

**STATE OF CONNECTICUT**

**PUBLIC UTILITIES REGULATORY AUTHORITY**

APPLICATION OF SJW GROUP AND : DOCKET NO. 19-04-XX  
CONNECTICUT WATER SERVICE, INC. :  
FOR APPROVAL OF CHANGE OF :  
CONTROL : April 3, 2019

**JOINT APPLICATION OF SJW GROUP AND  
CONNECTICUT WATER SERVICE, INC. FOR APPROVAL OF CHANGE OF CONTROL**

**I. INTRODUCTION**

SJW Group (“SJW”) and Connecticut Water Service, Inc. (“CTWS”) (together, the “Applicants”) submit this joint application (the “Application”) to the Public Utilities Regulatory Authority (“PURA” or the “Authority”) pursuant to Section 16-47 of the Connecticut General Statutes (“Conn. Gen. Stat.”) and Section 16-47-1 *et seq.* of the Regulations of Connecticut State Agencies (“RCSA”). The Applicants request approval of a change of control of CTWS (the “Proposed Transaction”) and of CTWS’ three Connecticut water company subsidiaries: The Connecticut Water Company (“CWC”), The Avon Water Company (“AWC”) and The Heritage Village Water Company (“HVWC”). (CWC, AWC and HVWC are collectively referred to as the “Connecticut Utilities”).<sup>1</sup>

In this filing, the Applicants acknowledge the concerns expressed by the Authority in its Proposed Final Decision in Docket No. 18-07-10 (the “Proposed Decision”) and in the Authority’s January 4, 2019 ruling on Motion 18 in that docket. The Proposed Decision and that subsequent ruling left little doubt that the application in Docket No. 18-07-10 fell short of the Authority’s expectations in terms of protecting customers and employees, and

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<sup>1</sup> Each of the Connecticut Water Companies is an “affected company” as that phrase is used in RCSA Sec. 16-47-1 *et seq.*

demonstrating benefits to customers and the State of Connecticut. This Application takes a comprehensive approach toward enhancing demonstrated benefits and resolving the Authority's concerns. The Applicants also acknowledge and appreciate the Authority's finding that the Connecticut Utilities are well-managed today by local management, and that any change in control must ensure that continues. Accordingly, this Application proposes a comprehensive set of legally binding commitments set forth in Exhibit A-1, CTWS/SJW Merger Commitments (the "Commitments"). The Commitments, along with the information provided in the Applicants' prefiled testimony and exhibits meet the change of control standards of Conn. Gen. §16-47, other applicable statutes and Authority precedent.

Specifically, this Application demonstrates that the Proposed Transaction would: provide substantial short-term and long-term benefits and protections to customers, deliver benefits to the State of Connecticut and local communities; protect current employees and job levels; and ensure the Connecticut Utilities' financial integrity, that they will remain well-managed by local management, and that they will continue to provide safe, adequate, and reliable service. The Commitments proposed by the Applicants are legally binding and enforceable if approved by the Authority and would provide customer benefits and protections, as well as serving the public interest.

The Applicants' Commitments include the following:

- Bill credits, a base rate freeze, synergy savings, protections against rate increases related to the Proposed Transaction and service quality benefits for the customers of the Connecticut Utilities;
- Provisions preserving and assuring local control and governance of the Connecticut Utilities;

- Protections for current employees, and preservation of jobs in Connecticut
- Enhanced commitment to provide economic development, environmental, community and other benefits to the State of Connecticut and local communities; and
- Provisions to protect Connecticut customers and enhance the financial strength of the Connecticut Utilities, including financial and governance ring-fencing measures to assure the financial strength and integrity of CTWS and the Connecticut Utilities and to protect them from any potential SJW financial difficulties.

This Application and the supporting testimony detail the various Commitments and the benefits and protections those provide to customers and the State of Connecticut. Additionally, this Application is responsive to the concerns raised by the Proposed Decision including the following areas as example.

To resolve the Authority's financial concerns, as noted above, the Applicants commit to ring-fencing through a detailed suite of financial and governance ring fencing protections, and provide Applicants' and expert prefiled testimony and exhibits demonstrating that the Proposed Transaction is readily financeable and will not adversely affect the Connecticut Utilities' financial condition, including their current credit ratings.

To resolve the Authority's local control concern, the Applicants commit to several measures to assure that local Connecticut management and governance of the Connecticut Utilities is preserved and that key decisions are made in Connecticut. These measures include maintaining a Connecticut headquarters and a local management team with clearly delineated authority and responsibilities, as well as additional New England resident

representation on the SJW Board and maintaining CTWS, CWC and AWC boards of directors with the majority of independent directors who will reside in New England. Importantly, under the Commitments, local boards of directors and local management will have authority over and responsibility for annual capital and operating budgets, operations, water quality, customer service and rates, compliance with Connecticut laws and regulations governing utility operations and service, establishing priorities and responding to local conditions. Such local control and management will maintain strong connections between the management of the Connecticut Utilities and their employees, the communities they serve, and their regulators.

