

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

In the Matter of )  
Verified Joint Petition of Montague Water )  
Co., Inc., Montague Sewer Co., Inc., Corix ) **BPU Docket No.:** \_\_\_\_\_  
Infrastructure (US) Inc., and SW Merger )  
Acquisition Corp. for Approval of a Change )  
of Control of Montague Water Co., Inc. and )  
Montague Sewer Co., Inc. )  
)

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**Direct Testimony of**

**Dana Hill**

**on behalf of**

**MONTAGUE WATER CO., INC. & MONTAGUE SEWER CO., INC.**

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**PREPARED DIRECT TESTIMONY  
OF DANA HILL  
ON BEHALF OF  
MONTAGUE WATER CO., INC. & MONTAGUE SEWER CO., INC.**

**WITNESS INTRODUCTION AND BACKGROUND**

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Dana Hill. I am the President of Montague Water Co., Inc. (“MWC”)  
3 and Montague Sewer Co. (“MSC”) (together, the “Montague Companies”),  
4 subsidiaries of Corix Regulated Utilities (US) Inc. (“CRU US”). My business  
5 address is 452 Route 206, Montague, New Jersey 07827.

6 **Q. PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.**

7 A. As President, I am responsible for all aspects of the Montague Companies’  
8 business, culminating in the ongoing provision of safe drinking water and  
9 environmentally responsible wastewater service to all our customers.

10 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**  
11 **BACKGROUND.**

12 A. Before assuming my current role effective October 1, 2022, I had been employed  
13 a CRU US subsidiary since October of 2018 and have been in the water and  
14 wastewater profession for 28 years, collectively. Prior to my employment with the  
15 CRU US, I worked for more than 24 years for the Town of Snow Hill, serving my  
16 last nine years as the Utilities Director and Town Manager. I hold advanced  
17 certifications in water and wastewater treatment as well as utility management.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY PUBLIC UTILITY**  
19 **COMMISSIONS?**

20 A. Yes. I have provided testimony before the North Carolina Utilities Commission in  
21 two base rate case proceedings as well as a generic proceeding.

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

23 A. My testimony will provide background on the history and structure of the Montague  
24 Companies; a brief summary of the business combination which is primarily  
25 covered by other witnesses; anticipated impacts on the Companies; and other  
26 commitments.

27 **BACKGROUND OF THE MONTAGUE COMPANIES**

28 **Q. PLEASE DESCRIBE THE HISTORY OF THE MONTAGUE COMPANIES.**

29 A. The Montague Companies are wholly owned subsidiaries of CRU US. CRU US is  
30 a corporation created and existing under the laws of the State of Illinois that owns  
31 water and sewer utilities, including the Montague Companies, and operates in 17  
32 states. CRU US has been involved in the water and sewer industry for over 60  
33 years and has approximately 300,000 customers. CRU US continues to provide  
34 the Montague Companies with the necessary funding, as well as seasoned  
35 management through Water Service Corporation.

36 The Montague Companies provides service to approximately 772 water  
37 customers and 238 sewer customers, all within Montague Township.

38 **THE MONTAGUE COMPANIES' MISSION AND VALUES**

39 **Q. WHAT ARE THE MONTAGUE COMPANIES' MISSION AND VALUES?**

40 A. The Montague Companies' vision is to be the preferred utility delivering solutions  
41 our customers want. The Montague Companies' values include: safety, integrity,  
42 connection, and excellence. Our values enable our customers and stakeholders to

43 enjoy a better life by improving utility infrastructure and operations while ensuring  
44 strong environmental stewardship in each community served.

45 **Q. HOW DO THE MONTAGUE COMPANIES PLAN TO ACHIEVE THIS VISION?**

46 A. We plan to achieve our vision by accomplishing the following strategic goals:

- 47 • Operational and Service Excellence – developing our people, strengthening  
48 our processes, and investing in our technology to support a high-  
49 performance organization and a culture of continuous improvement.
- 50 • Collaboration and Engagement – communicating and engaging with our  
51 team members, customers, and communities with relevant and timely  
52 billing, service, and operational information to improve stakeholder  
53 awareness and collaboration.
- 54 • Strong Financial Performance – managing and planning business costs,  
55 pursuing growth, and prudently mitigating enterprise risks to engender trust  
56 and confidence in our financial responsibility and ensure access to needed  
57 capital.
- 58 • World Class Talent – attracting and retaining top talent to deliver  
59 dependable, timely, courteous, and quality service.

60 **SUMMARY OF THE TRANSACTION**

61 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF THE TRANSACTION.**

62 A. As discussed by other witnesses, on August 26, 2022, Corix Infrastructure Inc.  
63 (“CII”), Corix Infrastructure (US) Inc. (“Corix US”), IIF Subway Investment LP (“IIF  
64 Subway”), SW Merger Acquisition Corp. (“SWMAC”) and SouthWest Water  
65 Company (“SouthWest”) entered into a transaction agreement. Upon

66 consummation of the transaction (“Proposed Transaction”), CII and an affiliate or  
67 affiliates of CII will own 50% of Corix US and SWMAC Holdco, an entity to be  
68 formed by SWMAC’s shareholders, will own the remaining 50% of Corix US (the  
69 “Proposed Transaction”). Corix US will own all of the stock of a new holding  
70 company, Intermediate Newco, and Intermediate Newco will indirectly own  
71 Montague.

72 **IMPACT ON THE MONTAGUE COMPANIES**

73 **Q. HOW WILL THE MONTAGUE COMPANIES OPERATE AFTER THE**  
74 **TRANSACTION?**

75 A. As other witnesses explain, being locally led and locally operated are important to  
76 both CII and SouthWest. The Montague Companies will continue to operate under  
77 their existing name and brand. Customers in Montague Township will continue to  
78 be served by a team of passionate, dedicated employees and leaders with local  
79 responsibility and accountability.

80 The Montague Companies will continue to provide safe and reliable water  
81 and wastewater service to their customers. The Montague Companies will  
82 maintain employees, offices, and facilities consistent with their obligation to serve  
83 customers and intends to maintain a local presence. I also understand that Corix  
84 US’s Chicago office will serve as the hub of the combined company’s shared  
85 services operations.

86 **IMPACT ON THE COMMUNITY SERVED BY THE MONTAGUE COMPANIES**

87 **Q. PLEASE DESCRIBE THE MONTAGUE COMPANIES’ COMMUNITY**  
88 **ENGAGEMENT ACTIVITIES.**

89 A. At the Montague Companies, we look to connect with our community members  
90 and community leaders through various initiatives. We encourage employees to  
91 support the communities we serve.

92 **Q. WILL THE MONTAGUE COMPANIES CONTINUE TO ENCOURAGE**  
93 **EMPLOYEES TO SUPPORT COMMUNITY ENGAGEMENT ACTIVITIES?**

94 A. Absolutely. Both CII and SouthWest are dedicated to engaging with our customers  
95 and supporting our communities. The combined company will maintain its shared  
96 commitment to our communities and high customer service levels.

97 **OPERATIONAL BENEFITS**

98 **Q. WHAT OPERATIONAL BENEFITS DO YOU ANTICIPATE THIS BUSINESS**  
99 **COMBINATION WILL PRODUCE?**

100 A. SouthWest and CII share common values centered on safety, environmental  
101 stewardship, integrity, employee empowerment, and excellence in serving our  
102 customers and delivering on our commitments to stakeholders. These shared  
103 values provide an opportunity for operational improvement that follows from  
104 sharing prudent practices and resources.

105 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY SHARING OF PRUDENT**  
106 **PRACTICES.**

107 A. Sharing prudent practices is part of continuous improvement, which we strive for  
108 at CII and our local operations at the Montague Companies. Sharing these  
109 practices involves identifying optimal ways of efficiently performing certain tasks  
110 and operations and then implementing those practices deemed prudent.

111 **Q. HOW CAN SHARING OF PRUDENT PRACTICES BETWEEN CII AND**  
112 **SOUTHWEST IMPROVE THEIR UTILITY SUBSIDIARIES' PERFORMANCE --**  
113 **INCLUDING THE MONTAGUE COMPANIES?**

114 A. Sharing of prudent practices will bring benefits to our customers. The sharing of  
115 prudent practices increases a company's knowledge base and enables improved  
116 decision-making through enhanced efficiency and competence. Examples of  
117 prudent practices that could benefit our customers include methods of addressing  
118 customer service questions/complaints, compliance with environmental  
119 regulations, safety initiatives, data security programs, and operational techniques.  
120 In short, sharing of prudent practices promotes continuous improvement, which  
121 ultimately leads to benefits for customers.

122 **Q. WILL THE PROPOSED TRANSACTION PROVIDE THE MONTAGUE**  
123 **COMPANIES ACCESS TO A BROADER NETWORK FOR SHARING OF**  
124 **PRUDENT PRACTICES AND MUTUAL ASSISTANCE?**

125 A. Yes. Each water and wastewater utility within the combined company will have  
126 access to a broader network of knowledge and mutual assistance. Some examples  
127 include knowledge transfer, advanced technology, and greater efficiency.  
128 Likewise, if a natural or man-made disaster (e.g., a hurricane or cyber breach)  
129 were to disrupt the Montague Companies' operations or operations staff, they  
130 would be able to draw from a larger pool of employees familiar with the Montague  
131 Companies' processes, and these employees would be ready, willing, and able to  
132 assist our operations.

133 **Q. DOES RESOURCE SHARING REDUCE OPERATIONAL RISK?**



134 A. Yes, being part of a larger organization results in more resources, such as  
135 equipment, tools, inventory, and other assets that can be shared or leveraged in  
136 response to emergencies and natural disasters. Accordingly, sharing can reduce  
137 operational risk by connecting to a broader group of vendors, providing for  
138 optionality in day-to-day operations and emergencies.

139 **COMMITMENTS FROM THE JOINT PETITIONERS**

140 **Q. DESCRIBED IN THE JOINT PETITION ARE SEVERAL CUSTOMER**  
141 **PROTECTION COMMITMENTS. WOULD YOU PLEASE COMMENT ON THESE**  
142 **COMMITMENTS?**

143 A. I agree with all of the commitments included in the Joint Petition. The Montague  
144 Companies will continue to focus on providing high-quality water and wastewater  
145 services to their customers while maintaining a strong local presence in New  
146 Jersey in terms of employees, facilities, offices, and community support. The  
147 Montague Companies also reiterate their commitments to refrain from any  
148 involuntary reductions in force related to the combination for the first 12 months  
149 after the Proposed Transaction closes, and to present any new or amended  
150 affiliated interest agreement to the Commission for approval pursuant to N.J.S.A.  
151 48:3-7.1 when required.

152 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

153 A. Yes, it does.

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**Direct Testimony of  
Ellen Lapson, CFA**

**on behalf of**

**Montague Water Co., Inc., Montague Sewer Co., Inc., Corix  
Infrastructure (US) Inc., and SW Merger Acquisition Corp.**

**November 9, 2022**

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### **EXHIBITS**

Exhibit EL-1 Lapson Experience and Credentials

## **GLOSSARY OF ACRONYMS AND DEFINED TERMS**

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
BCI	British Columbia Investment Management Corporation. BCI manages assets for clients that include British Columbia public pension funds, insurance reserves and trust funds.
CII	Corix Infrastructure Inc. As of the closing of the Proposed Transaction, CII and an affiliate or affiliates, each directly or indirectly controlled by BCI, will own 50% of the outstanding stock issued by Corix US.
Corix US	Corix Infrastructure (US) Inc. Prior to the Proposed Transaction, Corix US is a subsidiary of CII; after the Proposed Transaction, Corix US is the parent of Intermediate Newco.
Commission	New Jersey Board of Public Utilities
CRU US	Corix Regulated Utilities (US) Inc. CRU US owns 100% of the outstanding stock issued by Montague Water Co., Inc. and Montague Sewer Co., Inc.
EBITDA	Earnings before Interest Expense, Income Tax, Depreciation and Amortization, a measure of cash flow.
FFO	Funds from Operations, calculated by S&P as EBITDA less cash interest paid and less cash tax paid.
IIF	Infrastructure Investments Fund. A private, open-ended investment vehicle, focused on long-term critical infrastructure assets.
IIF Subway	IIF Subway Investment LP. Owns 75% of the outstanding stock issued by SWMAC. Bazos CIV, L.P. ("Bazos") owns the remaining 25% of SWMAC's stock. Bazos is indirectly owned by the German reinsurer, Munich RE (Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München). As of the closing of the Proposed Transaction, a to-be-formed subsidiary of IIF Subway and Bazos, SWMAC Holdco, will own 50% of the outstanding stock issued by Corix US.

