

# AN IDEAL COMBINATION: SJW GROUP + CONNECTICUT WATER

## IMMEDIATE, QUANTIFIABLE AND SIGNIFICANT BENEFITS FOR ALL OF CONNECTICUT WATER'S STAKEHOLDERS

SJW Group and Connecticut Water have made 72 binding commitments, which demonstrate that the SJW Group + Connecticut Water combination is in the public interest. A full list of these binding commitments and benefits, which are subject to PURA approval, can be found at [sjw-ctws.com](http://sjw-ctws.com). Examples include:



### IMMEDIATE AND LONG-TERM RATE RELIEF AND SERVICE BENEFITS TO CUSTOMERS

- 2% of customer bill credits in 2020 for every Connecticut customer
- 5% bill credits on all Connecticut municipal public fire accounts for 1 year starting 01/01/20
- A general rate case stayout with no new base rates at Connecticut Water Company, Heritage Village and Avon Water Company prior to 01/01/21
- Current leading customer service will be further enhanced by the sharing of best practices, operational expertise and more extensive resources throughout the entire company
- Customer satisfaction surveys will continue to be conducted annually, and the results reported to the Connecticut Public Utilities Regulatory Authority



### JOB PROTECTION AND CREATION

- Maintain current employee levels in Connecticut (221) for at least 3 years following closing
- No significant changes in compensation or benefits
- Expected to support 67 additional jobs in all sectors in Connecticut through infrastructure investment
- New Utility Supplier Diversity Program to promote the inclusion of women-owned, minority-owned, LGBTQ-owned and veteran-owned business enterprises in the Connecticut utility supply chain
- All employees to benefit from additional career development and geographic mobility opportunities



### LOCAL LEADERSHIP AND OPERATIONS

- Connecticut Water will maintain Connecticut-based headquarters and management team, who will continue to oversee operations, budgets, water quality, service and rates
- Customers served by same local employees they know and trust
- Operating centers staying open in service areas
- A Customer Advisory Council will be established with representatives of all the Connecticut service towns
- Connecticut Water, Connecticut Water Company, Heritage Village and Avon Water Company shall each have its own Board of Directors
- 3 independent members of Connecticut Water Board to be appointed to SJW Group Board at closing

“Our comprehensive commitments ensure that the combination with SJW Group will provide immediate and long-term customer benefits, protect jobs, support economic development, advance important environmental goals, and serve the interests of our employees, customers and communities.”

DAVID C. BENOIT  
PRESIDENT AND CEO,  
CONNECTICUT WATER



### FINANCIAL PROTECTIONS AND INCREASED INVESTMENT IN INFRASTRUCTURE AND SERVICE

- Detailed financial protections and governance structures to protect the Connecticut customers and utilities
- Annual capital budgets in Connecticut Water service area will be established and funded, with continued capital investments of ~\$200 million across combined SJW Group+Connecticut Water operations
- Continued capital investments in infrastructure will be made with a sustainable replacement cycle of at least 1% of pipe per year
- Addition of cybersecurity experts to the Connecticut Water team
- Enhanced safety training programs for Connecticut employees



### COMMUNITY INVOLVEMENT AND CHARITABLE GIVING

- Doubling Connecticut Water's charitable funding
- Establishing an employee charitable giving committee
- Enhancing Connecticut Water Company's *H2O Customer Assistance* program with greater levels of assistance to income-eligible customers and expanding the criteria for the one-time hardship assistance
- Continued participation and support of community organizations and events in Connecticut service towns



### ENVIRONMENTAL STEWARDSHIP AND LEADERSHIP

- Responsible water resource management and enhanced water conservation programs to reduce the amount of water loss in Connecticut Water Company systems to not more than 14% by 01/01/20
- Energy audits will be conducted to identify measures that could reduce energy consumption
- Additional environmental safeguards and processes regarding protection of Connecticut Water-owned lands
- Increased proportion of Class I renewable energy will be purchased

“The revised application is focused squarely on tangible customer, employee, community and economic benefits to customers... [the Transaction Commitments] are comparable or superior to the commitments in other mergers approved by PURA...”