Further, the Applicants are providing detailed information that the Authority found lacking in Docket No. 18-07-10. This includes comprehensive financial and financing analyses, integration and synergies/savings analysis and detailed information on SJW that demonstrates its capability and suitability to acquire and own the Connecticut Utilities.

In sum, the Applicants' proposed Commitments, along with the additional, detailed information they are submitting in this Application, demonstrate that after the Proposed Transaction the Connecticut Utilities will continue to: (i) be financially strong; (ii) be well managed; (iii) be managed locally; and (iv) provide safe, adequate, and reliable service to their customers. Also, the Proposed Transaction protects customers and employees and will provide short and long-term benefits to the Connecticut Utilities' customers, employees and local communities, the environment and the State of Connecticut, and therefore is in the public interest. Collectively, the Applicants' Commitments and evidence satisfy the standards of Conn. Gen. Stat. §§ 16-11, 16-19e(a), 16-22 and 16-47 and of the Authority's prior change of control decisions regarding: financial suitability and integrity;

managerial suitability; technological suitability; provision of safe, reliable and adequate service; and the public interest, including customer benefits.

## II. EXECUTIVE SUMMARY

Exhibit A.1 lists the Applicants' proposed Commitments – a comprehensive and legally binding set of public interest and customer benefits, local control and management protections, financial and governance ring-fencing protections and other commitments. The Commitments would provide both short-term and long-term benefits and protections to customers, employees, local communities and the State of Connecticut. The following is a summary of the Applicants' Commitments.

- **Customer Rate Benefits and Protections** – Customer bill credits totaling approximately \$2.3 million, a base rate freeze until January 1, 2021, prospectively flow-through of net merger-related savings to customers, and protections against increased costs due to the Proposed Transaction. (Commitments 1-6)
- **CTWS Board Members on SJW Group Board** – Majority of independent directors on SJW Board of Directors under NYSE rules for independent directors, and the SJW Board will include, following closing, three directors who as of immediately prior to the closing are members of the board of directors of CTWS. (Commitment 45)
- **CTWS and Subsidiary Boards** – A majority of the CTWS, CWC and AWC Boards of Directors will reside in the New England region and be independent under NYSE rules for independent directors. The HVWC board will be defined consistent with a 2016 settlement agreement entered into at the time of the CTWS acquisition of HVWC that recognized certain requirements of its enabling legislation. (Commitments 47 and 48)

- **Connecticut Headquarters and Local Management** – Maintenance of a CTWS New England headquarters and management team in Connecticut with responsibility and accountability for: day-to-day management, operations, water quality, customer service and rates, establishing priorities and responding to local conditions, compliance with Connecticut laws and regulations governing utilities’ operations and services, and approving annual capital and operating budgets and dividends. The authority and responsibility delegated to local management will be clearly delineated in formal written documents including a Delegation of Authority with corporate governance principals (“DOA”) in Exhibit A-2. (Commitments 8, 37, 39, 49, 51, 52)
- **Connecticut Job Guarantees** – No layoffs as a result of the Proposed Transaction and staffing levels for the Connecticut Utilities will be at least equal to 221 employees for three years following the closing. (Commitments 13 and 14)
- **Job Creation Through WICA Spend** – Increase the annual WICA spend from 2019-2021 supporting an additional estimated 67 jobs in the State of Connecticut. (Commitment 15)
- **Supporting Cybersecurity** – Expand commitment to cybersecurity by adding 2 additional staff members (including full time contractors) in Connecticut by year-end 2020. (Commitment 16)
- **Workforce Development Positions** – Add at least 2 positions for 3 years following closing for interns and/or operators in training positions workforce. (Commitment 17)
- **Annual Capital Investments** – Establish and fund annual capital budgets for five years following closing, with annual investment to be equal to or greater than the average investment level for the prior 3 years. (Commitment 7)

- **Infrastructure Replacement Investments** – Invest in eligible infrastructure replacement, as authorized under WICA, with a sustainable replacement cycle of at least 1% of pipe per year. (Commitment 9)
- **Funding Water Conservation Initiatives** – Provide a grant of \$50,000 to the Alliance for Water Efficiency to support water conservation programs identified in the State Water Plan. (Commitment 21)
- **Charitable Giving** – Enhance charitable giving and support for at least five (5) years following closing by increasing the level of corporate donations to an annual amount of \$120,000 for CWC which is double its prior 3-year average of \$60,000, by establishing an employee charitable giving committee and by including a company match for eligible employee charitable donations within the Connecticut Utilities’ charitable contributions. (Commitment 26)
- **Customer Assistance Program** – Enhance CWC’s H<sub>2</sub>O customer assistance program to offer greater assistance to income eligible customers by expanding the eligibility criteria and increasing the company match. (Commitment 27)
- **Low Income Assistance** – Make a total one-time donation of \$50,000 to soup kitchens, food pantries and similar organizations in the Connecticut Utilities’ service communities to address the needs of low income customers. (Commitment 28)
- **Open Space** – Strengthen open space protections and recreational programs through the Memorandum of Agreement with Connecticut Fund for the Environment. (Commitments 32- 35)
- **Financial and Governance Risk Protections** – Implement financial and governance ring-fencing measures to protect CTWS and the Connecticut Utilities from potential financial risks of SJW. (Commitments 53-72)

