

**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. WM22110690

STIPULATION OF SETTLEMENT

APPEARANCES:

James Laskey, Esq., Norris McLaughlin, P.A., on behalf of Petitioners Montague Water Co., Inc. and Montague Sewer Co., Inc. and Corix Infrastructure (US) Inc.;

Stephen B. Genzer, Saul Ewing LLP, on behalf of petitioner SW Merger Acquisition Corp.;

Meliha Arnautovic, Deputy Attorney General, on behalf of the Staff of the New Jersey Board of Public Utilities;

Brian O. Lipman, Director, Susan McClure, Deputy Rate Counsel, Christine Juarez, Esq., Assistant Deputy Rate Counsel, and Emily Smithman, Assistant Deputy Rate Counsel, on behalf of the New Jersey Division of Rate Counsel;

TO THE HONORABLE COMMISSIONER OF THE NEW JERSEY BOARD OF PUBLIC UTILITIES:

The parties in this proceeding include Montague Water Co., Inc., Montague Sewer Co., Inc. (collectively, "Montague Companies"), Corix Infrastructure (US) Inc. ("Corix US"), and SW Merger Acquisition Corp. ("SWMAC") (collectively, "Joint Petitioners"), the Division of Rate Counsel ("Rate Counsel"), and Staff of the New Jersey Board of Public Utilities ("Staff").

As a result of their analysis of Joint Petitioners' Verified Joint Petition, pre-filed testimony and exhibits, extensive discovery, settlement meetings, and a public hearing held on April 20, 2023, the Joint Petitioners, Staff, and Rate Counsel (collectively, "Parties") have come to the instant agreement on all of the issues in dispute in this matter ("Stipulation" or "Settlement").

PROCEDURAL HISTORY

On November 9, 2022, Joint Petitioners submitted a Verified Joint Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1, requesting Board approval for a change in control of the Montague Companies (the "Joint Petition"). Specifically, the Joint Petitioners seek approval of a proposed merger between SWMAC and Corix US ("Proposed Transaction"). In connection with the Proposed Transaction, Corix US will organize Intermediate Newco under the laws of Delaware ("Intermediate Newco"). Intermediate Newco will be a holding company that will acquire indirect control of the Montague Companies. The Proposed Transaction does not involve a change in direct control of the Montague Companies. Nor does the Proposed Transaction involve a transfer of the stock of the Montague Companies.

The Montague Companies are regulated public utility corporations engaged in the production, treatment, and distribution of water and collection and disposal of sewage in Montague Township, Sussex County, in the State of New Jersey. The Montague Companies serve approximately 776 water customers and 268 sewer customers, all within Montague Township.

Corix US is a corporation incorporated under the laws of Delaware. Corix US indirectly owns 100% of the Montague Companies. Corix US is owned by Corix Infrastructure Inc. ("CII"). CII, through its operating subsidiaries, owns and operates approximately 385 water, 310 wastewater, two electricity distribution, one propane, three geothermal, one municipal, and three

natural gas distribution systems in the United States and Canada. CII's water and wastewater utilities and related businesses serve over 800,000 people in 18 U.S. states and two Canadian provinces.

SWMAC is a Delaware corporation that owns 100% of SouthWest Water Company. SWMAC, through its operating subsidiaries, owns and operates 18 water and wastewater utility companies in the United States. SWMAC's water and wastewater utilities provide service to over 500,000 people in seven U.S. states. SWMAC is owned by IIF Subway Investment LP and Bazos CIV, L.P.

On January 25, 2023, the Board issued an Order determining that the Joint Petition should be retained by the Board and designating Commissioner Mary-Anna Holden as the Presiding Commissioner with the authority to rule on all motions that arise during the pendency of the Joint Petition and to modify any schedules that may be set as necessary to secure a just and expeditious determination of the issues.¹ The Board also directed all entities seeking to intervene or participate to file the appropriate application with the Board on or before February 25, 2023, and any party wishing to file for admission of counsel pro hac vice should do so concurrently. No additional parties intervened in this proceeding.

