



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

WATER

IN THE MATTER OF THE JOINT PETITION OF )  
UTILITIES, INC. AND MONTAGUE WATER AND )  
SEWER COMPANIES FOR APPROVAL OF A CHANGE )  
IN CONTROL OF MONTAGUE WATER AND SEWER )  
COMPANIES TO CORIX UTILITIES (ILLINOIS) LLC ) DOCKET NO. WM12040313

**Parties of Record:**

**Walter G. Reinhard, Esq.**, Norris, McLaughlin & Marcus, P.A.  
**Stefanie A. Brand, Director**, New Jersey Division of Rate Counsel

BY THE BOARD:

On April 13, 2012, Utilities, Inc. and Montague Water and Sewer Companies ("the Petitioner") filed a Joint Petition ("Petition") with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-51.1. The Petitioner requested a change in control of the Montague Water and Sewer Companies ("Montague Companies") through a Purchase and Sale Agreement ("Agreement") among Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors ("Highstar"), and Corix Utilities (Illinois) LLC ("Corix Utilities"). In considering a request for approval pursuant to N.J.S.A. 48:2-51.1, the Board must "evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates."

Also, pursuant to N.J.A.C. 14:1-5.14(c), "the Board shall not approve a merger, consolidation, acquisition, and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey."

**PROCEDURAL HISTORY**

Utilities, Inc., an Illinois corporation, is a privately-owned water and wastewater utility company that provides water and wastewater services to approximately 290,000 residential customer equivalents in 15 states, including New Jersey. Utilities, Inc. is the direct owner of all issued and

outstanding capital stock of the Montague Companies as approved by Board Order of December 16, 1996, in Docket No. WM96060475.

The Montague Companies serve Montague Township in Sussex County, New Jersey. The Montague Water Company serves approximately 789 customers and the Montague Sewer Company serves approximately 283 customers in Montague Township.

Hydro Star, a Delaware limited liability company, is a subsidiary of AIG Highstar Capital II, L.P. ("Highstar II"). Highstar II is a group of private equity funds that invest primarily in energy infrastructure and related assets and businesses, including the water and wastewater industries. Highstar II is sponsored by AIG Global Investment Group, an indirect subsidiary of American International Group, Inc. ("AIG"), with its principal office located in Houston, Texas. According to Utilities Inc., this means that in the case of AIG and Highstar II, AIG stands behind the obligations of AIG Highstar II GP, L.P., the general partner of Highstar II.

The change in control will be effected by the consummation of the transaction contemplated in a Purchase and Sale Agreement ("Agreement"), dated as of February 17, 2012, among Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors ("Highstar"), and Corix Utilities (Illinois) LLC, a Delaware limited liability company. The Agreement provides for the indirect acquisition by Corix Utilities of all of the equity ownership of Utilities, Inc., the parent of the Montague Companies, by acquiring all of the issued and outstanding membership interests in Hydro Star, LLC ("Hydro Star") which is the holding company of Utilities, Inc.'s parent company, Hydro Star Holdings Corporation ("HSHC"), and therefore the indirect owner of 100% of Utilities, Inc. Following the proposed transaction, each of Utilities, Inc. and the Montague Companies will continue their current corporate existence.

Subsequent to the consummation of the transactions contemplated by the Agreement, Corix Utilities may merge with and into Hydro Star, thereby eliminating one of the intermediate holding companies through which Corix Utilities will hold its interest in Utilities, Inc. and its indirect interest in the Montague Companies. Any such merger must comply with applicable law and Board regulations.

The Petitioner filed its petition seeking approval of the transaction under N.J.S.A. 48:2-51.1, which provides that:

No person shall acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliate or parent corporation or organization, or through the purchase of shares, the election of a board of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void.

Although not compulsory, the Petitioner also provided information required by N.J.S.A. 48:3-10 and N.J.A.C. 14:1-5.10.