- **Legally Binding** – The comprehensive set of Commitments proposed by the Applicants is legally binding and will be implemented unless otherwise modified by the Authority. (Commitment 42)

As discussed above the definitive, legally binding list of the Applicants’ Commitments is included as Exhibit A-1.

In addition to the Commitments, The Applicants include the following prefiled testimonies that, along with the Commitments and other exhibits, demonstrate that the Applicants meet the statutory and the Authority’s standards for approval of a change of control.

The following Applicant witnesses have submitted prefiled testimony:

<b>Exhibit #</b>	<b>Witness</b>	<b>Company/Title</b>
Exhibit B.1	Eric W. Thornburg	SJW Group, President, CEO and Chairman of the Board
Exhibit B.2	David C. Benoit	Connecticut Water Service, Inc. , President and CEO
Exhibit B.3	James Lynch	SJW Group, Chief Financial Officer and Treasurer
Exhibit B.4	Maureen P. Westbrook	Connecticut Water Service, Inc., Vice President of Customer and Regulatory Affairs
Exhibit B.5	Andrew R. Gere	President and Chief Operating Officer of San Jose Water Company

In addition, the Application includes expert witness testimony in the following areas:

<b>Exhibit #</b>	<b>Witness</b>	<b>Company/Title</b>	<b>Subject Area</b>
Exhibit B.6	John J. Reed	Concentric Energy Advisors, Inc., Chairman and CEO; and CEO of CE Capital, Inc.	Review of the Commitments relative to the statutory criteria and to other utility transactions
Exhibit B.7	Daniel S. Dane	Concentric Energy Advisors, Inc., Vice President; and Financial and Operations Principal of CE Capital, Inc.	Assessment of the Applicants' post-transaction financial strength and access to capital
Exhibit B.8	Jeffrey W. Miller	Ernst & Young Global Limited, Principal in the Power & Utilities Practice	Discussion of integration planning, potential synergies and benefits from the transaction with a focus on opportunities to leverage IT systems

### **III. DESCRIPTION OF THE PARTIES AND THE PROPOSED TRANSACTION**

#### ***Description of the Parties***

1. Connecticut Water Service, Inc. is a Connecticut corporation which owns 100% of the common stock of each of the Connecticut Utilities as well as owning water utilities in Maine. Its common stock is publicly traded on the NASDAQ exchange. Its headquarters is in Clinton, Connecticut.

2. SJW Group is a Delaware corporation headquartered in San Jose, California. Its stock is publicly traded on the New York Stock Exchange. SJW owns subsidiaries with water utility operations serving over one million people in California and Texas.
3. Hydro Sub, Inc. is a Connecticut corporation formed by SJW for the sole purpose of effectuating the Proposed Transaction. SJW owns 100% of the common stock of Hydro Sub, Inc.
4. Special Purpose Entity will be formed to provide protection to the Connecticut Utilities and their ratepayers from any bankruptcy proceedings of SJW or the other SJW Affiliates other than CTWS and CTWS's regulated utility subsidiaries.
5. The Connecticut Water Company is the largest regulated water utility subsidiary of CTWS. CWC is a water company and a public service company under Title 16 of the Connecticut General Statutes. It serves 94,000 customers in 59 Connecticut cities and towns. CWC's rates and terms of service are regulated by PURA.
6. The Avon Water Company is a smaller water company and public service company subsidiary of CTWS. AWC serves 4,800 customers in the vicinity of Avon, Connecticut. AWC's rates and terms of service are regulated by PURA.
7. The Heritage Village Water Company is also a smaller water company and public service company subsidiary of CTWS. HVWC serves 5,000 customers in the vicinity of Southbury, Connecticut. HVWC's rates and terms of service are regulated by PURA.

### ***Description of the Proposed Transaction***

Upon approval by the Authority and pursuant to the terms and conditions set forth in the Second Amended and Restated Agreement dated August 5, 2018, Exhibit C, the Proposed Transaction will be executed through a cash payment by SJW of \$70 for each

outstanding share of CTWS common stock, with a total payment of \$843 million. In addition, SJW will assume \$252.2 million of CTWS' long-term debt. The Proposed Transaction will be financed through a combination of equity (which SJW has already raised) and new SJW debt. The combined company's headquarters will be in San Jose, CA and the New England headquarters will be in Connecticut. Members of the CTWS executive team will lead the New England region and the local offices and employee teams will remain in place to serve Connecticut customers and communities.