<b><u>Acronym/Defined Term</u></b>	<b><u>Meaning</u></b>
Intermediate Newco	An entity that will be formed for the sole purpose of owning all the water and wastewater businesses previously owned by CII and SouthWest. It will be directly owned by Corix US.
Joint Petitioners	Montague Water Co., Inc., Montague Sewer Co., Inc., Corix Infrastructure (US) Inc., and SW Merger Acquisition Corp.
Moody's	Moody's Investors Service
Proposed Transaction	Proposed combination of water, wastewater, and certain related holdings owned by Corix and Corix US with the holdings of SouthWest.
S&P	Standard & Poor's Ratings or S&P Global Ratings
SWMAC	SW Merger Acquisition Corp.
SWMAC Holdco	A to-be-formed entity that will be owned 75% by IIF Subway, with the remaining 25% owned by Bazos. As of the closing of the Proposed Transaction, SWMAC Holdco will own 50% of the outstanding stock issued by Corix US.
SouthWest	SouthWest Water Company
Utility	Montague Water Co., Inc. and Montague Sewer Co., Inc.



1 Montague Water Co., Inc. and Montague Sewer Co., Inc. as the “Montague  
2 Utilities” or the “Utilities.”

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR OTHER UTILITY**  
4 **REGULATORY COMMISSIONS?**

5 A. Yes, I have previously testified as a financial expert in 13 state jurisdictions<sup>1</sup>, at the  
6 Federal Energy Regulatory Commission, and in US District Court as summarized  
7 in Exhibit EL-1.

8 **Q. WHAT IS THE BASIS FOR YOUR EXPERTISE IN MATTERS RELATING TO**  
9 **UTILITY MERGERS AND BUSINESS COMBINATIONS?**

10 A. Before I founded Lapson Advisory in 2012, I was a Senior Director and then a  
11 Managing Director at Fitch Ratings (“Fitch”), one of the three prominent credit  
12 rating agencies in the U.S. market. My team established and maintained the credit  
13 ratings of investor-owned electric, gas, and water utilities. For 17 years at Fitch, I  
14 performed credit evaluations and supervised other analysts to rate hundreds of  
15 electric, gas, and water utilities. Also, I supervised and wrote the credit rating  
16 methodologies applied to companies in the investor-owned electric, gas, and water  
17 sector. While at the credit rating agency, I was a member and then the chair of the  
18 Criteria Committee that oversaw Fitch’s global corporate rating criteria, including  
19 its policies on the credit effects of corporate structure. I closely studied the credit  
20 criteria and policies of the two other large credit rating agencies, Moody’s and S&P.

21 Prior to joining Fitch, I was employed for 20 years from 1974 to 1994 in  
22 commercial banking and investment banking at Chemical Bank, a predecessor of  
23 JP Morgan Chase. In banking, I specialized in structuring financial transactions  
24 for regulated utilities, utility holding companies, and project-financed energy and  
25 natural resource projects, sometimes including bankruptcy-remote special  
26 purpose funding entities, partnership structures, and limited liability companies.

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<sup>1</sup> Arkansas, Colorado, Delaware, District of Columbia, Hawaii, Illinois, Maryland, Massachusetts, New Jersey, New Mexico, New York, South Carolina, Texas.





1 Water service is one of the most capital-intensive industrial sectors. The  
2 Montague Utilities' must make ongoing capital investments in facilities to connect  
3 new customers, access water supplies, and update its assets. To fund its capital  
4 expenditures, the Montague Utilities need access to equity and debt capital.

5 In the testimony that follows, I conduct four distinct analyses. First, I review  
6 the pro forma financial statements of the proposed Intermediate Newco. My  
7 analysis shows that the pro forma financial condition of Intermediate Newco is  
8 similar to the current financial status of the CII water, wastewater and related  
9 businesses.

10 Second, I review the likely effect of the change in owners upon the  
11 Montague Utilities' access to capital. As an indirect subsidiary of Intermediate  
12 Newco, the Montague Utilities will have access to equity capital funding superior  
13 to that which it now has as an indirect subsidiary of CII and direct subsidiary of  
14 Corix Regulated Utilities (US) Inc. ("CRU US"). The owners of Intermediate Newco  
15 will include two complementary sets of private investors which together represent  
16 a very large funding pool committed to investing in essential infrastructure assets.  
17 BCI and IIF each manages funds on behalf of major investors with a long-term  
18 orientation, such as public pension funds.

19 Third, I review the continuing ability of the Montague Utilities' direct parent,  
20 CRU US to access the debt capital market to issue its long-term bonds and to  
21 obtain bank credit facilities. The Proposed Transaction will not disrupt CRU US's  
22 ongoing access to debt funding from the debt capital market and bank credit  
23 facilities, which should continue in the same manner as currently. Both CRU US  
24 and the Montague Utilities may benefit from the increased scale of Intermediate  
25 Newco and the addition of the strong relationships that IIF Subway and SWMAC  
26 have with the lending community. CRU US, and therefore the Montague Utilities,  
27 will not only have access to the same sources of debt capital as it does today, but  
28 it may receive additional attention and consideration from fixed income sources  
29 that have relationships with IIF Subway and SWMAC.



1 characteristics that are consistent with those of investment grade rated peer  
 2 companies in the water and wastewater industry.

3  
 4 **Q. UPON WHAT DO YOU BASE YOUR CONCLUSIONS?**

5 A. I reviewed the pro forma 2021 financial statements of Intermediate Newco  
 6 prepared by sponsor companies SouthWest and CII. The pro forma income  
 7 statement and balance sheet illustrate that the combined company will be  
 8 approximately double the size of the CII water, wastewater and related businesses  
 9 that are part of the business combination, as shown in Table 2 below. Increased  
 10 size and scale will give Intermediate Newco greater diversity (e.g., diverse  
 11 geography, climate, and regulatory jurisdictions) which investors view as a  
 12 favorable qualitative characteristic.

13  
 14 **Table 2: Size of Intermediate Newco Relative to Current SouthWest and Corix**  
 (US \$, 000)

	Corix (a)	SouthWest	Intermediate Newco	Relative Size (b)	(c)
Operating revenues	273,988	248,906	522,894	2.1	1.9
Operating income	51,331	58,551	109,882	1.9	2.1
Net income	24,265	23,662	47,927	2.0	2.0
Property, Plant & Equipmt.					
Net of Depreciation	1,112,073	768,340	1,880,413	2.4	1.7
Long-Term Capital	818,942	1,116,044	1,934,986	1.7	2.4

a. Adjusted to eliminate Corix businesses not included in the business combination.

b. Intermediate Newco divided by SouthWest; c. Divided by original Corix.

15  
 16  
 17 Second, I compared the pro forma financial ratios of Intermediate Newco relative  
 18 to the key financial credit ratios of peer water companies that have investment grade  
 19 credit ratings. Table 3 compares Intermediate Newco with two companies, Essential  
 20 Utilities and SJW Group, both rated in the investment grade category by S&P. I compared  
 21 Intermediate Newco to water companies with S&P ratings because S&P rates more

1 companies in the water and wastewater sector than any other credit rating agency. I  
 2 matched Intermediate Newco's key financial credit ratios with those of these two peer  
 3 companies; all three companies have key credit ratios that are in a comparable range.  
 4 This analysis confirms my view that Intermediate Newco will have financial ratios and  
 5 credit characteristics that are consistent with those of investment grade-rated water utility  
 6 peers.

**Table 3: Intermediate Newco Compared to Peer Water Companies**

	Intermediate Newco	Essential Utilities	SJW Group
Period	12/31/21 PF	12/31/2020(a)	12/31/2020 (b)
<b>RATIOS</b>			
FFO to Debt	10.2%	9.1%	8.4%
Debt to EBITDA	6.8	8.2	7.7
FFO interest coverage	3.4	4.0	3.1
EBITDA Margin	35.2%	48.4%	37.7%

Notes: PF = Pro Forma

a. Source: S&P Global Ratings Direct, "Essential Utilities", Feb. 3, 2022

b. Source: S&P Global Ratings Direct, "SJW Group", Nov. 23, 2021

7  
8

9 **Q. WHAT IS THE MONTAGUE UTILITIES' CURRENT FINANCIAL CONDITION?**

10 A. The Montague Utilities are corporations that are in good standing. CRU US also is  
 11 a corporation that is in good standing. It is solvent and financially sound, and not  
 12 in default of any credit agreements or notes.

13 **Q. WHAT ARE THE MONTAGUE UTILITIES' CURRENT SOURCES OF EQUITY  
 14 CAPITAL?**

15 A. The Montague Utilities' two sources of equity are retained earnings and equity  
 16 contributions from CRU US. CRU US in turn raises equity through its relationship  
 17 with CII and, ultimately, its relationship with BCI.

18

19 **Q. UNDER ITS CURRENT OWNERSHIP, WHAT ARE THE MONTAGUE  
 20 UTILITIES' SOURCES OF DEBT CAPITAL AND CREDIT?**

1 A. CRU US raises debt capital by means of the issuance of long-term collateral trust  
2 notes in the private placement market. CRU US currently has \$326 million of  
3 such debt outstanding. In addition, CRU US has a delayed draw term loan in the  
4 amount of \$75 million, with \$50 million outstanding (and \$25 million available).  
5 CRU US also has a bank credit agreement and may borrow up to \$80 million  
6 under that agreement.

7  
8 **B. Impact of the Transaction on the Utility's Access to Equity**  
9 **Capital**

10  
11 **Q. HOW WILL THE MONTAGUE UTILITIES FULFILL THEIR NEEDS FOR**  
12 **EQUITY CAPITAL AFTER THE PROPOSED TRANSACTION?**

13 A. If new equity is needed to fund capital investment, the indirect co-owners SWMAC  
14 Holdco and CII (and an affiliate or affiliates) would likely be able to obtain infusions  
15 of equity to invest in their indirect subsidiary from IIF Subway and Bazos and  
16 investments managed by BCI. The Proposed Transaction increases and  
17 diversifies the base of equity upon which Montague Utilities can draw in the future  
18 relative to the current sources of equity funding.

19 **Q. PLEASE DESCRIBE THE ROLE OF BCI AND IIF WITHIN THE CAPITAL**  
20 **MARKET.**

21 A. BCI is a highly regarded investment management company founded in 1999. BCI  
22 is a statutory corporation created by the Public Sector Pension Plans Act (British  
23 Columbia) for the purpose of providing investment management services to British  
24 Columbia's public sector. BCI manages approximately \$211 billion (CAD) of assets  
25 on behalf of its clients, which include 11 public sector pension plans, three  
26 insurance funds and various special purpose funds. The public sector pension  
27 funds include public sector employees such as teachers, municipal and provincial  
28 employees. Through its infrastructure and renewable resources program, BCI  
29 seeks long-term, stable investments around the world in regulated utilities,  
30 transportation, telecommunications, and other infrastructure-based industries. The

1 BCI infrastructure and renewable resources program has made net new  
2 investments in utility and infrastructure assets in the past five years of  
3 approximately \$4.2 billion (CAD).

4 IIF is an approximately \$26 billion<sup>2</sup> open-ended private investment vehicle  
5 focused on investing in critical infrastructure assets. It is responsible for investing  
6 and growing the retirement money of more than 60 million families. IIF is a long-  
7 term owner of companies that provide essential services, including water, natural  
8 gas and electric utility services, renewable energy, and transportation  
9 infrastructure, which are all vital to the communities in which they operate. As of  
10 June 30, 2022, IIF owned 20 companies throughout North America, Europe, and  
11 Australia. Since acquiring SouthWest in 2010, IIF has supported over \$500 million  
12 in capital expenditures for critical infrastructure for SouthWest's water and  
13 wastewater businesses.