JOHN J. REED  
CEO AND CHAIRMAN,  
CONCENTRIC ENERGY  
ADVISORS

**AN IDEAL COMBINATION: SJW GROUP + CONNECTICUT WATER**

**CREATING A LEADING WATER UTILITY WITH THE FINANCIAL STRENGTH, LOCAL OPERATIONS, RESOURCES AND SCALE TO DELIVER SIGNIFICANT STAKEHOLDER BENEFITS ACROSS THE ENTIRE COMPANY**

“As a leading water utility, the combined company will have the financial strength, scale, resources and sharing of best practices to ensure families and communities will continue to have safe and reliable water service across all of our operations.”

ERIC W. THORNBURG  
CHAIRMAN, PRESIDENT AND CEO,  
SJW GROUP

**3rd largest**  
investor-owned water and wastewater utility

Committed to strong investment grade credit rating of at least

**“A-”**

**MULTI-STATE PRESENCE WHILE MAINTAINING LOCAL FOCUS**

with **~700** dedicated employees serving **+1.5M** people



**New England Headquarters**  
Clinton, CT

**Combined Company Headquarters**  
San Jose, CA



**SHAREHOLDER BENEFITS**

**\$70** per share  
all cash consideration

**33%** premium  
to CTWS unaffected share price<sup>1</sup>

**Significant and certain value**



**SHAREHOLDER BENEFITS**

**Enhanced growth platform**  
as a result of increased scale, geographic diversity and strong financial foundation

Financial strength to continue **local infrastructure investment** and sustain future dividend growth

**High single digit percentage EPS accretion** in the second full year post closing<sup>2</sup>

<sup>1</sup> As of close of trading, March 14, 2018, the last trading day before the original transaction between Connecticut Water and SJW Group was announced.

<sup>2</sup> Accretion based on estimated cost savings, current market conditions for the remaining debt issuance, and costs associated with the commitments detailed above, primarily the rate case stay out until 2021. Due principally to the stayout, SJW Group anticipates the transaction will be neutral to slightly dilutive to its EPS in the first full year, excluding one-time transaction costs.

**Cautionary Statement Regarding Forward-Looking Statements**

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Some of these forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” “projects,” “strategy,” or “anticipates,” or the negative of those words or other comparable terminology.

The accuracy of such statements is subject to a number of risks, uncertainties and assumptions including, but not limited to, the following factors: (1) the risk that the conditions to the closing of the proposed transaction between SJW Group and Connecticut Water (the “Merger”) are not satisfied; (2) the risk that the regulatory approvals required for the Merger are not obtained at all, or if obtained, on the terms expected or on the anticipated schedule; (3) the risk that the California Public Utilities Commission’s (“CPUC”) investigation may cause delays in or otherwise adversely affect the Merger and that SJW Group may be required to consummate the Merger prior to the CPUC’s issuance of an order with respect to its investigation; (4) the effect of water, utility, environmental and other governmental policies and regulations; (5) litigation relating to the Merger; (6) the ability of each party to meet expectations regarding timing, completion and accounting and tax treatments of the Merger; (7) the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement between the parties to the Merger; (8) changes in demand for water and other products and services; (9) unanticipated weather conditions; (10) catastrophic events such as fires, earthquakes, explosions, floods, ice storms, tornadoes, terrorist acts, physical attacks, cyber-attacks, or other similar occurrences that could adversely affect the facilities, operations, financial condition, results of operations and reputation of SJW Group or Connecticut Water; (11) risks that the Merger disrupts the current plans and operations of SJW Group or Connecticut Water; (12) potential difficulties by SJW Group or Connecticut Water in employee retention as a result of the Merger; (13) unexpected costs, charges or expenses resulting from the Merger; (14) the effect of the pendency of the Merger on business relationships, operating results, and business generally, including, without limitation, competitive responses to the Merger; (15) risks related to diverting management’s attention from ongoing business operations of Connecticut Water or SJW Group; and (16) legislative and economic developments.

In addition, actual results are subject to other risks and uncertainties that relate more broadly to SJW Group’s overall business, including those more fully described in its filings with the SEC, including, without limitation, its Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and to Connecticut Water’s overall business, including those more fully described in its filings with the SEC, including, without limitation, its Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Forward-looking statements are not guarantees of performance, and speak only as of the date made, and none of SJW Group, its management, Connecticut Water or its management undertakes any obligation to update or revise any forward-looking statements except as required by law.

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