### **STIPULATION**

Since the filing of the Petition, Board Staff and the New Jersey Division of Rate Counsel ("Rate Counsel") served extensive and detailed discovery requests for information and supplemental requests upon the Petitioner.

Public Notice of the filing of the Petition and the opportunity to provide comments for consideration by the Board was served directly upon the Clerk of Montague Township, and was also published in two newspapers of general circulation in the service area describing the Petition and the opportunity for public comment. The matter was open for public comment from June 8, 2012 to June 29, 2012, and comments were accepted in either hard copy or electronic format. No comments were received.

Subsequently, the Petitioner, Board Staff and Rate Counsel (collectively, "the Parties") engaged in settlement discussions and entered into a Stipulation of Settlement ("Stipulation"). The Parties agreed that the Petition, exhibits, and the responses to discovery requests should be included as part of the record in this case, and recommended that the Board make the necessary determination to approve the Stipulation resolving this Petition based on the record to this proceeding which the Parties state provides sufficient credible support for the Stipulation.

In recommending that the Board adopt the Stipulation, the Parties noted that in considering the factors set forth in N.J.S.A. 48:2-51.1, they were mindful of the fact that the utilities in question are water and sewer monopolies. With regard to the information evaluation required under N.J.S.A. 48:2-51.1 and based upon the Petition, discovery, and conferences among the Parties, the Parties stipulated to the following:

Competition: The transaction contemplated by the Agreement will not adversely impact competition because the Montague Companies will continue to operate in their current franchise territories under the same market conditions which currently exist. The transaction will not in any way impair the access of the Montague Companies and Utilities, Inc. to capital.

Customer Rates: The proposed transaction will not have any adverse impact on the existing rates for the Montague Companies. Montague Water and Sewer will continue to operate under their existing tariffs and rate structures. There will be no rate increases to customers as a result of the proposed transaction.

Employees: The transaction will have no adverse impact on employee(s) that operate the Montague Companies. Local management and operational staff will remain unchanged.

Provision of Safe and Adequate Service: Utilities, Inc. commits that it will see to it that the Montague Companies continue to provide safe, adequate and reliable service to their customers in fulfillment of their obligations under New Jersey law. By maintaining continuity of local administrative and operational personnel, Utilities, Inc. will assure that employees familiar with the requirements of the New Jersey customers and of this Board retain responsibility for the New Jersey operations.

Although the petition was not filed under N.J.S.A. 48:3-10 and N.J.A.C. 14:1-5.10, the Parties considered the requirements of those sections. The regulations require applicants to provide information regarding the reasons for the stock transfer, an explanation of any anticipated changes in the board of directors, officers, managers, and company policies and a description of the qualifications of management. The Stipulation further provides that, with regard to the information required under N.J.A.C. 14:1-5.14(c), N.J.S.A. 48:3-10, and N.J.A.C. 14:1-5.10, the Petition, discovery, and conferences among the Parties establish:

Positive Benefits. The customers of the Montague Companies and the State of New Jersey will benefit from consummation of the proposed transaction because the Montague Companies will have access to a wide spectrum of technical and industry expertise in all facets of sustainable water, wastewater and energy systems, including innovative technologies, operating tools and regulatory resources required to develop sustainable multi-utility services. The State will benefit by the acquisition of control by an experienced utility operator which is focused on the need for capital to drive growth and support infrastructure improvements.

Reasons For Transaction: The principal reason for the proposed transaction is a desire by Highstar, a private equity fund, to sell, and the desire by Corix Utilities to purchase all of the issued and outstanding membership interests in Hydro Star. The result will be to provide Utilities, Inc. with a stronger, more viable competitive position as part of the Corix Group because the Corix Group has significant experience and expertise in operating both regulated and unregulated water, wastewater and energy utilities and in the supply of related products and services in a number of communities across North America. Corix Utilities, together with its parent and affiliates, is well financed with stable long term funding and solid access to debt financing, capital markets and geographical diversity. The Corix Group collectively manages over \$750 million in assets and generated cumulative revenue of approximately \$540 million in 2011. It employs over 2,200 people in utility related services across North America. Ensuring ready access to capital funds to support growth, infrastructure revitalization and continued critical maintenance of utility facilities is vitally important and increasingly so in today's turbulent financial markets.