14 In summary, these owners are well respected entities within the capital  
15 markets. The objectives and investment styles of the IIF and BCI investors are in  
16 harmony, with a strong emphasis on long-term, stable, and low-volatility  
17 investment.

18 **Q. DO YOU SEE ANY BENEFITS FOR THE MONTAGUE UTILITIES FROM THE**  
19 **GREATER SIZE OF THE COMBINED INTERMEDIATE NEWCO AND FROM**  
20 **OWNERSHIP BY IIF SUBWAY IN ADDITION TO BCI?**

21 A. Yes, small water utilities suffer a disadvantage attracting the attention of, and  
22 raising capital in, the equity market. Private investors such as IIF and BCI are  
23 ideally suited to supply common equity to Montague Utilities if equity is needed for  
24 future capital expenditures.

25 There is very little if any overlap between the investors in IIF and the BCI  
26 investor group, so joining these two sets of investors as equity sponsors will  
27 expand the pool of equity capital from which Intermediate Newco's utility  
28 subsidiaries may receive equity infusions when they are needed.

---

<sup>2</sup> As of June 30, 2022.

1           Also, there may be scale benefits for Montague Utilities from association  
2 with a larger enterprise, such as more attention from debt lenders and credit  
3 providers, as I will discuss below. Furthermore, the IIF and BCI portfolio  
4 companies involved in the Proposed Transaction have management expertise and  
5 strong relationships throughout the water and utility industry. This combination will  
6 broaden the network of professionals to share best practices on important priorities  
7 such as health and safety, cybersecurity, operational excellence, and other areas  
8 of shared interest.

9  
10           **C. Transaction Impact on Access to Debt Capital and Credit by**  
11           **Intermediate Newco and the Consolidated Group**

12 **Q. WILL THERE BE ANY ADVERSE EFFECT ON INTERMEDIATE NEWCO'S**  
13 **ACCESS TO DEBT OR CREDIT DUE TO THE PROPOSED TRANSACTION?**

14 A. Quite the contrary. Going forward, Intermediate Newco should have access to a  
15 broader and more diverse group of lenders than at present. For example, there  
16 are currently 23 major private placement lenders that invest in bonds of Corix or  
17 SWWC-affiliated companies. Only three of those private placement lenders  
18 currently are lenders to both groups, indicating only a 13% overlap among the  
19 lender groups. Moreover, CRU US should be able to issue private placement  
20 bonds, in the same manner as in the past and, similar to Intermediate Newco, it  
21 may benefit from an expansion of the field of interested bond investors. The  
22 business combination thus will result in a significant expansion of the potential  
23 lenders that have current relationships.

24 **Q. WILL INTERMEDIATE NEWCO OBTAIN PUBLIC CREDIT RATINGS AFTER**  
25 **THE PROPOSED TRANSACTION?**

26 Not in the near term. I am not aware of any plans by management to seek public  
27 credit ratings at this time. In the future, Intermediate Newco may consider the  
28 economic costs of obtaining and maintaining a public rating versus any market  
29 benefits of obtaining such rating or ratings. Going forward, Intermediate Newco's

1 needs could be fulfilled with private placement funding that may not require a public  
2 credit rating and with a multi-year bank credit facility. However, as noted in the  
3 Application, it is intended that Intermediate Newco will be established and operated  
4 in a manner that that is consistent with that of investment grade entities in the water  
5 utility industry.

6  
7 **Q. HAS THE APPLICANT MADE ANY COMMITMENTS REGARDING ITS**  
8 **FUTURE FINANCIAL PRACTICES AND POLICIES TO PROTECT THE**  
9 **UTILITY’S FINANCIAL WELL-BEING?**

10 A. Yes. A complete set of these commitments can be found in the Application.

11 **IV. CONCLUSION AND RECOMMENDATIONS**

12 **Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.**

13 A. The Proposed Transaction creates no new risks to the Montague Utilities or to the  
14 Montague Utilities’ customers. After the closing, the Montague Utilities will have  
15 superior access to common equity funding via ownership by BCI plus IIF Subway  
16 relative to the current situation with ownership by BCI alone. Furthermore, going  
17 forward the Montague Utilities will have comparable access to the debt capital  
18 market and either similar or superior access to bank credit relative to its current  
19 situation as a subsidiary of CII.

20 Also, there are potential benefits in the form of future cost savings for the  
21 Montague Utilities due to the doubling of scale of the combined enterprise. I also  
22 understand that, even though the transaction is not driven by net financial  
23 synergies, management expects scale and integration to yield financial benefits  
24 over time. Based on the approximately doubled size of the combined entities,  
25 management’s intention to lower costs in overhead categories and shared services  
26 seems quite reasonable, in my professional opinion.

27 Therefore, I recommend that the Commission approve the Proposed  
28 Transaction.



1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes, it does.



**EXPERIENCE AND QUALIFICATIONS**

**ELLEN LAPSON, CFA**

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LAPSON ADVISORY: Financial Consulting. Expert Testimony. Financial Training.

**SUMMARY**

Expert on financing utilities and infrastructure projects, with over 50 years of professional MBA Accounting and finance, NYU Stern School of Business; Chartered Financial Analyst

**EMPLOYMENT HISTORY**

<b>Lapson Advisory,</b> Trade Resources Analytics	Financial consulting services to utilities and infrastructure project developers. Financial strategy and credit advisory; expert financial witness.	2012 to present
<b>Fitch Ratings</b> Utilities, Power & Gas Managing Director; Senior Director	Manager or primary analyst on credit ratings of over 200 utility, pipeline, and power generation companies and utility tariff securitizations. Chaired rating committees for energy, utility, and project finance committees. Liaison with major fixed income investors.	1994 - 2011
<b>JP Morgan Chase</b> (formerly Chemical NY Corp.) Vice President, 1975-94 Asst. Vice President, 1974-75	Managed financial advisory transactions, structured debt placements, syndicated credit facilities for utilities, mining and metals, project finance. First of its kind stranded cost securitization for Puget Sound P&L, 1992-94. Led financings for utilities in bankruptcy or reorganizations. Divisional controller, 1981-86.	1974-1994
<b>Argus Research Corp.</b> Equity Analyst, Utilities	Equity analysis of U.S. electric and gas utilities, natural gas pipelines, regulated telephone companies. Research coverage and reports; forecasts and models.	1969-1974

**EDUCATION & PROFESSIONAL ORGANIZATIONS**

Stern School of Business, New York University, MBA. Accounting major; Finance minor	1975
Barnard College, Columbia University, BA. Earned CFA Institute Charter, 1978	1969
Institute of Chartered Financial Analysts	Since 1978
Wall Street Utility Group	Since 1996

**ADVISORY COUNCILS AND BOARD SERVICE**

Electric Power Research Institute, Advisory Council, 2004-2011; Chair, 2009 and 2010.  
MIT Energy Institute, External Advisory Council, The Future of Solar Energy, 2012-2014.  
Represented U.S. fixed income investors in responding to proposed financial accounting rules for rate-regulated utilities by the International Accounting Standards Board (IASB) at a panel sponsored by Edison Electric Institute and American Gas Assoc., December, 2014.

**EXPERT TESTIMONY**

<b>Jurisdiction</b>	<b>Proceeding</b>	<b>Topic</b>
Federal Energy Regulatory Commission	Docket No. ER22-2379, Southwest Power Pool, Inc., supporting Southwestern Public Service Co.'s right under Generator Interconnection Agreement (2022)	Application by a transmission owner to fund investment in Network Upgrades
Federal Energy Regulatory Commission	Docket No. ER22-2274, Southwest Power Pool, Inc., supporting Southwestern Public Service Co.'s right under Generator Interconnection Agreement (2022)	Application by a transmission owner to fund investment in Network Upgrades
Massachusetts Department of Public Utilities	DPU Docket No. 22-70, 22-71, 22-72; Long-term purchase contracts for offshore wind energy by Eversource, National Grid, Unitil (2022)	Remuneration to distribution utilities for entering into long-term supply contracts
New Jersey Board of Public Utilities	BPU Docket No. GM 2204, Merger Application of South Jersey Industries, Inc. and Boardwalk Merger Sub, Inc. on behalf of Joint Applicants (2022)	Financial strength in the context of merger proceeding and appropriate corporate commitments.
Public Utilities Commission Texas	Docket No. 53601, Application of Oncor Electric Delivery LLC to Change Rates, on behalf of Oncor. (2022)	Financial strength and appropriate capital structure.
Public Utilities Commission Texas	Docket No. 52487, Application of Entergy Texas to Alter its CCN for Orange County Advanced Power Station, on behalf of Entergy Texas, Inc. (2022)	Impact of a power purchase contract on the balance sheet, financial ratios, and credit ratings of the utility purchaser.
Federal Energy Regulatory Commission	Docket No. ER21-2282, Application re Open Access Transmission Tariff, on behalf of PJM Transmission Owners (2022)	Application by Transmission Owners to invest in Network Upgrades
Federal Energy Regulatory Commission	Docket No. EL-20-72, LA Public Service Comm. et al. vs. System Energy Resources, Inc. on behalf of SERI (2022)	Financial impact of the termination of a support agreement; capital structure.
Federal Energy Regulatory Commission	Docket No. RM20-10-000, Electric Transmission Incentive Policy, on behalf of PJM Transmission Owners (2021)	In support of financial incentives for RTO membership
Public Utilities Commission of Colorado	Proceeding No. No. 21R-0314G, NOPR on Purchased Gas Cost Adjustment on behalf of Public Service Company of CO (2021)	Investor and credit rating impact of proposed gas cost recovery rules
New Mexico Public Regulation Commission	Docket No 20-00222-UT, Application of Public Service Co. of NM, PNM Resources, Avangrid Inc., and NM Green Resources on behalf of Applicants (2020-21)	Financial strength and resilience in the context of merger proceeding

Jurisdiction	Proceeding	Topic
Public Utilities Commission Texas	Docket No 51547, Application of Texas-New Mexico Power Co., Avangrid Inc., and NM Green Resources on behalf of the Joint Applicants (2020-21)	Financial strength and resilience in the context of merger proceeding
Massachusetts Department of Public Utilities	DPU 20-16, 20-17, and 20-18, Long-term purchase contract for offshore wind energy, Eversource, National Grid, Unitil (2020)	Remuneration to utilities for entering into long-term contracts
Public Utilities Commission Texas	Docket No. 49849, Joint Application of El Paso Electric, Sun Jupiter Holdings and IIF US Holding 2 to acquire El Paso Electric... (2019-20)	Conditions & commitments for utility merger and formation of holdco; financial strength
New Mexico Public Regulation Commission	Docket No. 19-00234 UT, Joint Application of El Paso Electric, Sun Jupiter Holdings, and IIF US Holding 2 to acquire El Paso Electric (2019-20)	Conditions & commitments for utility merger and formation of holdco; financial strength
Public Utilities Commission of Colorado	Proceeding No. 19AL-0268E, Filing to Revise Electric Tariff, on behalf of Xcel Public Service Co, of Colorado (2019)	Capital structure and cash flow measures
Public Utilities Commission Texas	Docket No. 49421, Application of CenterPoint Energy Houston to change rates, on behalf of CEHE (2019)	Separateness commitments in the context of a rate proceeding; financial strength
Public Utilities Commission Texas	Docket No. 48929, Application of Oncor Electric Delivery Co. LLC, Sharyland Utilities LP, and Sempra Energy, on behalf of Sharyland Utilities (2019)	Appropriate governance conditions and commitments for partner ownership of an electric transmission utility
Public Utilities Commission of Colorado	Proceeding No. 17AL-0363G, Filing to Revise Gas Tariff, on behalf of Xcel Public Service Co, of Colorado (2018)	Cash flow and credit impacts of tax reform; capital structure
South Carolina Public Service Commission	Docket No. 2017-370-E; Joint Application for Merger and for Prudency Determination, on behalf of South Carolina Electric & Gas Company (2018)	Benefits of merger and proposed rate plan; impact on cash flow and access to capital.
U.S. Federal District Court, District of SC	Civil Action No.: 3:18-cv-01795-JMC, Motion for Preliminary Injunction, on behalf of South Carolina Electric & Gas	Financial harm of rate cut compliant with Act
Public Utilities Commission Texas	Docket No. 48401, Texas-New Mexico Power Co. Application to Change Retail Rates, on behalf of TNMP (2018)	Cash flow and credit impacts of tax reform
Public Utilities Commission Texas	Docket No. 48371, Entergy Texas Inc., Application to Change Retail Rates, on behalf of ETI (2018)	Cash flow and credit impacts of tax reform