#### **IV. THE APPLICANTS' PROPOSAL SATISFIES ALL STATUTORY AND AUTHORITY CRITERIA FOR APPROVAL OF THE PROPOSED TRANSACTION**

When evaluating a change in control application, pursuant to Conn. Gen. Stat. § §16-47, 16-11, 16-19e(a), and 16-22, the Authority must determine if the Applicants have satisfied their burden with regard to financial, technological, and managerial suitability and responsibility, the ability to continue to provide safe and reliable service, and the public interest including customer benefits and the preservation of local control. The specific substantive statutory requirements of those statutes are as follows:

First, under Conn. Gen. Stat. §16-47, the Authority must determine:

- “the financial, technological and managerial suitability and responsibility of the applicant,” and
- “the ability of the ... water ... company or holding company which is the subject of the application to provide safe, adequate and reliable service to the public through the company's plant, equipment and manner of operation.”

Second, Conn. Gen. Stat. §16-11 requires the Authority in change of control applications to:

- “assure to the state of Connecticut its full powers to regulate its public service companies”
- “increase the powers of the Public Utilities Regulatory Authority” and
- “promote local control of the public service companies of this state.”

Third, Conn. Gen. Stat. § 16-19e(a) states that “In the exercise of its powers ... the ... Authority shall examine and regulate the transfer of existing assets and franchises ..., in accordance with the following principles: ...”

- “(2) that the public service company shall be fully competent to provide efficient and adequate service to the public in that such company is technically, financially and managerially expert and efficient;
- “(3) that the authority and all public service companies shall perform all of their respective public responsibilities with economy, efficiency and care for public safety and energy security, and so as to promote economic development within the state with consideration for energy and water conservation, energy efficiency and the development and utilization of renewable sources of energy and for the prudent management of the natural environment; ...”

Finally, Conn. Gen. Stat. §16-22 states:

- “At any hearing involving a rate or the transfer of ownership of assets or a franchise of a public service company, the burden of proving that said

transfer of assets or franchise is in the public interest shall be on the public service company.”

The Applicants demonstrate below that they have met all of these statutory requirements.

A. Financial, Managerial, and Technological Suitability and Responsibility

Under Conn. Gen. Stat. §§16-47 and 16-19e(a)(2), the Authority must consider the financial, technological, and managerial suitability and responsibility of the applicants when evaluating a change of control. In particular, the Authority considers whether the acquiring entity has the financial resources (a) to fund or finance the acquisition and future capital improvements to the Connecticut utility being acquired and (b) to operate that utility system in a manner that will not adversely affect its customers.

Each of these criteria is discussed below.

1. Financial Suitability and Responsibility

The prefiled testimonies and exhibits of James Lynch, Chief Financial Officer and Treasurer of SJW, and of John Reed and Daniel Dane of Concentric Energy Advisors, Inc. (“Concentric”) discuss the Authority’s financial suitability and responsibility criteria and demonstrate that the Applicants have met those criteria. Their testimonies and exhibits also address the financial concerns raised by the Authority in Docket No. 18-07-10.

First, SJW will be able to finance the Proposed Transaction. As described by Mr. Lynch and Mr. Dane, SJW has already raised \$411 million of net equity for the Proposed Transaction through a very successful equity offering. Additionally, as Mr. Lynch testifies, SJW has engaged J.P. Morgan to conduct the debt offering necessary to finance the Proposed Transaction. SJW remains ready to launch the debt offering at an appropriate

time on attractive terms and close within four weeks of launch. These critical developments eliminate one of the major financial concerns expressed in the Proposed Decision.

Second, the Applicants through the testimonies of Mr. Lynch, Mr. Benoit and Mr. Dane demonstrate that the Proposed Transaction will not adversely affect the financial condition of the Connecticut Utilities. As a key part of this demonstration, they show that the Proposed Transaction will not adversely affect the Standard & Poor's (S&P") ratings of CTWS or CWC and that consummation of the Proposed Transaction will either have no effect on or may improve CTWS's and CWC's current A- ratings. As a result, after the change in control, the Connecticut Utilities will have access to capital markets as needed on the same or better terms to fund their capital improvement programs.

Mr. Reed provides further assurance that the Proposed Transaction will not adversely affect the financial condition of the Connecticut Utilities. As he explains in detail, Applicants' proposed "Hold Harmless", "Financial Protections and Ring Fencing", and "Corporate Structure and Use of an SPE" Commitments (Commitments 5, 53-72) will protect and shield the Connecticut Utilities from any potential financial risks of SJW. Mr. Reed also provides important perspective by pointing out that to his knowledge the proposed set of the Applicants' Commitments are comparable or superior to the commitments in other mergers approved by PURA and include many more customer protections and benefits than any other United States water utility merger which he is aware of.