Management, Officers and Board of Directors: The Agreement does not contemplate any changes in the management of the Montague Companies. Thus, Montague Water Company, Inc. and Montague Sewer Company, Inc. will continue to have proven management experience and capability to provide safe, adequate and proper service to the public.

No Change In Utility Policies: The transaction contemplated by the Agreement will not result in any immediate changes in the Montague Companies' policies with respect to service to customers, employees, operations, financing, accounting, capitalization, rates, depreciation, maintenance, or other matters affecting the public interest or utility operations.

Qualifications of Management: The Agreement does not contemplate any changes in the existing management and officers of either Utilities, Inc. or the Montague Companies. As stated above, the Montague Companies will continue to have proven management experience and capability to provide safe, adequate and proper service to the public.

In the Stipulation, the Parties requested that the Board approve the Stipulation in its entirety and issue an appropriate Decision and Order adopting the Stipulation and granting the relief sought in the Joint Petition, subject to the conditions as set forth therein, which have been incorporated in the Board's findings and orders below.

The Board, having considered the record in this matter, HEREBY FINDS that:

The proposed transaction is in accordance with law and, with the implementation of the provisions set out in the Stipulation as conditions to this Order is in the public interest. The proposed conditions set forth in the Stipulation entered into by the Parties appear reasonable and appropriate and, in conjunction with existing statutes, provide the Board with sufficient means to properly regulate the operations of the Montague Companies. In considering the proposed transaction and the criteria required to be evaluated by N.J.S.A. 48:2-51.1, particularly as to the impacts on competition, rates of ratepayers affected by the acquisition of control, employees, and the provision of safe and adequate utility service at just and reasonable rates, the Board is mindful that the affected utilities provide services to customers in their franchise territories, which are subject to traditional public utility regulation as noncompetitive, monopoly services, and that no reduction in the number of providers of competitive services or other risks to a competitive marketplace are at issue in the Board's consideration herein. In the circumstances presented herein, and based upon the record in this proceeding and subject to the conditions set forth in this Order, the Board finds that pursuant to N.J.A.C. 14:1-5.14(c) that positive benefits to customers and the State, as more fully described in the Stipulation and set forth above, will result from approval of this transaction. Furthermore, there will be no adverse impact on any of the criteria set forth in N.J.S.A. 48:2-51.1.

After careful review of the record of this proceeding including the Petition, and the Stipulation of the Parties, and pursuant to N.J.S.A. 48:2-51.1, the Board HEREBY APPROVES the proposed change in control of the Montague Water and Sewer Companies to Corix Utilities (Illinois) LLC, through the indirect acquisition by Corix Utilities of all Hydro Star interests, subject to compliance with the foregoing conditions. Thus making Corix Utilities the indirect owner of Utilities, Inc., and subsequently the owner of the Montague Companies. The Board HEREBY ADOPTS the Stipulation attached, hereto, as its own, incorporating by reference the terms and conditions as if fully set forth at length herein. The conditions set forth in the Stipulation, which the Board HEREBY ADOPTS and ORDERS, are as follows:

- The Petitioner agrees that it will not allocate, push down, or assign any purchase price, goodwill or any premium reflected in the purchase price to the Montague Companies, either directly or indirectly, for ratemaking purposes. Such items shall not be passed on to or funded by customers of the Montague Companies after the proposed transaction. No acquisition adjustment amount, as defined in the Board-approved Uniform System of Accounts, related to the within transaction, shall be recovered from the customers of the Montague Companies.
- The Petitioner agrees that no transaction costs of this transaction (e.g., financial, legal, change in control agreement payments and investment services), shall be passed on to, recovered from, or funded by customers of the Montague Companies, nor shall any of the administrative costs of this transaction incurred by Corix Utilities or by Utilities, Inc. be allocated to the Montague Companies, either directly or indirectly from other subsidiaries or affiliates.
- Subject to the execution, where appropriate, of acceptable confidentiality agreements, the Petitioner shall provide the Board Staff and Rate Counsel reasonable access to the books and records of Utilities, Inc., and to the books and records of any of its regulated or non-regulated subsidiaries or affiliates, for the purposes of review of whether there has been a proper allocation of costs to the Montague Companies. Nothing herein shall be construed to limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