Jurisdiction	Proceeding	Topic
Public Utilities Commission Texas	Docket No. 47527, Southwestern Public Service Co. Application for Retail Rates, on behalf of SPS Co. (2018)	Adverse cash flow and credit impacts of tax reform; cap structure
New Mexico Public Regulation Commission	Case No. 17-00255-UT, Southwestern Public Service Co. Application for Retail Rates, on behalf of SPS Co. (2018)	Adverse cash flow and credit impacts of tax reform; cap structure
South Carolina Public Service Commission	Docket No. 2017-305-E, Response to ORS Request for Rate Relief, on behalf of S. Carolina Electric and Gas (2017)	Adverse financial implications of rate reduction sought by ORS
DC Public Service Commission	Formal Case No. 1142, Merger Application of AltaGas Ltd. and Washington Gas Light, Inc. (2017)	Financial strength; Conditions and commitments in a utility merger
Public Service Commission of Maryland	Docket No. 9449, In the Matter of the Merger of AltaGas Ltd. and Washington Gas Light, Inc. (2017)	Financial strength; Conditions and commitments in a utility merger
Public Utilities Commission Texas	Docket No. 46957, Application of Oncor Electric Delivery LLC to Change Rates, on behalf of Oncor. (2017)	Appropriate capital structure. Financial strength.
Public Utilities Commission Texas	Docket No. 46416, Application of Entergy Texas, Inc. for a Certificate of Convenience & Necessity, on behalf of Entergy Texas (2016-2017)	Debt equivalence and capital cost associated with capacity purchase obligations (PPA)
U.S. Federal Energy Regulatory Commission	Dockets No. EL16-29 and EL16-30, NCEMC, et al. vs Duke Energy Carolinas and Duke Energy Progress, on behalf of the Respondents (2016)	Capital market environment affecting the determination of the cost of equity capital
Hawaii Public Utilities Commission	Docket No. 2015-0022, Merger Application on behalf of NextEra Energy and Hawaiian Electric Inc. (2015)	Financial strength and conditions & commitments in merger context
U.S. Federal Energy Regulatory Commission	Dockets No. EL14-12 and EL15-45, ABATE, vs MISO, Inc. et al., on behalf of MISO Transmission Owners (2015)	Capital market environment; capital spending and risk
U.S. Federal Energy Regulatory Commission	Dockets No. EL12-59 and 13-78, Golden Spread Electric Coop., on behalf of Southwestern Public Service Co. (2015)	Capital market environment; capital spending and risk
U.S. Federal Energy Regulatory Commission	Dockets No. EL13-33 and EL14-86, on behalf of New England Transmission Owners. (2015)	Capital market environment affecting the cost of equity capital
U.S. Federal Energy Regulatory Commission	Dockets No. ER13-1508 et alia, Entergy Arkansas, Inc. and other Entergy utility subsidiaries, on behalf of Entergy (2014)	Capital market environment affecting the measurement of the cost of equity capital

Jurisdiction	Proceeding	Topic
Delaware Public Service Commission	DE Case 14-193, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)	Financial strength and conditions & commitments in merger context
Maryland Public Service Commission	Case No. 9361, Merger of Exelon Corp. and Pepco Holdings, Inc. on behalf of the Joint Applicants (2015)	Financial strength and conditions & commitments in merger context
New Jersey Board of Public Utilities	BPU Docket No. EM 14060581, Merger of Exelon Corp. and Pepco Holdings, Inc., on behalf of the Joint Applicants (2015)	Financial strength and conditions & commitments in merger context
U.S. Federal Energy Regulatory Commission	Docket ER15-572 Application of New York Transco, LLC, on behalf of NY Transmission Owners (2015)	Incentive compensation for electric transmission; capital market access
U.S. Federal Energy Regulatory Commission	Docket EL 14-90-000 Seminole Electric Cooperative, Inc. and Florida Municipal Power Agency vs. Duke Energy FL on behalf of Duke Energy (2014)	Capital market environment affecting the determination of the cost of equity capital
DC Public Service Commission	Formal Case No. 1119 Merger of Exelon Corp. and Pepco Holdings Inc., on behalf of the Joint Applicants (2014-2015)	Financial strength and conditions & commitments in merger context
U.S. Federal Energy Regulatory Commission	Docket EL14-86-000 Attorney General of Massachusetts et. al. vs. Bangor Hydro-Electric Company, et. al., on behalf of New England Transmission Owners (2014)	Return on Equity; capital market environment
Arkansas Public Service Commission	Docket No. 13-028-U. Rehearing on behalf of Entergy Arkansas. (2014)	Investor and rating agency reactions to ROE set by Order.
Illinois Commerce Commission	Docket No. 12-0560 Rock Island Clean Line LLC, on behalf of Commonwealth Edison Company, an intervenor (2013)	Access to capital for a merchant electric transmission line.
U.S. Federal Energy Regulatory Commission	Docket EL13-48-000 Delaware Public Advocate, et. al. vs. Baltimore Gas and Electric Company and PEPCO Holdings et al., on behalf of (i)Baltimore Gas and Electric; (ii) PEPCO subsidiaries (2013)	Return on Equity; capital market view of transmission investment
U.S. Federal Energy Regulatory Commission	Docket EL11-66-000 Martha Coakley et. al. vs. Bangor Hydro-Electric Company, et. al. on behalf of New England Transmission Owners (2012-13)	Return on Equity; capital market view of transmission investment
New York Public Service Commission	Cases 13-E-0030; 13-G-0031; and 13-S-0032 on behalf of Consolidated Edison Company of New York. (2013)	Cash flow and financial strength; regulatory mechanisms

Jurisdiction	Proceeding	Topic
Public Service Commission of Maryland	Case. 9214 re “New Generating Facilities To Meet Long-Term Demand For Standard Offer Service”, on behalf of Baltimore Gas and Electric Co., Potomac Electric Power Co., and Delmarva Power & Light (2012)	Effect of proposed power contracts on the credit and financial strength of MD utility counterparties

**CONSULTING & ADVISORY ASSIGNMENTS (1)**

Client	Assignment	Objective
Utilities (undisclosed)	Credit advisory. 2022	Plan for financial impacts of a merger.
Xcel Energy/ Public Service Co. of CO	Studied likely investor and credit impact of the PSC’s proposed changes in the recovery of purchased gas cost (Docket 21R-0314G). 2021	Analyze financial impacts of regulatory proposal.
Eversource Energy Inc./Public Service Co. of New Hampshire	White paper analyzing the financial implications of two methods for recovering costs of energy efficiency programs (related to Docket DE 20-092). 2020	Analyze feasibility and financial impacts of regulatory proposal; prepare white paper
Washington Gas Light Co.	Quantified the effect of merger upon the cost of long-term and short-term debt. 2019	Comply with regulatory requirement
Cravath, Swaine & Moore LLP	Evaluated factors that influenced utility spending decisions on operations, maintenance, and capital projects. 2019	Support litigation strategy in bankruptcy proceedings.
NJ American Water Co.	Analyzed impacts of tax reform on water utility’s cash flow and ratings. 2018	Support regulatory strategy
AltaGas Ltd.	Credit advisory on ratings under merger and no-merger cases. 2017	Compare strategic alternatives
Entergy Texas, Inc.	Research study on debt equivalence and capital cost associated with capacity purchase obligations. Impact of new GAAP lease accounting standard on PPAs. 2016	Economic comparison of power purchase obligations and self-build options.
Eversource Energy	Evaluated debt equivalence of power purchase obligations. 2014	Clarify credit impact of various contract obligations.
International Money Center Bank (Undisclosed)	Research study and recommendations on estimating Loss Given Default and historical experience of default and recovery in regulated utility sector. 2014	Efficient capital allocation for loan portfolio.
GenOn Energy Inc.	White Paper on appropriate industry peers for a competitive power generation and energy company. 2012	Appropriate peer comparisons in SEC filings and shareholder communications, compensation studies
Transmission utility (Undisclosed)	Recommended the appropriate capital structure and debt leverage during a period of high capital spending. 2012	Efficient book equity during multi-year capex project; preserve existing credit ratings



Jurisdiction	Proceeding	Topic
Toll Highway (Undisclosed)	Advised on adding debt while minimizing risk of downgrade. Recommended strategy for added leverage and rating agency communications. 2012	Free up equity for alternate growth investments via increased leverage while preserving credit ratings
District Thermal Cooling Project (Undisclosed)	Recommended a project loan structure to deal with seasonal cash flow. Optimized payment schedule, form and timing of financial covenants.	Reduce default risk; efficient borrowing structure

1. Confidential assignments are omitted or client's identity is masked, at client request.

### Professional and Executive Training

Southern California Edison Co., Rosemead CA	Designed and delivered in-house training program on evaluation of the credit of energy market counterparties. 2016	
Financial Institution, NYC (Undisclosed)	In-house training. Developed corporate credit case for internal credit training program and coordinated use in training exercise. 2016	
CoBank, Denver CO	Designed and delivered "Midstream Gas and MLPs: Advanced Credit Training". 2014	
Empire District Electric Co., Joppa MO	Designed and delivered in-house executive training session Utility Sector Financial Evaluation. 2014	
PPL Energy Corp, Allentown PA	Designed and delivered in-house Financial Training. 2014	
SNL Knowledge Center Courses, New York NY	Designed and delivered public courses "Credit Analysis for the Power & Gas Sector", 2011-2014	
SNL Knowledge Center Courses, New York NY	Designed and delivered public courses "Analyst Training in the Power & Gas Sectors: Financial Statement Analysis. 2013 -2014	
EEI Transmission and Wholesale Markets	Designed and delivered "Financing and Access to Capital". 2012	
National Rural Utilities Coop Finance Corp.	Designed and delivered in-house training "Credit Analysis for the Power Sector". 2012	
Judicial Institute of Maryland	Designed and delivered "Impact of Court Decisions on Financial Markets and Credit", section of continuing education seminar for MD judges: "Utility Regulation and the Courts", Annapolis MD. 2007	
Edison Electric Institute, New York, NY	"New Analyst Training Institute: Fixed Income Analysis and Credit Ratings", 2008; 2004	



## Appendix E

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**PREPARED DIRECT TESTIMONY  
OF STEVEN M. LUBERTOZZI  
ON BEHALF OF  
MONTAGUE WATER CO., INC. & MONTAGUE SEWER CO., INC.**

**WITNESS INTRODUCTION AND BACKGROUND**

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Steven M. Lubertozzi. I am Senior Vice President of Rates, Regulatory  
3 and Legislative Affairs for Corix Infrastructure Inc. ("CII"). My business address is  
4 500 W. Monroe, Suite 3600, Chicago, Illinois 60661.

5 **Q. PLEASE DESCRIBE DUTIES IN YOUR CURRENT POSITION.**

6 A. As Senior Vice President, I am responsible all aspects of CII's Rates, Regulatory  
7 and Legislative Affairs activities.

8 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL  
9 BACKGROUND.**

10 A. I graduated from Indiana University in 1990, and I am a Certified Public  
11 Accountant. I earned my Master of Business Administration from Northwestern  
12 University's Kellogg School of Management. I am a member of the American  
13 Institute of Certified Public Accountants, and I have been employed by CII or an  
14 affiliate of CII, since June 2001.

15 I am a past Board Member of the National Association of Water Companies,  
16 a past Board Member of the Indiana Chapter of the National Association of Water  
17 Companies, a past Board Member of the Illinois Chapter of the National  
18 Association of Water Companies, and a past Board Member of the Financial  
19 Research Institute.