On March 27, 2023, Commissioner Mary-Anna Holden issued an Order adopting the agreed-upon procedural schedule set forth by the Parties.² The March 2023 Order also directed

¹ In re the 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. WM22110690, Order dated January 25, 2023.

² In re the 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. WM22110690, Order dated March 27, 2023 ("March 2023 Order").

the Parties to comply with the terms of their agreed-upon procedural schedule and to serve all documents electronically.

Following proper notice, on April 20, 2023, the Parties attended a virtual public hearing conducted by Commissioner Mary-Anna Holden. No members of the public spoke or submitted written comments on the Joint Petition.

Throughout this proceeding, the Parties issued several rounds of discovery and timely responded to those requests. The Parties also participated in several informal discovery conferences. A series of formal settlement discussions followed, which ultimately resulted in this Stipulation.

SETTLEMENT PROVISIONS

The Parties have engaged in detailed settlement discussions and reached agreements during these discussions, which have resulted in the provisions included in this Stipulation. The Parties agree that the Proposed Transaction will not adversely impact competition, rates, employees, or the provisions of safe, adequate, and proper utility service at just and reasonable rates, and that positive benefits will accrue to customers and the State of New Jersey. Accordingly, the Parties **HEREBY STIPULATE AND AGREE** that the Board should approve the Joint Petition requesting approval of the proposed Transaction, subject to the below settlement terms.

As committed to in the Joint Petition, the Montague Companies will continue to provide water and wastewater utility services to the Montague Companies' customers. Additional commitments set forth in the Joint Petition are reflected as follows:

1. By virtue of a settlement previously approved by the Board by Order dated July 13, 2022, the Montague Companies have committed not to file for any increase in base rates before

August 1, 2024.³ Regarding any filing made on or after August 1, 2024, the Montague Companies will not implement any additional base rate increase for water or wastewater operations prior to January 1, 2026.

2. The Montague Companies will continue to maintain a strong local presence in New Jersey in terms of employees, facilities and offices, and community support. In support of this commitment, Corix US will make contributions of \$3,000 annually for a period of five (5) years following the closing of the Proposed Transaction to the Montague Volunteer Fire Dept. (montaguefd.org). These contributions will not be recovered from the Montague Companies' customers.
3. Goodwill will not be used, directly or indirectly, in the calculation of any ratemaking component of the rates of the Montague Companies where the use of such goodwill would increase the rates of the Montague Companies.
4. Goodwill will not be included, directly or indirectly, in any allocation factor calculation that is used to allocate costs, including joint and common costs, to the Montague Companies.
5. The Montague Companies may recover the costs of integrating administrative and general functions ("Integration Costs") to the extent that the benefits of integrating administrative and general functions meet or exceed such costs ("Net Benefits"). To the extent Integration Costs exceed benefits ("Net Costs"), the Joint Petitioners acknowledge that the Montague Companies will not recover Net Costs. After Integration Costs and benefits are reflected in

³ In re the Joint Petition of Montague Water and Sewer Companies for an Increase in Rates for Water and Sewer Services, BPU Docket No. WR22010018, Order dated July 13, 2022.

the next two general rate cases, the Montague Companies will discontinue tracking those costs.