- The Montague Companies shall maintain all applicable water quality standards and maintain or improve water and sewer service standards including, but not limited to, the following: service related interruptions and employee response time thereto; and customer complaint and customer inquiry response time. The Montague Companies shall maintain adequate resources to continue to be responsive to questions from customers and regulatory agencies.
- Upon closing of the transaction, the Petitioner shall inform the Board of the date on which the change in control shall have been consummated.
- In their next rate proceedings, should the Montague Companies seek to recover in rates costs allocated by Utilities, Inc., its parent, or any of its subsidiaries or affiliates, the Montague Companies shall provide the parties with a written explanation, supported by sufficient credible evidence, including data, of the method of allocating such costs.
- Subject to the execution, where appropriate, of acceptable confidentiality agreements, copies of the tax returns of Utilities, Inc. or any other entity consolidated with the Montague Companies for the purpose of reporting and calculating Federal Income Taxes shall be made available to the Board to the extent the Board determines that the information contained therein is necessary to resolve any regulatory or financial issues impacting the Montague Companies. This provision shall not impair the rights of any of the parties in any other proceeding.
- No reduction in the labor force shall take place at the Montague Companies for two (2) years following the close of the transaction. A temporary vacancy shall not constitute a violation of this provision.
- Within 60 days of closing, the Montague Companies will inform customers of the consummation of the transaction and of the continuing oversight of the Board and the New Jersey Department of Environmental Protection, the continued compliance with all New Jersey laws and regulations, and the continuity of the customer service and customer relations procedures of the Montague Companies.
- The Montague Companies shall maintain a level of capital investment and best operating practices sufficient to ensure safe, adequate and proper service in compliance with applicable regulations and statutes and in accordance with prudent utility practice.
- The Montague Companies will continue to implement and construct capital projects necessary for the provision of safe, adequate and proper service.
- Recognizing that the Board has an ongoing concern with cross-subsidization and non-arm's-length transactions, the Montague Companies agree to file a report with the Board fully describing any changes in the corporate structure and corporate relationships of Utilities, Inc. in sufficient detail to allow the Board's Division of Audits to monitor affiliate relationships, if so requested.
- The Montague Companies shall not disclose confidential customer information, including names, addresses, and phone numbers to any affiliate of Utilities, Inc. for marketing or non-utility business purposes.

- The authority granted herein by the Order adopting this Stipulation, shall become null and void if the transaction is not completed within 180 days of the date of receipt of all required approvals.

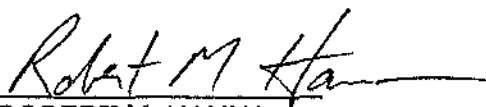
The approvals granted, hereinabove, shall be subject to the following provisions:


1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Petitioner.
2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting Petitioner.
3. Approval of this acquisition does not constitute review or approval of any subsequent mergers or corporate restructuring contemplated.

This Order is effective on September 23, 2012.