20 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY PUBLIC UTILITY**  
21 **COMMISSIONS?**

22 A. Yes. I have provided written and oral testimony before public utilities commissions  
23 throughout the United States, on topics ranging from cost of equity, capital  
24 structure, cost of debt, acquisition adjustments, divestment strategies, appropriate  
25 levels of operations and maintenance expense, parent company allocations,  
26 affiliate transactions, income taxes, and almost every aspect of utility operations.  
27 State commissions where I have presented testimony include Florida, Illinois,  
28 Indiana, Kentucky, Maryland, New Jersey, New Mexico, Nevada, North Carolina,  
29 Pennsylvania, South Carolina, and Virginia.

30 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

31 A. My testimony describes the proposed merger of SW Merger Acquisition Corp.  
32 (“SWMAC”) with and into Corix Infrastructure (US) Inc. (“Corix US”, which together  
33 with SWMAC, are referred to as the “Companies”). Corix US indirectly owns Corix  
34 Regulated Utilities (US) Inc. (“CRU US”), the direct parent of Montague Water Co.,  
35 Inc. and Montague Sewer Co., Inc. (both of which are collectively referred to as  
36 the “Montague Companies”). The merger results in the combination of the water,  
37 wastewater, and related businesses currently owned by CII,<sup>1</sup> with the water and  
38 wastewater businesses currently owned by SWMAC (none of which are located in  
39 New Jersey) through SouthWest Water Company (“SouthWest”). This merger of

---

<sup>1</sup> CII owns Corix US. CII’s related businesses include the electric, natural gas, and propane distribution, geothermal energy delivery and municipal service operations of CII related to its U.S. and Canadian water and wastewater operations.

40 equals joins two highly complementary businesses to create a leading water and  
41 wastewater utility with the scale and financial foundation necessary to better  
42 facilitate long-term investments needed to serve customers.

43 My testimony explains why the combination is consistent with the public  
44 interest, will assist the employees supporting the Montague Companies, have no  
45 impact on competition within its service area, and should allow the Montague  
46 Companies to better balance the needs for capital investment with the rates  
47 needed to support those investments. The testimony also supports the request for  
48 Board of Public Utilities (“BPU”) approval of the combination. My testimony  
49 describes the CII business involved in the transaction (“Proposed Transaction”),  
50 the Proposed Transaction, the rationale behind the proposed combination,  
51 governance of the combined companies, and other regulatory approvals required  
52 for effectuating the Proposed Transaction. My testimony also addresses CII’s  
53 mission, vision and values and how they are consistent with those of SouthWest.  
54 I further discuss the benefits of the proposed combination, the Montague  
55 Companies’ continuing commitment to New Jersey customers and its commitment  
56 to provide reliable, safe, and high-quality utility service.

57 **Q. PLEASE IDENTIFY THE OTHER WITNESSES SUBMITTING TESTIMONY IN**  
58 **THIS CASE.**

59 A. In addition to my testimony, the following witnesses provide testimony in this case:  
60 • Brian D. Bahr, who will introduce SouthWest to the BPU, support the  
61 commitments of the Companies in this combination, and discuss certain  
62 requests for confidential treatment in this proceeding;

- 63           • Dana Hill, President of the Montague Companies, who will discuss in  
64           greater detail the operational benefits the Proposed Transaction is expected  
65           to produce, as well as the Montague Companies' commitment to its local  
66           community; and
- 67           • Ellen Lapson of Lapson Advisory, an expert witness who will discuss the  
68           future financial strength of the combined company, the expected impact of  
69           the proposed combination upon the utility, and the utility's future access to  
70           equity and debt capital.

71 **Q. ARE YOU SPONSORING ANY APPENDICES TO THE VERIFIED JOINT**  
72 **PETITION WHICH IS BEING FILED IN CONNECTION WITH THIS**  
73 **PROCEEDING (THE "JOINT PETITION")?**

74 A. Yes, I am sponsoring the following Appendices in this proceeding:

- 75           • Appendix A – Summary of Proposed Transaction with Simplified Pre- and  
76           Post-Closing Organizational Charts
- 77           • Appendix B – Transaction Agreement<sup>2</sup>
- 78           • Appendix G-1 – Corporate Resolution Authorizing the Proposed  
79           Transaction - Corix US
- 80           • Appendices H-1 to H-4, H-6 to H-8 – Recent Financial Statements for  
81           Corix US and the Montague Companies, Pro-Forma Financial Statements  
82           for Combined Company

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<sup>2</sup> The Transaction Agreement is provided, with Exhibit A and Appendix I to Exhibit D of the Transaction Agreement submitted as confidential.





103 infrastructure and operations, while ensuring strong environmental stewardship in  
104 each community served. CII's values emphasize safety, integrity, connection, and  
105 excellence. As Mr. Bahr's direct testimony illustrates, the mission and values of  
106 CII and SouthWest are similar, including our shared commitment to local  
107 management and decision-making, supported by broad corporate-wide resources.

108 **Q. PLEASE DESCRIBE BCI.**

109 A. Founded in 1999, BCI is a statutory corporation created by the Public Sector  
110 Pension Plans Act for the purpose of providing investment management services  
111 to British Columbia's public sector. BCI manages approximately \$211 billion (CAD)  
112 of assets on behalf of its clients, which include 11 public sector pension plans,  
113 three insurance funds and various special purpose funds. Through its  
114 infrastructure and renewable resources program, BCI seeks long-term, stable  
115 investments around the world in regulated utilities, transportation,  
116 telecommunications, and other infrastructure-based industries.

117 **Q. PLEASE EXPLAIN THE STRENGTHS CII BRINGS TO THE PROPOSED**  
118 **COMBINATION IN TERMS OF FINANCIAL RESOURCES.**

119 A. For the 12-month period ending December 31, 2021, CII had revenue of  
120 approximately \$307 million and \$1.55 billion in assets. In 2021, CII supported  
121 approximately \$114 million in capital investments across its operating areas in  
122 North America.

123 **Q. PLEASE DESCRIBE CII'S OPERATIONAL AND TECHNICAL EXPERTISE.**

124 A. CII has experience in virtually every aspect of water and wastewater system  
125 operation. CII has over 500 experienced operational employees dedicated to

126 safely providing high-quality water and wastewater services to our customers in an  
127 environmentally compliant manner. Our state-certified water and wastewater  
128 technicians pump and treat millions of gallons of water for hundreds of  
129 communities, assisted by our in-house operations management and quality control  
130 professionals. We also have extensive construction and project management  
131 experience and expertise.

132 **Q. DOES CII ALSO BRING MANAGEMENT EXPERTISE TO THE PROPOSED**  
133 **COMBINATION?**

134 A. Yes. CII has a strong management team that cumulatively has decades of  
135 experience owning and operating water and wastewater utilities. As described  
136 more fully in my testimony, the proposed business combination will result in an  
137 executive leadership team that draws from the strong existing talent pools of both  
138 CII and SouthWest. Please see Exhibit SML-1 for background information on  
139 members of the announced executive leadership team to be effective upon closing  
140 of the proposed business combination.

141 **Q. IN SUMMARY, DOES CII BRING FINANCIAL, OPERATIONAL/TECHNICAL,**  
142 **AND MANAGERIAL STRENGTHS TO THE PROPOSED COMBINATION?**

143 A. Yes, CII's financial resources, strong leadership team, and extensive managerial  
144 expertise make it an ideal owner of water and wastewater utilities.

145 **RESTRUCTURING PRIOR TO CLOSING**

146 **Q. PLEASE DESCRIBE THE CORIX PARTIES RESTRUCTURING THAT WILL**  
147 **TAKE PLACE PRIOR TO CLOSING.**

148 A. The CII and Corix US (“Corix Parties”) pre-closing restructuring has two objectives.  
149 First, the pre-closing restructuring separates CII’s district energy business from the  
150 CII water, wastewater and service businesses. Second, the pre-closing  
151 restructuring results in the inclusion of CII’s Canadian water, wastewater, and  
152 related businesses in the deal perimeter by making the Canadian companies that  
153 provide water, wastewater, and related services indirect, wholly-owned  
154 subsidiaries of Corix US. Together, these steps allow the parties to combine their  
155 respective water and wastewater businesses to create a platform company  
156 focused almost exclusively on the delivery of water and wastewater services to  
157 customers.

158 **PROPOSED COMBINATION**

159 **Q. PLEASE SUMMARIZE THE PROPOSED BUSINESS COMBINATION OF**  
160 **CORIX US AND SWMAC.**

161 A. On August 26, 2022, CII, Corix US, IIF Subway Investment LP (“IIF Subway”),  
162 SWMAC, and SouthWest entered into a Transaction Agreement (the “Transaction  
163 Agreement”). The Transaction Agreement provides a framework for combining  
164 CII’s water, wastewater businesses and related businesses with the water and  
165 wastewater businesses owned by SouthWest. When the transactions  
166 contemplated by the Transaction Agreement are completed, CII and an affiliate or  
167 affiliates of CII will own 50% of Corix US and SWMAC Holdco, an entity to be  
168 formed by SWMAC’s shareholders before closing, will own the other 50% of Corix  
169 US (the “Proposed Transaction”). Corix US, in turn, will indirectly own and control  
170 all the CII water, wastewater, and related businesses, and the SouthWest water

171 and wastewater businesses. To prepare for the Proposed Transaction, both the  
172 Corix Parties and IIF Subway, SWMAC, and SouthWest (the “SWMAC Parties”)  
173 will undertake pre-closing restructuring transactions.

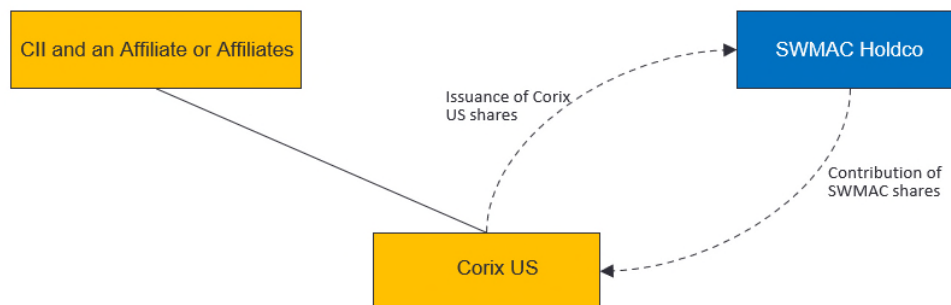
174 **Q. HOW WILL THE BUSINESS COMBINATION BE EFFECTUATED?**

175 A. Before the business combination occurs, CII will complete the Corix Parties’ pre-  
176 closing restructuring, which is described in Appendix A to the Joint Petition.  
177 Likewise, SWMAC will complete a pre-closing restructuring. Then, the business  
178 combination will be completed in a series of steps.

179 **Step 1:** SWMAC Holdco will contribute 100% of the outstanding stock of  
180 SWMAC to Corix US in exchange for shares of stock issued by Corix US. Step 1  
181 will result in CII and SWMAC Holdco each holding a 50% interest in Corix US,  
182 which will hold 100% of the outstanding stock of SWMAC and also continue to hold  
183 100% of the outstanding stock of Inland Pacific Resources Inc. (“Inland Pacific”).

184 **Figure 1** depicts this step.