6. Joint Petitioners agree not to include any charges from JP Morgan Investment Management, Inc. in any water or wastewater rates charged to the Montague Companies' customers. This provision applies to costs incurred directly by the Montague Companies as well as costs allocated to the Montague Companies from their direct or indirect parent companies or any other affiliate.
7. For ratemaking purposes, the Board will retain jurisdiction over all costs allocated to the Montague Companies by affiliates and the Board will have full authority to determine the appropriate affiliate cost allocations reflected in New Jersey utility rates.
8. The Joint Petitioners will honor all existing collective bargaining agreements and pension obligations in effect at the time of the closing of the Proposed Transaction.
9. The Montague Companies will continue to have at least two dedicated operators and an allocated administrative support position, the latter of which will be the primary point of Board contact for all regulatory, operational, and community engagement matters. Ordinary course business vacancies shall not be considered a violation of this commitment. The Montague Companies will use commercially reasonable efforts to fill any vacancies and appropriately delegate or assign the above responsibilities to ensure adequate support.
10. The Montague Companies will continue to maintain sufficient staff, facilities, and operating skills consistent with its obligation to serve customers in New Jersey. The Montague Companies will continue to meet the service needs of their customers in accordance with the applicable provisions of the Board's regulations. The Montague Companies will continue to have access to capital needed to support continued prudent

investment in its facilities, systems, and staff that will improve service to New Jersey customers.

11. Following the closing of the Proposed Transaction, the Joint Petitioners will ensure that the Montague Companies continue to comply with all applicable continuing regulatory obligations arising from prior transactions.
12. There are no plans to make changes to the Montague Companies' separateness in terms of existence, franchises, obligations and privileges, including name and logo. However, the Joint Petitioners commit to advise the Board and Rate Counsel within 30 days of any changes to the Montague Companies' separateness.
13. The Montague Companies will not provide a guarantee for the payment of the debt or credit instruments of any affiliate except CRU US (as defined in paragraph 15 below) or any successor in interest of CRU US without prior Board approval.
14. No affiliate will pledge the Montague Companies' assets or revenues for the payment of the debt or credit instruments of any affiliate without prior Board approval. In addition, no affiliate, except CRU US or any successor in interest to CRU US, will pledge shares of the Montague Companies for the payment of the debt or credit instruments of such affiliate without prior Board approval.
15. The Montague Companies' current rates reflect a cost of debt that includes debt instruments that contain "change-of-control" provisions that allow the noteholders to sell (put) their notes to Corix Regulated Utilities (US) Inc. ("CRU US"). The Parties acknowledge that, to the extent CRU US incurs increased interest expense as a result of issuing new debt to replace debt instruments that are redeemed as a result of a noteholder exercising a put in

connection with the Proposed Transaction (referred to as the “COC Debt”), then the following procedures will apply:

- a. Within 90 days of the closing of the transaction, CRU US will notify the Parties of
 - (i) all tranches, or portion of tranches, of debt that were redeemed, including the interest rate, maturity date, and future principal balance and interest expense and
 - (ii) the nature, tenor, and coupon rate associated with any debt issued or credit facility utilized to replace the COC Debt (“Replacement Debt”).
 - b. CRU US shall calculate the differential between the embedded cost of debt in the most recent base rate case prior to the Transaction and the embedded cost of debt recalculated using the Replacement Debt. If the cost of the Replacement Debt exceeds the cost of the COC Debt being replaced due to the Proposed Transaction, then (i) in their next rate case filing, the Montague Companies shall subtract this differential from the actual embedded cost of debt in that rate case in proportion to the amount of COC Debt that would otherwise be outstanding relative to the total debt and (ii) the Montague Companies shall apply the differential to the proportion of the total debt that would have been outstanding COC Debt but for the Proposed Transaction in each subsequent base rate case until May 2035.
 - c. Notwithstanding anything to the contrary in Section 15 of this Stipulation, the Montague Companies shall be free in any future rate proceeding to request, based upon a factual change in circumstances, that the Board adjust such differential. The burden of proof shall always remain with the Montague Companies.
16. Absent prior Board approval, dividends from the Montague Companies will be limited to no more than 100 percent of net income.