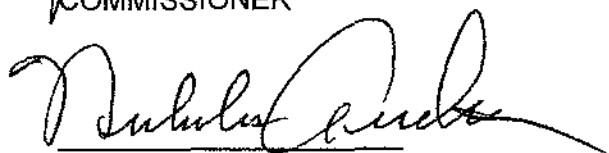
DATED: 9/13/12

BOARD OF PUBLIC UTILITIES  
BY:

  
ROBERT M. HANNA  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

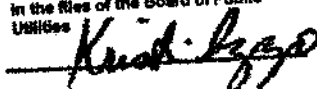
  
NICHOLAS ASSELTA  
COMMISSIONER

  
MARYANNA HOLDEN  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



**In the Matter of the Joint Petition of Utilities, Inc. and Montague Water and Sewer Companies for Approval of a Change in Control of Montague Water and Sewer Companies to Corix Utilities (Illinois) LLC - BPU Docket Number: WM12040313**

<p><b>DEPUTY ATTORNEY GENERAL'S OFFICE:</b></p> <p>Caroline Vachier, Section Chief          Dept. of Law &amp; Public Safety          Division of Law          124 Halsey Street, 2nd Floor          P.O. Box 45029          Newark, NJ 07101  <a href="mailto:Caroline.Vachier@lps.state.nj.us">Caroline.Vachier@lps.state.nj.us</a></p> <p>Geoffrey Gersten, DAG          Dept. of Law &amp; Public Safety          Division of Law          124 Halsey Street, 2nd Floor          P.O. Box 45029          Newark, NJ 07101  <a href="mailto:Geoffrey.Gersten@lps.state.nj.us">Geoffrey.Gersten@lps.state.nj.us</a></p> <p>Carolyn McIntosh, DAG          Dept. of Law &amp; Public Safety          Division of Law          124 Halsey Street, 2nd Floor          P.O. Box 45029          Newark, NJ 07101  <a href="mailto:Carolyn.McIntosh@lps.state.nj.us">Carolyn.McIntosh@lps.state.nj.us</a></p>	<p><b>NEW JERSEY BOARD OF PUBLIC UTILITIES:</b></p> <p>Maria Moran, Director;          Division of Water          New Jersey Board of Public Utilities          44 S. Clinton Ave., 9<sup>th</sup> Floor          Post Office Box 350          Trenton, NJ 08625-0350  <a href="mailto:maria.moran@bpu.state.nj.us">maria.moran@bpu.state.nj.us</a></p> <p>March Valdivia, Chief          Division of Water          New Jersey Board of Public Utilities          44 S. Clinton Ave., 9<sup>th</sup> Floor          Post Office Box 350          Trenton, NJ 08625-0350  <a href="mailto:marco.valdivia@bpu.state.nj.us">marco.valdivia@bpu.state.nj.us</a></p> <p>Mike Kammer, Chief          Division of Water          New Jersey Board of Public Utilities          44 S. Clinton Ave., 9<sup>th</sup> Floor          Post Office Box 350          Trenton, NJ 08625-0350  <a href="mailto:mike.kammer@bpu.state.nj.us">mike.kammer@bpu.state.nj.us</a></p>
<p><b>NEW JERSEY DIVISION OF RATE COUNSEL:</b></p> <p>Stefanie Brand, Director;          Division of Rate Counsel          31 Clinton Street, 11<sup>th</sup> Floor          P.O. Box 46005          Newark, NJ 07101  <a href="mailto:stefanie.brand@rpa.state.nj.us">stefanie.brand@rpa.state.nj.us</a></p> <p>Susan McClure          Division of Rate Counsel          31 Clinton Street, 11<sup>th</sup> Floor          P.O. Box 46005          Newark, NJ 07101  <a href="mailto:susan.mcclure@rpa.state.nj.us">susan.mcclure@rpa.state.nj.us</a></p> <p>Christine Juarez          Division of Rate Counsel          31 Clinton Street, 11<sup>th</sup> Floor          P.O. Box 46005          Newark, NJ 07101  <a href="mailto:christine.juarez@rpa.state.nj.us">christine.juarez@rpa.state.nj.us</a></p>	<p>Ken Welch, Staff          Division of Water          New Jersey Board of Public Utilities          44 S. Clinton Ave., 9<sup>th</sup> Floor          Post Office Box 350          Trenton, NJ 08625-0350  <a href="mailto:kenneth.welch@bpu.state.nj.us">kenneth.welch@bpu.state.nj.us</a></p> <p>Mark Beyer, Director;          Office of the Economist          New Jersey Board of Public Utilities          44 S. Clinton Ave., 9<sup>th</sup> Floor          Post Office Box 350          Trenton, NJ 08625-0350  <a href="mailto:mark.beyer@bpu.state.nj.us">mark.beyer@bpu.state.nj.us</a></p> <p>Bob Wojciak, Staff          Office of the Economist          New Jersey Board of Public Utilities          44 S. Clinton Ave., 9<sup>th</sup> Floor          Post Office Box 350          Trenton, NJ 08625-0350  <a href="mailto:robert.wojciak@bpu.state.nj.us">robert.wojciak@bpu.state.nj.us</a></p>