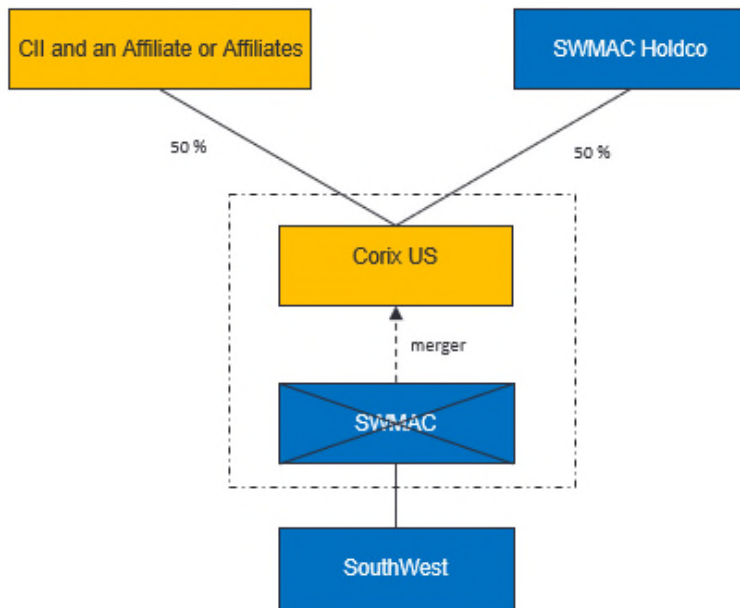
185 **Figure 1**



186  
187 **Step 2:** After Step 1 is completed, SWMAC will merge with and into Corix  
188 US. Corix US will survive the merger. As a result of Step 2, Corix US will directly

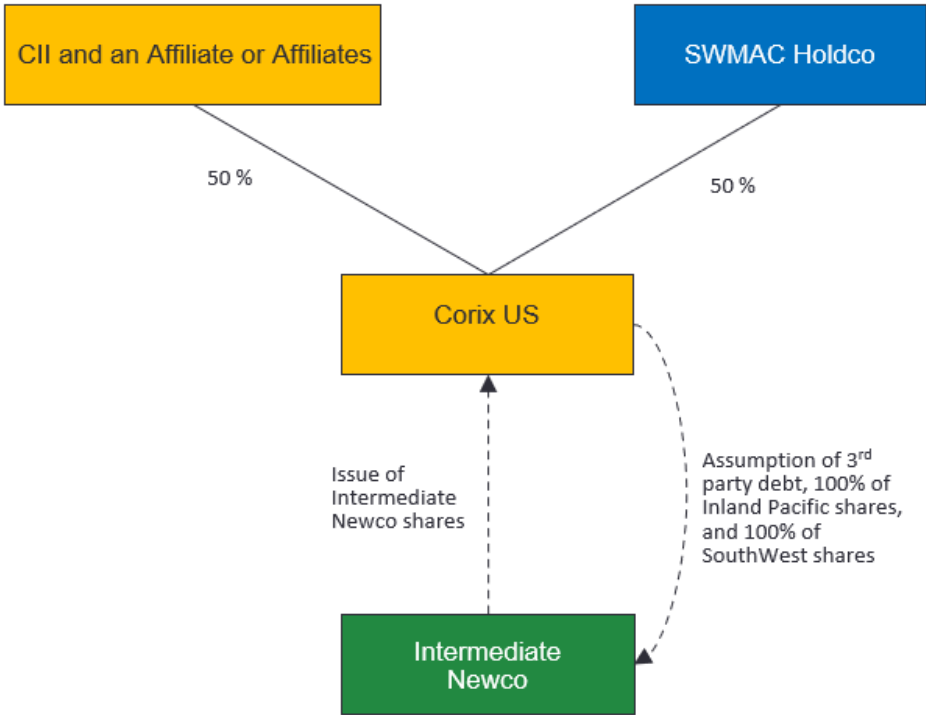
189 hold 100% of the outstanding stock of SouthWest, previously held by SWMAC,  
190 and Corix US will also continue to hold 100% of the shares of Inland Pacific. **Figure**  
191 **2** shows this step.

192 **Figure 2**



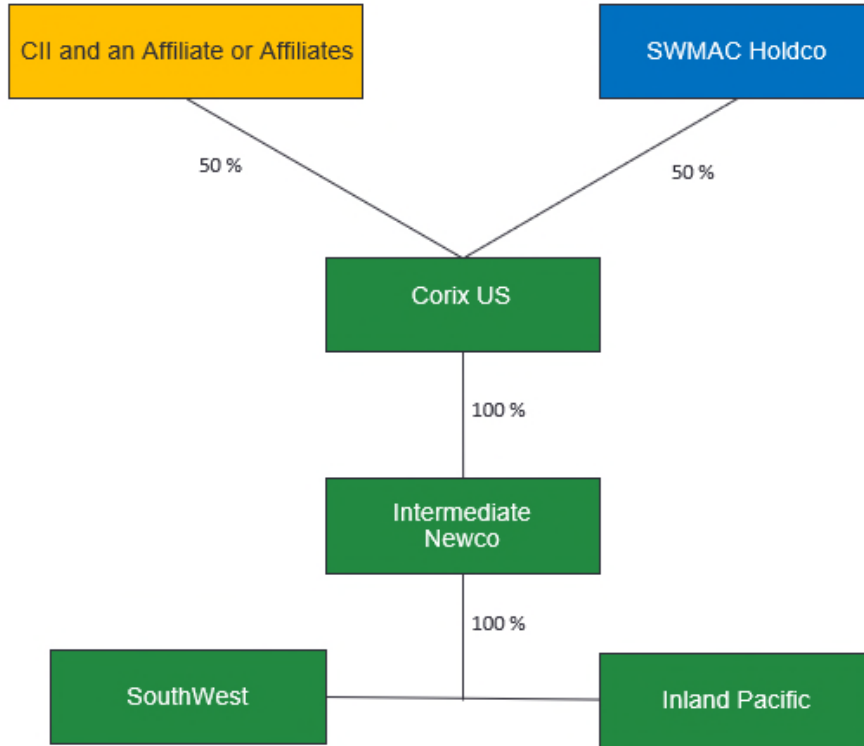
193  
194 **Step 3:** After Step 2 is completed, Corix US will transfer 100% of the  
195 outstanding stock of SouthWest and Inland Pacific to Intermediate Newco. In  
196 exchange for this contribution of stock, Intermediate Newco will issue to Corix US  
197 common stock of Intermediate Newco and assume all of Corix US's third-party  
198 debt. Step 3 is the last step in the transactions contemplated by the Transaction  
199 Agreement. **Figure 3** illustrates this step.

200 **Figure 3**



201  
202 As a result of Steps 1 through 3, CII (and an affiliate or affiliates) and  
203 SWMAC Holdco will each hold 50% of the outstanding stock of Corix US, which  
204 will hold 100% of the outstanding stock of Intermediate Newco, which will hold  
205 100% of the outstanding stock of both SouthWest and Inland Pacific. **Figure 4**  
206 illustrates the resulting structure following Steps 1 through 3.

207 **Figure 4**



208

209 **Q. HAVE THE JOINT PETITIONERS PROVIDED A SUMMARY OF THE PRE- AND**  
210 **POST-CLOSING ORGANIZATION CHARTS CONSISTENT WITH THE ABOVE-**  
211 **DESCRIBED CHANGES?**

212 A. Yes, please see Appendix A attached to the Joint Petition, which provides a  
213 simplified view of the current, pre-closing, post-restructuring and post-closing  
214 organizational structures of CII and SWMAC's holdings applicable to the  
215 Transaction Agreement.

216 **Q. AFTER THE PROPOSED TRANSACTION CLOSES, HOW WILL THE**  
217 **COMBINED COMPANIES BE GOVERNED AND MANAGED?**

218 A. The combined company will be managed by a board comprised of nine directors  
219 (the "Board"):

- 220 • The combined company's CEO (i.e., Rob MacLean);
- 221 • Four shareholder representatives; and
- 222 • Four independent directors, one of whom will be the chair

223 The management team of the combined company will be led by Rob MacLean and  
224 will consist of the following senior executives:

- 225 • Chief Operating Officer – Richard Rich
- 226 • Chief Financial Officer – Alison Zimlich
- 227 • Chief Legal Officer – Shawn Elicegui
- 228 • Chief Enterprise Services Officer – Jim Devine
- 229 • Chief Growth Officer – Don Sudduth
- 230 • Chief Human Resources Officer – Joanne Elliott

231

232 The Montague Companies will continue to be managed locally. Please see the  
233 testimony of Dana Hill for more details on our local commitments with this  
234 Proposed Transaction.

235 **Q. WHAT OTHER APPROVALS ARE REQUIRED IN ORDER TO CLOSE THE**  
236 **PROPOSED TRANSACTION?**

237 A. In addition to the BPU's approval, similar approvals are being requested from  
238 regulatory commissions in other jurisdictions in which the utility subsidiaries of CII  
239 and SouthWest operate across the US and Canada. The Proposed Transaction  
240 also is subject to review by federal agencies in Canada and the United States.  
241 Please see Exhibit SML-2 listing the other filings related to the Proposed  
242 Transaction.



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**RATIONALE AND BENEFITS OF COMBINATION**

**Q. WHAT WAS THE IMPETUS FOR THIS BUSINESS COMBINATION?**

A. As the testimony demonstrates, both CII and SouthWest are strong companies – financially, technically, operationally, and managerially – that share consistent missions and values. At the same time, CII and SouthWest are geographically diverse. This combination will allow our approximately 1,300 employees to provide quality water and wastewater services to our customers across 20 U.S. states and 2 Canadian provinces, building a larger platform to facilitate needed investments in the communities served by the CII and SouthWest operating companies, while continuing to add scale and grow in the future. Intermediate Newco, in short, will have the scale to enhance the ability of the operating utilities, including the Montague Companies, to make important infrastructure investments that provide long-term benefits for the communities they serve.

**Q. WHAT ARE THE OVERALL BENEFITS OF THIS BUSINESS COMBINATION TO CII, SOUTHWEST, THE MONTAGUE COMPANIES' CUSTOMERS, AND THE STATE OF NEW JERSEY?**

A. The Proposed Transaction joins two highly complementary businesses to create a leading water and wastewater utility. As one company, SouthWest's and CII's water and wastewater utilities will have deeper resources and capabilities to invest and operate in the water and wastewater sector for the long term. The investments that the combined company can make, together with the leveraging of prudent practices and operating experience of both companies, will support the safe,

265 reliable and sustainable delivery of critical resources and services and will enhance  
266 the customer experience.

267 As I will discuss in greater detail in my testimony, and as shown in the  
268 testimony of the Joint Petitioners' other witnesses, the combination will benefit the  
269 Montague Companies and their customers in several ways. First, the combination  
270 will create greater diversity and depth of resources through the combining of two  
271 large water and wastewater utilities, allowing a sharing of prudent practices (both  
272 at the corporate level and regionally/locally) and an increase in emergency  
273 response resources, which will benefit customers and the State. The testimony of  
274 Dana Hill discusses these benefits in greater detail. Second, the combination of  
275 two boards of directors into the Board and the combination of two executive  
276 leadership teams into a single team is expected to reduce costs. We also expect  
277 a reduction in overall audit expenses (when the separate audit costs of the two  
278 companies are compared to the audit costs of the combined company). Because  
279 these costs – board governance, senior executive, and audit – are subsequently  
280 allocated through the corporate allocation process to individual utilities (including  
281 the Montague Companies) and reflected in customer rates, customers will benefit  
282 as the net savings are allocated to individual utilities and reflected in rates in future  
283 proceedings.

284 Third, the combination will increase the financial resources and flexibility of  
285 combined company and its subsidiaries. This will facilitate needed infrastructure  
286 investments and continued growth in the water and wastewater industry. The  
287 Companies anticipate their combined financial strength will allow for improved

288 financing terms compared to present day. The testimony of Ellen Lapson  
289 discusses these benefits – future financial strength of the combined company and  
290 the expected impact of the proposed combination upon the utility and the utility's  
291 future access to equity and debt capital - in more detail.

292 Fourth, while the Proposed Transaction is not driven by synergies, we do  
293 anticipate that the business combination will improve efficiency and the integration  
294 of administrative and general functions result in cost savings. Yet, the integration  
295 of CII's water, wastewater, and related businesses with SouthWest's water and  
296 wastewater business will be a significant, prolonged undertaking. We anticipate  
297 that integration will lead, over time, to additional efficiencies and reduced operating  
298 costs in various functional areas. We expect that the costs and benefits of  
299 integration will be addressed in future ratemaking proceedings and our utility  
300 customers will benefit from even more efficient operations.