Third, Mr. Lynch and Mr. Dane demonstrate that, after the Proposed Transaction, SJW will have ample financial resources on a going forward basis to meet the Authority's financial suitability and responsibility requirement. The combined company will have an equity value of approximately \$1.7 billion and an enterprise value of approximately \$2.9 billion. It will serve more than 1.5 million people with over 700 employees. The combined company would have had operating revenue of approximately \$514 million and recurring net income of \$61.3 million (prior to any synergies) based on a 2018 pro forma calculation as well as a minimum S&P rating of A-. The success of SJW's equity offering provides additional strong evidence of SJW's ability to access capital markets, and should eliminate any concern about SJW becoming overleveraged.

Fourth and finally, the detailed financial information in the Applicants' prefiled testimony and other exhibits to this Application (including information identified as lacking in the Proposed Decision) demonstrates unequivocally that SJW has and will continue to have the financial strength necessary to operate the Connecticut Utilities in a safe and reliable manner. As an example of its financial strength and responsibility, SJW has access to the funds required to finance future capital improvements to the Connecticut Utilities. SJW has historically funded capital expenditures required by its operating utility subsidiaries through several sources including internally generated funds, proceeds from the issuance of equity, proceeds from debt financing, and short-term borrowings under lines of credit at industry-competitive rates. These capital sources of funds would become available to the Connecticut Utilities upon closing of the Proposed Transaction. Consequently, the Proposed Transaction would improve their access to capital and their financial stability.

## 2. Managerial and Technological Suitability

SJW, like CTWS, is a customer oriented company with a long and proud history of delivering high quality water service to its customers. SJW is the parent company of San Jose Water Company (“San Jose Water”) and SJWTX, Inc. Together, San Jose Water and SJWTX, Inc. provide water service to more than one million people in metropolitan San Jose, California and in Canyon Lake, Texas and nearby communities. SJW’s leadership team is headed by Eric W. Thornburg, who served as Chief Executive Officer at CTWS from 2006-2017. Mr. Thornburg’s decades of service to the water industry and the outstanding credentials of the rest of the combined company’s leadership team are detailed in his testimony. In addition to his biographical information, Mr. Thornburg discusses the Commitments, provides a history of the Proposed Transaction (updated since the prior docket) which address concerns raised in the Proposed Decision, and offers information on SJW including its history, programs, accomplishments and capabilities.

Andrew R. Gere, who grew up in Connecticut, is the President and Chief Operating Officer of San Jose Water. He has had a long distinguished career in the water industry, having been with San Jose Water since 1995. Mr. Gere has the primary and direct responsibility to lead San Jose Water, including Operations, Distribution Systems, Water Quality, Logistics, Planning, Engineering, Construction, and Water Resource Management. SJW has been an industry leader in water conservation, water quality, environmental stewardship and sustainability and will build upon its expertise to enhance the capabilities of CTWS in these areas. Mr. Gere’s testimony describes San Jose Water’s operational capabilities, sustainability initiatives and asset management programs in order to demonstrate SJW’s managerial and technological suitability to own the Connecticut

Utilities. Mr. Gere's testimony, along with Mr. Thornburg's testimony, demonstrates unequivocally that SJW is a customer oriented company with a long and proud history of delivering high quality water service to its customers.

To serve customers of the Connecticut Utilities, SJW will continue to rely on the deep expertise and experience currently residing in CTWS and its subsidiaries for management and for water quality, engineering, capital allocation and investment, customer service and other operational areas. This expertise and experience is well known to the Authority. The continued reliance on that expertise and experience is embedded in the Applicants' Commitments, which include strong protections for local control, management, investment and employment. (Commitments 7-25, 37-41, 45-52) CTWS' expertise and experiences will be enhanced by SJW's expertise and experience, including its extensive water conservation efforts and California drought-related water management experience. (Commitments 12, 19, 22, 24)

The prefiled testimonies of two CTWS senior executives who are well known to the Authority -- David Benoit, President and Chief Executive Officer of CTWS, and Maureen Westbrook, Vice President of Customer and Regulatory Affairs for CTWS--support this Application and the Proposed Transaction. Collectively, they demonstrate CTWS' high level of expertise and experience in serving its customers, and CTWS' confidence that the Proposed Transaction will benefit its customer, communities and the State of Connecticut. Mr. Benoit discusses key Commitments, and the positive impact of the Proposed Transaction and those Commitments for the Connecticut Utilities' customers and other stakeholders. Ms. Westbrook describes CTWS's customer service and public affairs programs, which will remain in effect or be enhanced through the Proposed Transaction,

and the direct rate benefits, other customer benefits and community benefits provided by the Proposed Transaction and the Commitments. Ms. Westbrook also explains that through the Commitments CTWS plans to build on its record of environmental stewardship, and outlines other Commitments being made by the Applicants regarding jobs, workforce development, emergency response planning, and community outreach.