17. The Montague Companies will maintain their own separate books, records, and financial statements reflecting its separate assets and liabilities. All such records will be maintained in accordance with the Uniform System of Accounts or as otherwise prescribed by N.J.S.A. 48:2-16 and shall either be maintained in the State of New Jersey or otherwise maintained in a manner readily accessible to the Board, Staff, and Rate Counsel for inspection at reasonable times upon reasonable notice. The Joint Petitioners also agree that the Montague Companies will maintain and make available to the Board separate books and records in compliance with N.J.A.C. 14:3-6.3, N.J.A.C. 14:9-12.1 and N.J.A.C. 14:9-13.1.
18. The Montague Companies will continue to provide Staff and Rate Counsel with copies of all financial statements and other documents or reports that are currently required by the Board.
19. The Montague Companies will file, with each of their next two rate cases, a report on affiliate transactions showing, for the test year, the entities providing services to the Montague Companies, the services provided, the allocation factors used to allocate costs among subsidiaries, and the actual costs allocated for the year. In addition, for each entity providing services to the Montague Companies, the report will identify all other affiliates that receive services from the provider.
20. As provided in the Joint Petition, until the Montague Companies enter into a new affiliate interest agreement after closing, the Montague Companies will continue to use their existing affiliate interest agreement to allocate corporate shared services costs. When the Montague Companies propose to enter into a new affiliate interest agreement, the agreement will be presented to the Board for its approval consistent with Board regulations.

21. Corix US shall not transfer a controlling interest in the Montague Companies without the Board's prior approval.
22. This Stipulation shall not affect nor in any way limit the exercise of the authority of the Board, or of the State of New Jersey, in any future petition or in any proceedings with respect to consolidated tax adjustments, auditing, rates, franchises, service, financing, accounting, capitalization, depreciation, or in any other matter affecting the Joint Petitioners.
23. Without the Board's prior approval, the Montague Companies will not guarantee any debt or credit instrument of Intermediate Newco or any affiliate of the Montague Companies unless such debt is incurred for the specific purpose of the Montague Companies system or operations.
24. The proceeds of any debt incurred by the Montague Companies will only be used for purposes specific to the Montague Companies system or operations.
25. Unless it first obtains the Board's approval, the Montague Companies will not transfer any material asset to Intermediate Newco or an affiliate except in an arm's length transaction and in compliance with the laws of the State of New Jersey.
26. Intermediate Newco will not cause or permit any involuntary reductions in force related to the combination for the first 12 months after the Proposed Transaction closes.
27. The Joint Petitioners have incurred and will incur transaction costs. The Joint Petitioners will not seek to recover transaction costs from customers of the Montague Companies.
28. The Joint Petitioners acknowledge that costs and benefits associated with integration will be addressed in future ratemaking proceedings as specified in Paragraph 5 of this Stipulation.

29. Intermediate Newco will be established with a target investment grade capital structure profile and operated in a way that is consistent with maintaining an investment grade profile.

This Stipulation is the product of extensive arms-length negotiations by the Parties, and it is an express condition of the settlement embodied by this Stipulation that it be presented to the Board in its entirety without modification or condition. It is also the intent of the Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein. The Parties to this Stipulation specifically agree that, if adopted in its entirety by the Board, no appeal shall be taken by them from the order adopting same as to those issues upon which the Parties have stipulated herein. The Parties agree that this Stipulation reflects the mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety. Each term is vital to this Stipulation as a whole, since the Parties hereto expressly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, then any Party hereto materially affected thereby shall not be bound to proceed under this Stipulation. The Parties further agree that the purpose of this Stipulation is to reach a fair and reasonable resolution of the issues in this proceeding with any compromises being made in the spirit of reaching an agreement. None of the Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter, except as necessary to enforce the provisions of this Stipulation.

This Stipulation may be executed in as many counterparts as there are Parties of this Stipulation, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

[signature page follows]

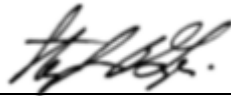
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September 7, 2023
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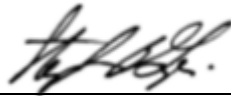
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