301 **Q. HAVE THE COMPANIES INCURRED, OR WILL THE COMPANIES INCUR,**  
302 **COSTS ASSOCIATED WITH THE COMBINATION?**

303 A. Yes, the Companies are incurring “transaction costs” and will also incur “integration  
304 costs.” As noted in the Joint Petition, Corix US, SWMAC, and the Montague  
305 Companies will not seek to recover transaction costs from customers.

306 **Q. HAVE THE COMPANIES IDENTIFIED SPECIFIC AREAS OF INTEGRATION?**

307 A. As detailed above, the Companies plan to consolidate their respective boards and  
308 senior executive team into the Board and single executive team, effective at  
309 Proposed Transaction closing. All other areas of the Companies' respective  
310 businesses have not identified potential integration at this time; however, the

311 Companies anticipate integration activities to be undertaken and implemented  
312 over an extended time in the future. To the extent that any savings are generated  
313 from future integration, the Companies anticipate integration costs will be incurred  
314 in order to achieve such savings. Customers will receive the benefits of these  
315 efforts, net of integration costs, in future rate proceedings.

316 **Q. DO THE MONTAGUE COMPANIES PROPOSE ANY RATE CHANGES TO**  
317 **CUSTOMERS AS A RESULT OF THIS COMBINATION?**

318 A. The Montague Companies do not propose any changes to customer rates in this  
319 Joint Petition. As noted above, to the extent any net savings are generated through  
320 integration, such savings should be reflected through the regular ratemaking  
321 process.

322 **SATISFACTION OF PUBLIC INTEREST**

323 **Q. IS THE PROPOSED COMBINATION OF CORIX US AND SWMAC**  
324 **CONSISTENT WITH THE PUBLIC INTEREST?**

325 A. Yes. The combination will not adversely impact competition, employment, or the  
326 Montague Companies' quality of service. In fact, the combination should provide a  
327 positive benefit by improving service over time due to the sharing of industry  
328 expertise and prudent practices between Corix US and SouthWest. In addition, the  
329 combined financial resources of Corix US and SouthWest will facilitate needed  
330 utility infrastructure investments. Further, the combination will have no immediate  
331 impact on the Montague Companies' rates. As future rate cases are processed,  
332 reductions in board governance positions and costs, senior executive positions

333 and costs, and other functional areas will be allocated to our local operating utilities  
334 and reflected in those utilities' rates.

335 The Montague Companies will continue to be locally managed, with local  
336 employees, offices and facilities consistent with their obligations to serve  
337 customers. For all the reasons identified in my testimony and in the other  
338 witnesses' testimony, I believe this combination is consistent with the public  
339 interest.

340 **Q. DOES THE PROPOSED TRANSACTION INVOLVE ANY TRANSFER OF THE**  
341 **MONTAGUE COMPANIES' STOCK OR ASSETS?**

342 A. No, it does not.

343 **Q. DOES THE PROPOSED TRANSACTION INVOLVE ANY PLEDGE,**  
344 **ENCUMBRANCE, OR CROSS-COLLATERALIZATION OF THE MONTAGUE**  
345 **COMPANIES' ASSETS?**

346 A. No, it does not. The Montague Companies will not guarantee any debt for  
347 Intermediate Newco or other affiliated companies unless the debt is incurred for  
348 purposes specific to their system or operations. Any debt incurred by the Montague  
349 Companies will only be used for purposes specific to their system or operations.

350 **Q. WHAT ARE THE COMPANIES' GOALS WITH RESPECT TO CREDIT**  
351 **QUALITY?**

352 A. The combined business will be established with a target investment grade capital  
353 structure profile and operated in a way that is consistent with maintaining an  
354 investment grade profile.

355 **Q. DO THE COMPANIES PROPOSE OTHER CUSTOMER PROTECTIONS?**

356 A. Yes, our customer protection commitments are discussed in the testimony of Mr.  
357 Bahr.

358 **Q. DOES THE PROPOSED TRANSACTION REQUIRE A CHANGE IN, OR ARE**  
359 **THE MONTAGUE COMPANIES PROPOSING TO CHANGE THEIR EXISTING**  
360 **AFFILIATE AGREEMENT?**

361 A. No, the Proposed Transaction does not require a change in the Montague  
362 Companies' affiliate agreement, and no change is proposed in this Application. As  
363 noted above, although the process of planning for integration has begun,  
364 implementation cannot begin until after closing. Therefore, because affiliate  
365 activities directly involving the Montague Companies are not changing for some  
366 time, the Montague Companies have no need to change its existing affiliate  
367 agreement. The Montague Companies will file any amendments or new  
368 agreements with the BPU at the appropriate time in the future.

369 **Q. PLEASE SUMMARIZE THE REQUEST FOR RELIEF IN THE CURRENT JOINT**  
370 **PETITION.**

371 A. The Joint Petitioners request approval of the merger of equals consummated in  
372 the Transaction Agreement, as it is consistent with the public interest. Specifically,  
373 the BPU should find that the requirements of N.J.S.A. 48:2-51.1 have been met.  
374 In order to resolve this matter before June 30, 2023, the Joint Petitioners have  
375 asked that the BPU retain this matter for hearing directly before the BPU.

376 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

377 A. Yes, it does.

## The Executive Leadership Team for Our New Company



### **Rob MacLean, Chief Executive Officer (CEO)**

Rob MacLean has served as SouthWest Water's President and Chief Executive Officer since 2018. He is based at the company's headquarters in Sugar Land, Texas. Rob's career has spanned over 25 years in the water industry, and he has served as a volunteer leader for various regional and national organizations. During his tenure with SouthWest Water, Rob has led the company's continued expansion and growth while focusing on employee empowerment and service excellence. The Company's internal motto, "We've got this!" is emblematic of the culture at SouthWest Water, where employees are empowered to get the job done for our customers.



### **Jim Devine, Chief Enterprise Services Officer (CESO)**

Jim currently serves as Chief Support Services Officer at Corix. Jim joined Utilities, Inc. in 2010, working in Human Resources until he was promoted to lead Shared Services shortly after the Corix acquisition in 2014, and joined the Corix Executive team in 2018. In his new role, he will oversee the combined company's shared technology platforms, Centers of Expertise and enterprise business services. Jim will continue to reside with his husband, Andrew, in Chicago, IL following close of the transaction.



### **Shawn Elicegui, Chief Legal Officer (CLO)**

Shawn currently serves as CLO at Corix. In his role at the new company, he will maintain similar responsibilities overseeing the legal department. He will also have responsibility for the corporate Rates, Regulatory and Legislative Affairs team. Shawn, who joined Corix in 2019, will continue to reside in Reno, NV with his wife, Jennifer, following the close of the transaction.



### **Joanne Elliott, Chief Human Resources Officer (CHRO)**

Joanne currently serves as CHRO at SouthWest Water. At the newly combined company, she will be responsible for all aspects of people and culture. Joanne joined SouthWest Water in 2019, and she will continue to reside in Los Angeles County, CA with her husband Hal.



### **Richard Rich, Chief Operating Officer (COO)**

Richard is currently the COO of SouthWest Water. As COO of the combined company, he will continue to oversee the operations for all business units. Rich began his career at SouthWest Water as a meter reader 20 years ago, and has served in various roles across several states, including in Operations; Customer Care; Regulatory; Financial Planning and Analysis; and as President of the California business. Rich and his wife Kellie, along with their two children, Jaxon (17) and Ella (11), will continue to be based in the Sugar Land, TX area.



### **Don Sudduth, Chief Growth Officer (CGO)**

Don currently serves as CGO at Corix. At the combined company, he will continue to be responsible for leading and growing the new company's business. Don has been with Corix for 16 years, first with Corix-acquired Utilities, Inc. and then with Corix. He has served as VP Corporate Development; VP Meter To Cash Operations; President of the South Region; and COO of Energy & Contract Utilities. Don will continue to be based in Florida, where he resides with his wife, Kandi, near their two adult sons, Masen and Jacksen.



### **Alison Zimlich, Chief Financial Officer (CFO)**

Alison currently serves as CFO of SouthWest Water and will continue in that same role with the new company. Alison has been with SouthWest Water since May 2021. She and her husband, Josh, live in the Houston area and are recent empty-nesters. They are looking forward to lots of golf and travel in their new free time. Their daughter, Bonnie, is a junior at Texas State University, and their son, Caden, is a freshman at University of Arkansas.

Docket No. \_\_\_\_\_

**List of Federal Filings**

COUNTRY	STATUTE OR REGULATION	REGULATOR/AGENCY	ESTIMATED TIMING
USA	Section 721 of the Defense Production Act of 1950, as amended (50 U.S.C. §4565), and all rules and regulations issued and effective thereunder	Committee on Foreign Investment in the United States filings	11/23/2022
Canada	Investment Act Canada	Innovation, Science and Economic Development Canada	November 23, 2022 (or as otherwise agreed to by the parties)
USA	Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended	Federal Trade Commission/Department of Justice	TBD
Canada	Competition Act	Competition Bureau	TBD
USA	Federal Communications Act	Federal Communications Commission	TBD

**List of Regulatory Approvals for States and Provinces**

COUNTRY	REGULATOR	STATE/PROVINCE
Canada	Water Comptroller	British Columbia
USA	PUC	California
USA	ICC	Illinois
USA	BPU	New Jersey
USA	PUC*	Oregon
USA	PUC	Pennsylvania
USA	PUC	Tennessee
USA	PUC	Texas
Canada	AUC	Alberta
Canada	BCUC	British Columbia
USA	RCA	Alaska
USA	PSC	Kentucky
USA	PSC	Louisiana
USA	PUC	Nevada
USA	NCUC	North Carolina
USA	SCC	Virginia
USA	PUC	Ohio

\* Confirmation of filing requirements pending



**STATE OF NEW JERSEY**  
**BOARD OF PUBLIC UTILITIES**

In the Matter of )  
Verified Joint Petition of Montague Water )  
Co., Inc., Montague Sewer Co., Inc., Corix )  
Infrastructure (US) Inc., and SW Merger )  
Acquisition Corp. for Approval of a Change )  
of Control of Montague Water Co., Inc. and )  
Montague Sewer Co., Inc. )

**BPU Docket No.:** \_\_\_\_\_

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**Direct Testimony of**

**Brian D. Bahr**

**on behalf of**

**SW MERGER ACQUISITION CORP**

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**PREPARED DIRECT TESTIMONY  
OF BRIAN D. BAHR  
ON BEHALF OF  
SW MERGER ACQUISITION CORP**

**WITNESS INTRODUCTION AND BACKGROUND**

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. My name is Brian D. Bahr. I am employed by SouthWest Water Company  
3 (“SouthWest”), a subsidiary of SW Merger Acquisition Corp (“SWMAC”), as  
4 Director of Rates and Regulatory Affairs. My business address is 1620 Grand  
5 Avenue Parkway, Suite 140, Pflugerville, Texas 78660.

6 **Q. PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.**

7 A. My duties primarily consist of preparing and managing regulatory applications and  
8 compliance filings for the non-California regulated operating subsidiaries of  
9 SouthWest.

10 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL AND EDUCATIONAL  
11 BACKGROUND.**

12 A. My professional and educational experience includes the areas of accountancy,  
13 audit, analysis, regulation, and management. I graduated from Brigham Young  
14 University with a BA in Accountancy and subsequently earned the Certificate of  
15 Public Management from Willamette University. I received a Master of Business  
16 Administration from the University of La Verne with an emphasis in Finance. I also  
17 hold Grade II certifications as a Water Distribution Operator and Water Treatment  
18 Operator in the State of California. Prior to joining SouthWest, I was employed by  
19 the Oregon Public Utility Commission as a Senior Utility Analyst, and, previous to

20 that, worked in the audit/assurance practice of PricewaterhouseCoopers LLP in  
21 the field of alternative investments.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS BOARD OR ANY OTHER**  
23 **COMMISSION?**

24 A. Yes, I have previously testified before the California, Oregon, and Texas  
25 commissions

26 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

27 A. My testimony supports the joint petition (“Joint Petition”) for approval of the  
28 proposed merger of Corix Infrastructure (US) Inc. (“Corix US”) and SWMAC (which  
29 together with Corix US, are referred to as the “Companies”). Corix US indirectly  
30 owns Corix Regulated Utilities US, Inc. (“CRU US”), the direct parent of Montague  
31 Water Co., Inc. and Montague Sewer Co., Inc. (both of which are referred to as  
32 “The Montague Companies” and, together with the Companies, the “Joint  
33 Petitioners”). The merger results in the combination of the water, wastewater, and  
34 related businesses currently owned by Corix Infrastructure Inc. (“CI”), with the  
35 water and wastewater businesses currently owned by Southwest. This merger of  
36 equals joins two highly complementary businesses to create a leading water and  
37 wastewater utility with the scale and financial foundation necessary to better  
38 facilitate long-term investments needed to serve customers.