B. Safe, Adequate and Reliable Service

As discussed above regarding SJW has the financial, managerial and technological suitability and responsibility to own CTWS and the Connecticut Utilities. Under SJW control the Connecticut Utilities will continue to provide safe, adequate and reliable service to the public through each company's plant, equipment and operations and the merger will not diminish this in any way. The Commitments assure that the Connecticut Utilities' customers and communities will continue to be served and managed locally by the existing team of passionate, dedicated employees, managers and executives who will bring their extensive expertise, experience and local knowledge to support the customers and communities they serve. Within the combined companies, sharing of best practices, IT systems, operational expertise and more extensive resources can only enhance delivery of service.

C. Preservation of Local Control

Finally, in an area of great and legitimate concern to the Authority, local control is assured by the numerous of Commitments including the following examples:

**Commitment 8.** Each of the Connecticut Utilities' Board will have the full authority to develop, approve and implement their annual capital budgets.

**Commitment 37.** The Connecticut management team shall be responsible to maintain compliance with applicable laws and regulations of the State of Connecticut governing the utilities' operations and service.

**Commitment 39.** The management team in Connecticut will have responsibility and accountability for operations, water quality, customer service and rates of the Connecticut Utilities.

**Commitment 49.** Each of the CTWS and the Connecticut Utilities' boards will have the sole responsibility to (i) select its officers deemed best able to serve the local interests, (ii) support the continued achievement of target levels in the annual customer satisfaction survey, (iii) approve any dividends and (iv) review and approve their annual capital and operating budgets.

**Commitment 51.** There will be no changes to the day-to-day managerial and operational responsibilities of the Connecticut Utilities' management as a result of the transaction. CTWS management will continue to establish priorities and respond to local conditions.

**Commitment 52.** The authority and responsibility delegated to local management will be clearly delineated in formal written documents including a Delegation of Authority with corporate governance principals ("DOA"). The DOA will demarcate, among other things, defined categories of decisions that can be authorized solely by the management of Connecticut Utilities with the approval of the Connecticut Utilities' Boards of Directors.

- D. The Transaction is in the Public Interest and Provides Benefits to the Connecticut Utilities' Customers and Employees and to the State of Connecticut.

The Proposed Transaction is in the public interest and thereby satisfies the requirements of Conn. Gen. Stat. §§16-19e(a) and 16-22. It offers a plethora of benefits for

customers and employees of the Connecticut Utilities as well as for the State of Connecticut and local communities. There will be no adverse impact on the customers of the Connecticut Utilities. Customers will receive bill credits, and base rates will not increase until at least January 1, 2021. (Commitments 1-2) Customer rates will not increase as a result of the Proposed Transaction because the Applicants have committed to not seek recovery of the acquisition premium or of transactions costs, and to hold customers harmless against any adverse effect to the cost of capital of the Connecticut Utilities as a result of the transaction. (Commitments 3-6) In the longer term, the combined companies will have opportunities to achieve synergies and cost savings, which will exert downward pressures on rates as discussed in Mr. Miller's testimony.

As discussed in the Applicants' prefiled testimony, the Commitments ensure tangible and measurable economic, customer service, water supply, and other benefits resulting from the Transaction. These include:

- Providing synergy savings for customers by leveraging the IT systems and technology in place at SJW to enhance service delivery as the New England operations move to update their existing systems
- Providing outreach on a regular basis to the chief elected officials in its service communities through in-person meetings and other regular communications, and continuing participation in and support of community organizations and events in the service towns of the Connecticut Utilities Continued participation and financial support for community organizations and events in the Connecticut Utilities' service communities with enhanced level of charitable giving.
- Enhancing funding of the H2O customer assistance program to offer a greater level of assistance to income eligible customers and expanded criteria for one-time hardship assistance program Maintaining annual capital budgets

within the service area communities of the Connecticut Utilities with comparable level of investments in water quality and service

- Continuing the pace of infrastructure replacement under WICA of at least 1% of pipe per year and increasing WICA expenditures to support additional jobs in all sectors of Connecticut
- Maintaining a Corporate Responsibility Committee and continuing to drive efforts to reduce the environmental footprint and implement sustainable business practices
- Employees will remain active in state environmental organizations and participate in activities of the Water Planning Council
- Continuing to be industry leaders on water conservation initiatives with annual budget for customer oriented conservation programs and a grant to the Alliance for Water Efficiency to support water conservation initiatives in the State Water Plan
- Supporting state energy policy by increasing Class I renewable energy purchases and conducting efficiency audits

## **V. OTHER REQUIRED APPROVALS**

Consummation of the Proposed Transaction is subject to a number of regulatory and corporate approvals in addition to the Authority's action in this proceeding. These approvals include:

- SJW Board approval (granted on August 5, 2018 – see [Exhibit J.1](#));
- CTWS Board approval (granted on August 5, 2018 – see [Exhibit J.2](#));
- CTWS shareholder approval (granted on November 16, 2018 – see [Exhibit K.1](#));
- PURA approval of change of control;

- Maine Public Utility Commission approval of the change of control - Parties plan to refile shortly after PURA refiling date.
- FCC approval - Initially completed on October 15, 2018, given delay, FCC extension required. Parties plan to file for FCC extension following PURA/MPUC refilings and must do so no later than April 15, 2019.
- Hart-Scott-Rodino Antitrust Improvements Act - Current notice period valid until April 27, 2019. Parties plan to withdraw and refile in April 2019 and will be subject to 30-day waiting period (unless the parties' request for early termination is granted, as before).

In addition, the California Public Utility Commission (CPUC) had initiated an investigation as to whether approval of the transaction is required by the CPUC. Such investigation was suspended by ALJ's March 4, 2019 ruling, to be resumed upon final PURA decision.

## **VI. ADDITIONAL INFORMATION**

In further support of the Application, the Applicants state as follows:

### **A. Legal Name of the Applicants.**

The exact legal name of CTWS and its principal place of business is:

Connecticut Water Service, Inc.  
93 West Main Street  
Clinton, CT 06413-0652

The exact legal name of SJW and its principal place of business are:

SJW Group  
110 W. Taylor Street  
San Jose, CA 95110

The names, titles, addresses and telephone numbers of the persons to whom correspondence or communications in regard to this Application are to be addressed are:

For Connecticut Water Service, Inc.:

Mr. David C. Benoit  
President and Chief Executive Officer  
Connecticut Water Service, Inc.  
93 West Main Street  
Clinton, CT 06413-0652  
(860) 664-6030  
Email: dbenoit@ctwater.com

and

Paul R. McCary, Esq.  
Murtha Cullina LLP  
CityPlace I, 185 Asylum Street  
Hartford, CT 06103-3469  
(860) 240-6000  
Email: pmcary@murthalaw.com

For SJW Group:

Mr. Eric W. Thornburg  
President & CEO  
SJW Group  
110 W. Taylor Street  
San Jose, CA 95110  
(408) 918-7231

Paul J. Corey, Esq.  
West Group Law  
15 North Main Street, Suite 100  
West Hartford, CT 06107  
860-561-5101  
Email: pcorey@westgrouplaw.com

and

Philip M. Small, Esq.  
Brown Rudnick LLP  
CityPlace 1, 185 Asylum Street  
Hartford CT 06103  
860 509-6575  
Email: psmall@brownrudnick.com

B. Evidentiary Support for the Application.

In factual support of this application, the Applicants hereby submit and incorporate herein the Exhibits as listed in Section VII below.

**VII. EXHIBITS –**

The Exhibits listed below set forth all of the information required to be filed by CTWS and SJW and that they deems necessary or desirable to support the approval of the proposed change of control and merger. The Company reserves the right to file such additional testimony and exhibits as they may consider necessary or desirable.

- Exhibit A.1 CTWS/SJW Merger Commitments
- Exhibit A.2 Delegation of Authority
- Exhibit B.1 Testimony of Mr. Eric W. Thornburg, Chief Executive Officer and President, SJW Group
- Exhibit B.2 Testimony of Mr. David C. Benoit, President and Chief Executive Officer, Connecticut Water Service, Inc.
- Exhibit B.3 Testimony of Mr. James P. Lynch, Chief Financial Officer and Treasurer, SJW Group
- Exhibit B.4 Testimony of Ms. Maureen P. Westbrook, Vice President of Customer and Regulatory Affairs, Connecticut Water Service, Inc.
- Exhibit B.5 Testimony of Mr. Andrew R. Gere, President and Chief Operating Officer, San Jose Water Company
- Exhibit B.6 Testimony of Mr. John J. Reed, Chairman and Chief Executive Officer, Concentric Energy Advisors, Inc.
- Exhibit B.7 Testimony of Mr. Daniel S. Dane, Vice President, Concentric Energy Advisors, Inc.
- Exhibit B.8 Testimony of Jeffrey W. Miller, Principal, Ernst & Young.

