Jason Well
Section Chief, Regulatory Utility Services Division
Public Utilities Commission of Ohio

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Cleveland)
Thermal Steam Distribution, LLC for) Case No. 22-1090-HT-UNC
Approval of a Corporate Restructuring)

In the Matter of Cleveland Thermal Steam)
Distribution, LLC for Approval of Tariff) Case No. 22-1091-HT-ATA
Revisions)

In the Matter of the Application of Cleveland)
Thermal Chilled Water Distribution, LLC for) Case No. 22-1092-HT-UNC
Approval of a Corporate Restructuring)

In the Matter of Cleveland Thermal Chilled)
Water Distribution, LLC for Approval of) Case No. 22-1093-HT-ATA
Tariff Revisions)

Staff Review and Recommendation

APPLICATION DESCRIPTION

On November 23, 2022, Cleveland Thermal Steam Distribution, LLC (“CTSD”) and Cleveland Thermal Chilled Water Distribution, LLC (“CTCWD”) (collectively, “Companies”, Applicants”) filed applications with exhibits (“Applications”) for the approval to transfer the assets of CTSD to a new to be formed Ohio limited partnership to be known as DE Cleveland Thermal Steam LP (“DECTS”) and CTCWD seeks approval to transfer all of its assets to a new to be formed Ohio limited partnership to be known as DE Cleveland Chilled Water LP (“DECCW”). The Companies state that the corporate restructuring (Restructuring) of these two Ohio public utilities is a necessary component of a larger corporate restructuring where the Companies ultimate parent company is involved in a merger to align water and wastewater utility businesses of two merging entities (Merger). The Applications further seek approval of revised tariffs to reflect the proposed name changes associated with the Restructuring and to adjust tariff rates and standard contract offer (SCO) rates that escalate with time

to reflect the passage of time since they were last modified and approved by the Commission. According to the Applications, 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. The Companies, however, are not included in the merger and will therefore retain the same managerial, financial, and technical capabilities with a parent company structure that retains the Corix name. According to the Applicants, the Restructuring proposed herein will not have any adverse impact on the Companies’ ability to provide safe, reliable, and adequate utility service to customers.

Applicants state that DECTS will be formed under the laws of the state of Ohio to provide steam service to consumers within the state for heating purposes and will therefore be a heating company under R.C. 4905.03(H). Similarly, DECWD will be formed under the laws of the state of Ohio to provide chilled water service to consumers within the state for cooling purposes and will therefore be a cooling company under R.C. 4905.03(H). Accordingly, after DECTS is formed and it acquires the assets of CTSD and DECCW is formed and it acquires the assets of CTCWD, the limited partnerships will be heating and cooling public utility companies, respectively, subject to the Commission’s jurisdiction under Title 49 of the Ohio Revised Code.

The Applicants advise that the limited partnership structure will mitigate the risk that the Companies will be considered to be Canadian residents for Canadian tax purposes once the Merger occurs. Applicants further advise that conversion of the Companies directly to limited partnerships was considered but that such conversion would not achieve the U.S. tax objectives of the transaction and could have resulted in adverse Canadian tax impacts. Applicants state that the Merger is expected to close by the end of 2023.

As part of the asset transfer transaction, DECTS will also assume all existing liabilities and obligations of CTSD, and DECCW will assume all existing liabilities and obligations of CTCWD. The employees that operate the existing public utilities will continue to operate and manage the new public utilities and their affiliate generation company.

According to the Applicants, the corporate restructuring proposed herein will not alter any rates or terms of conditions of service for the steam and chilled water services provided currently by CTSD and CTCWD. The Companies state that the only thing the customer will experience differently is that there will be a different legal entity’s name on their bills. From a technical capability perspective, the same employees will operate and manage the new steam and chilled water public utilities and from a service standpoint, there will be no interruption in service so there will be no abandonment of services.

The Application incorporates several exhibits for Commission review that include revised tariffs and updated standard contract offers as appendices to the revised tariffs, pertaining to the Restructuring.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the Applications, inclusive of all exhibits, as well as clarifications provided to Staff by the Companies. As previously discussed, the Companies have elected to pursue a transfer of assets to newly formed limited partnerships to address potentially adverse tax consequences associated with a Merger at the ultimate parent company level of the Companies. 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 Restructuring. Staff considers the Restructuring to be reasonable and recommends that the Commission approve the Restructuring. Staff also reviewed the proposed changes to the tariffs, standard steam contract, standard chilled water contracts and finds them to be reasonable. Therefore, Staff recommends that the Commission approve the Companies' Applications and direct the Companies to file final tariffs upon completion of the Restructuring.

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

4/13/2023 6:16:28 PM

in

Case No(s). 22-1091-HT-ATA

Summary: Staff Review and Recommendation electronically filed by Mrs. Tanika
Hawkins on behalf of PUCO Staff.