39 My testimony describes the SouthWest organization, SouthWest’s mission  
40 and values, and the strengths SouthWest brings to the proposed combination. I  
41 also reiterate the Companies’ continuing commitment to New Jersey customers  
42 and our commitment to provide reliable, safe, and high-quality utility service. In

43 addition, my testimony provides support for the Companies' request for confidential  
44 treatment of certain commercially sensitive information. Finally, I support the  
45 conclusion that the business combination is consistent with the public interest.

46 **Q. ARE YOU SPONSORING ANY APPENDICES TO THE VERIFIED JOINT**  
47 **PETITION WHICH IS BEING FILED IN CONNECTION WITH THIS**  
48 **PROCEEDING (THE "JOINT PETITION")?**

49 A. Yes, I am sponsoring the following Appendices in this proceeding:

- 50 • Appendix G-2 – Corporate Resolution Authorizing the Proposed
- 51 Transaction – SWMAC
- 52 • Appendix H-5 – SWMAC Recent Financial Statements
- 53 • Appendix I-4 – Articles of Incorporation for SWMAC

54

55 **SOUTHWEST**

56 **Q. PLEASE DESCRIBE SOUTHWEST.**

57 A. SouthWest's roots go back over 100 years. We are currently headquartered in  
58 Sugar Land, Texas, with approximately 500 employees. Our utility subsidiaries  
59 own and operate regulated water and wastewater systems serving over half a  
60 million residential and business customers in seven states: Alabama, California,  
61 Florida, Louisiana, Oregon, South Carolina, and Texas. Customer rates, service,  
62 and water quality are generally regulated by state agencies.

63 **Q. PLEASE DESCRIBE SOUTHWEST'S OWNERSHIP.**

64 A. SouthWest is a wholly owned subsidiary of SWMAC. The Infrastructure  
65 Investments Fund ("IIF"), through IIF Subway Investment LP ("IIF Subway"),

66 indirectly owns 75% of SWMAC. Bazos CIV, L.P. (“Bazos”) owns the remaining  
67 25%. Bazos is indirectly owned by the German reinsurer, Munich RE (Münchener  
68 Rückversicherungs-Gesellschaft Aktiengesellschaft in München).

69 IIF is an approximately \$26 billion<sup>1</sup> open-ended private investment vehicle  
70 focused on investing in critical infrastructure assets. IIF is responsible for investing  
71 and growing the retirement money of more than 60 million families. IIF is a long-  
72 term owner of companies that provide essential services, including water, natural  
73 gas and electric utility services, renewable energy, and transportation  
74 infrastructure, which are all vital to the communities in which they operate. As of  
75 June 30, 2022, IIF owned 20 companies throughout North America, Europe, and  
76 Australia.

77 Since acquiring SouthWest in 2010, IIF has been an outstanding partner to  
78 SouthWest, including supporting over \$500 million in capital expenditures for  
79 critical infrastructure.

80 **Q. PLEASE DESCRIBE SOUTHWEST’S MISSION AND VALUES.**

81 A. SouthWest’s mission is to provide life-sustaining water and wastewater services  
82 to our customers, empowering the communities we serve. We accomplish this  
83 mission by embracing our values, which are as follows:

- 84 • Safety – we make safety our #1 priority by continuously monitoring and  
85 improving our safety practices, protecting the wellness of our most valuable  
86 assets - our people - and safeguarding the public health in delivering safe,  
87 reliable water and wastewater services;

---

<sup>1</sup> As of June 30, 2022.

- 88 • Environmental Stewardship – environmental compliance and protection of  
89 natural resources is achieved through striving to meet all compliance and  
90 regulatory public safety requirements, reducing our carbon footprint, and  
91 meeting the demands of our customers by infrastructure improvement and  
92 efficiency;
- 93 • Customer Care – our commitment to customer care is achieved by  
94 supporting our customers in a timely manner, treating every customer with  
95 respect and honesty, and providing safe and reliable water and wastewater  
96 services;
- 97 • Employee Empowerment – we encourage all employees to participate in  
98 the decisions around their work, providing training and resources for  
99 development, and creating a culture that encourages communication,  
100 collaboration, and inclusiveness;
- 101 • Integrity – this value is demonstrated by showing respect for peers and  
102 customers at all times, building trust, acting with responsibility and  
103 accountability, and leading by example; and
- 104 • Community Partnership – we support the communities we serve by  
105 committing to volunteer in the communities, investing in solutions to improve  
106 communities, and supporting business partners whose efforts mirror our  
107 mission.

108 As Mr. Lubertozi's direct testimony notes, the mission and values of CII  
109 and SouthWest are similar, including our shared commitment to local management  
110 and decision-making, supported by corporate-wide resources.

111 **Q. PLEASE DESCRIBE THE STRENGTHS SOUTHWEST BRINGS TO THE**  
112 **PROPOSED COMBINATION IN TERMS OF FINANCIAL RESOURCES.**

113 A. In 2021, SouthWest had annual revenues of \$248.9 million and had over \$1.4  
114 billion in assets on its balance sheet. The combined business will be established  
115 with a target investment grade capital structure profile and operated in a way that  
116 is consistent with maintaining an investment grade profile.

117 **Q. PLEASE DESCRIBE SOUTHWEST'S OPERATIONAL AND TECHNICAL**  
118 **EXPERTISE.**

119 A. SouthWest has experience in virtually every aspect of water and wastewater  
120 system operation. SouthWest has approximately 450 experienced operational  
121 employees dedicated to safely providing high-quality water and wastewater  
122 services to our customers in an environmentally compliant manner. Our state-  
123 certified water and wastewater technicians provide service to hundreds of  
124 communities, assisted by our in-house professional engineering and quality  
125 control. We also have extensive construction and project management experience  
126 and expertise. SouthWest is committed to providing excellent customer service  
127 and operational service.

128 **Q. DOES SOUTHWEST ALSO BRING MANAGEMENT EXPERTISE TO THE**  
129 **PROPOSED COMBINATION?**

130 A. Yes. SouthWest has a strong management team that cumulatively has decades of  
131 experience owning and operating water and wastewater utilities. As described  
132 more fully in Mr. Lubertozzi's testimony, the proposed business combination will



133 result in an executive leadership team that draws from the skilled management of  
134 both Corix US and SouthWest.

135 **Q. IN SUMMARY, DOES SOUTHWEST BRING FINANCIAL,**  
136 **OPERATIONAL/TECHNICAL, AND MANAGERIAL STRENGTHS TO THE**  
137 **PROPOSED COMBINATION?**

138 A. Yes, SouthWest's financial resources, strong leadership team, managerial  
139 expertise, and commitment to providing safe, adequate, and proper utility service  
140 to its customers make it an ideal owner of water and wastewater utilities.

141 **RESTRUCTURING PRIOR TO CLOSING**

142 **Q. PLEASE DESCRIBE THE SWMAC PARTIES' RESTRUCTURING THAT WILL**  
143 **TAKE PLACE PRIOR TO CLOSING.**

144 A. Before this business combination occurs, SWMAC's shareholders will form a new  
145 holding company, SWMAC Holdco. SWMAC's shareholders will contribute certain  
146 assets, including SWMAC's stock, to SWMAC Holdco in exchange for limited  
147 partnership interests in SWMAC Holdco. This step will facilitate the contribution of  
148 SWMAC's stock to Corix US in exchange for the issuance of Corix US stock, as  
149 described in Mr. Lubertozzi's testimony, and the merger of SWMAC with and into  
150 Corix US.

151 **COMMITMENTS FROM THE JOINT PETITIONERS**

152 **Q. PLEASE SUMMARIZE THE CUSTOMER PROTECTION COMMITMENTS THE**  
153 **JOINT PETITIONERS ARE MAKING TO THE STATE OF NEW JERSEY.**

154 A. To ensure that The Montague Companies' customers are held indifferent as a  
155 result of the proposed business combination, the Joint Petitioners make the  
156 following commitments:

- 157 • The Montague Companies will continue to provide high-quality water and  
158 wastewater utility services to their customers.
- 159 • The Montague Companies will continue to maintain a strong local presence  
160 in New Jersey in terms of employees, offices, facilities, community support  
161 and local operations.
- 162 • The Joint Petitioners have incurred and will incur transaction costs, the Joint  
163 Petitioners will not seek to recover transaction costs from customers.
- 164 • While the Transaction is not driven by net financial synergies, the Joint  
165 Petitioners anticipate that the business combination will improve efficiency,  
166 and the integration of administrative and general functions should result in  
167 cost savings. The integration of CII's water, wastewater, and related  
168 businesses with SWMAC's water and wastewater business will be a  
169 significant, prolonged undertaking. The Joint Petitioners acknowledge that  
170 costs and benefits associated with integration will be addressed in future  
171 ratemaking proceedings.
- 172 • Without the Board of Public Utilities' ("BPU") prior approval, the Montague  
173 Companies will not guarantee any debt or credit instrument of Intermediate  
174 Newco or any affiliate of the Montague Companies unless such debt is  
175 incurred for the specific purpose of their system or operations.

- 176 • The proceeds of any debt incurred by the Montague Companies will only be  
177 used for purposes specific to their system or operations.
- 178 • Unless it first obtains the BPU's approval, the Montague Companies will not  
179 transfer any material assets to Intermediate Newco or an affiliate except in  
180 an arm's length transaction and in compliance with the laws of New Jersey.
- 181 • The combined business will be established with a target investment grade  
182 capital structure profile and operated in a way that is consistent with  
183 maintaining an investment grade profile.
- 184 • Related to keeping a solid local presence, to refrain from any involuntary  
185 reductions in force related to the combination for the first 12 months after  
186 the transaction closes.
- 187 • To present any new or amended affiliated interest agreement to the BPU  
188 for approval pursuant to N.J.S.A. 48:3-7.1 when required.

189 **REQUEST FOR CONFIDENTIAL TREATMENT**

190 **Q. ARE THE COMPANIES REQUESTING CONFIDENTIAL TREATMENT OF ANY**  
191 **INFORMATION INCLUDED IN THE APPLICATION?**

192 A. Yes, in addition to the request for approval of the proposed business combination,  
193 the Companies are seeking confidential treatment of certain commercially  
194 sensitive information deemed as proprietary. Per New Jersey's Open Public  
195 Records Act, confidential information may be protected from public disclosure if it  
196 is secret, proprietary or competitively significant. The Joint Petitioners are not  
197 seeking confidential treatment for any information that has been made public

198 elsewhere, and they will submit redacted copies of documents that can be part of  
199 the public record.

200 **Q. IS THE PROPOSED COMBINATION OF CORIX US AND SWMAC**  
201 **CONSISTENT WITH NEW JERSEY'S PUBLIC INTEREST STANDARD?**

202 A. Yes. The combination involves two strong, complementary water and wastewater  
203 utility holding companies that will combine to create an even stronger new  
204 company. Through the combined financial, managerial, and operational resources  
205 of the two companies, the transaction will better facilitate needed infrastructure  
206 investments across our service territories, as well as continued growth of our  
207 businesses. There will be no adverse impact on any of the criteria identified in  
208 N.J.S.A. 48:2-51.1 (competition, rates, employment and service to customers),  
209 and there will be positive benefits as well. The combination will allow the sharing  
210 of expertise and prudent practices across the various utility companies.  
211 Importantly, the Montague Companies will continue to be locally managed while  
212 being supported with resources and expertise from the combined new company  
213 and will continue to provide support to the communities in which they serve.

214 **Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

215 A. Yes, it does.