Exhibit C	Amended and Restated Agreement and Plan of Merger by and between CTWS, SJW and Hydro Sub, Inc.
Exhibit D	CTWS 2018 Special Meeting Proxy Statement
Exhibit E.1	Latest Form 10-K of SJW
Exhibit E.2	Latest Form 10-K of CTWS
Exhibit F.1	Latest Form 10-Q of SJW
Exhibit F.2	Latest Form 10-Q of CTWS
Exhibit G.1	2018 Annual Report of SJW to stockholders
Exhibit G.2	2018 Annual Report of CTWS to stockholders
Exhibit H.1	Latest Proxy Statement to stockholders of SJW
Exhibit H.2	Latest Proxy Statement to stockholders of CTWS
Exhibit I.1	Latest Form 8-K of SJW
Exhibit I.2	Latest Form 8-K of CTWS
Exhibit J.1	Certification of the Resolutions of the Board of Directors of SJW
Exhibit J.2	Certification of the Resolutions the Board of Directors of CTWS
Exhibit K	Results of Special Meeting for Shareholder Approval
Exhibit L	Indemnity Bond

## **Regulatory Compliance**

Below are tables setting forth the Applicants' compliance with the filing requirements for a change of control and merger set forth in Sections 16-47-2, and 16-47-4 of the Regulations of Connecticut State Agencies.

<b>Requirement – 16-47-2</b>	<b>Location</b>
(a) General description of the property, field of operations and existing business interests of the Applicant <sup>2</sup>	Exhibits B.1 and .B.2
(b) Applicant's financial statements	Exhibits E.1 and E.2
(c) Applicant's most recent 10-K and 10-Q	Exhibits E.1, E.2, F.1 and F.2
(d) Applicant's most recent 8-K	Exhibits I.1 and I.2
(e) Applicant's most recent annual report to stockholders	Exhibits G.1 and G.2
(f) Applicant's latest proxy statement to stockholders	Exhibits H.1 and H.2
(g) Description of Proposed Transaction and draft Agreement and Plan of Merger	Application, and Exhibits B.1, B.3, C and D
(h) Statement of purpose and intent of the applicant in undertaking the Proposed Transaction	Exhibits B.1 and B.2
(i) Statement of the benefits, including rates, standards of service and efficiency and adequacy of management	Exhibits B.1- B.8
(j) Any prospectus, official statement, preliminary prospectus or preliminary official statement	Exhibit D
(k) Applicant's present and pro forma capital structure and capitalization ratios	Exhibit B.3
(l) Applicant's present and pro forma interest and fixed charge coverages	Exhibit B.3
(m) Proposed table of organization of the management of the Applicant and of the Affected Company <sup>3</sup> after the Proposed Transaction	Exhibit B.1
(n) Names of the proposed members of the board of directors of the Applicant and of	Exhibit B.1

<sup>2</sup> As used for purposes of the requirements set forth in Sections 16-47-2 *et seq.* of the Regulations of Connecticut State Agencies, the term "Applicant" means SJW and CWS.

<sup>3</sup> As used for purposes of the requirements set forth in Sections 16-47-2 and 16-47-4 of the Regulations of Connecticut State Agencies, the term "Affected Company" means AWC, CWC and HVWC.

<b>Requirement – 16-47-2</b>	<b>Location</b>
the Affected Company after the Proposed Transaction	
(o) A narrative description of the proposed operations of the Applicant and the Affected Company for the first calendar year following the Proposed Transaction	Exhibits B.1- B.5
(p) A description of the experience of the applicants in the operation, management, or control of a public service company and suitability of the Applicant to control the Affected Company	Exhibits B.1-B.5
(q) All PURA Orders, rulings and regulations applicable to the Affected Company and description of those to be discontinued with the Proposed Transaction	Application
(r) List of stockholder approvals and federal, state, and local government approvals required to effect the Proposed Transaction and a description of the status in obtaining Avon	Application
(s) Statement of the percentage of voting security of the Affected Company owned or controlled by the Applicant and control over the Affected Company after the Proposed Transaction is completed	Application

<b>Requirement – 16-47-4</b>	<b>Location</b>
(a) Affected Company financial statements	Exhibit B.3
(b) Existing reporting structure for personnel of Affected Company	Exhibit B.1
(c) Capital Structure and capitalization rates giving effect to the Proposed Transaction	Exhibit B.3
(d) Any prospective, official statement, preliminary prospectus or preliminary official statement associated with the Proposed Transaction	Exhibit D
(e) Statement of Control the Applicant is capable of exercising over the Affected Company	Exhibit B.1 and B.2

**VIII. REQUESTED APPROVALS.**

The Applicants respectfully request that the Authority approve, pursuant to Section 16-47 of the Connecticut General Statutes, their proposed change of control of CTWS.

Respectfully submitted,

SJW GROUP

By:   
Paul J. Corey  
West Group Law  
15 North Main Street, Suite 100  
West Hartford, CT 06107  
860-561-5101

By:   
Philip M. Small, Esq.  
Brown Rudnick LLP  
CityPlace 1, 185 Asylum Street  
Hartford CT 06103  
860 509-6575  
Its Attorneys

and

CONNECTICUT WATER SERVICE, INC.

By:   
Paul R. McCary  
Murtha Cullina LLP  
CityPlace I, 185 Asylum Street  
Hartford, CT 06103-3469  
(860) 240-6000  
Its Attorney