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**OTHER:**

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Township of Montague  
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Montague, NJ 07827

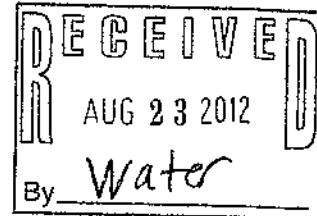
Norris  
McLaughlin  
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NJ BPU  
MAILROOM August 22, 2012



VIA E-MAIL and  
REGULAR MAIL

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REC'D  
2012 AUG 23 AM 10 54  
NJ BPU  
CASE MANAGEMENT

RE: In the Matter of the Joint Petition of Utilities, Inc. and  
Montague Water and Sewer Companies for Approval  
of a Change in Control  
Docket No. WM12040313

Dear Carolyn and Christine:

Enclosed please find a copy of the fully executed Stipulation in the above matter.

With best personal regards,

A handwritten signature in cursive script, appearing to read "Walter G. Reinhard".

Walter G. Reinhard

WGR:mc  
Enclosure

cc: Attached Service List (w/encl.)



RECEIVED

STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES  
NJ BPU  
MAILROOM

2012 AUG 23 AM 10 39

IN THE MATTER OF THE JOINT :  
PETITION OF UTILITIES, INC. : BPU Docket No. WM12040313  
and MONTAGUE WATER and SEWER :  
COMPANIES FOR APPROVAL OF A : STIPULATION  
CHANGE IN CONTROL OF CERTAIN :  
NEW JERSEY PUBLIC UTILITIES :

APPEARANCES:

Walter G. Reinhard, Esq. Norris, McLaughlin & Marcus,  
P.A., for Petitioners Utilities, Inc., and Montague  
Water and Sewer Companies.

Carolyn McIntosh, Deputy Attorney General, on behalf of  
the Staff of the Board of Public Utilities, Jeffrey S.  
Chiesa, Attorney General of New Jersey

Christine Juarez, Esq., Assistant Deputy Rate Counsel,  
on behalf of the Division of Rate Counsel, Stefanie A.  
Brand, Esq., Director

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

INTRODUCTION

1. Petitioners, Montague Water Company and Montague Sewer Company (hereinafter together "MW&S" or the "Montague Companies"), public utility companies of the State of New Jersey, and Petitioner Utilities, Inc., parent company of MW&S, by way of a Verified Joint Petition filed with the Board of Public Utilities of the State of New Jersey ("Board") on April 13, 2012 under N.J.S.A. 48:2-51.1, sought approval of a change in control of MW&S pursuant to the terms of a Purchase and Sale Agreement ("Agreement"), dated as of February 17, 2012 among Highstar Capital Fund II, L.P. and certain

of its affiliates and co-investors ("Highstar"), and Corix Utilities (Illinois) LLC, a Delaware limited liability company ("Corix Utilities"). The Agreement provides for the indirect acquisition by Corix Utilities of all of the equity ownership of Utilities, Inc. the parent of MW&S, by acquiring all of the issued and outstanding membership interests in Hydro Star, LLC ("Hydro Star") which is the holding company of Utilities, Inc.'s parent company, Hydro Star Holdings Corporation ("HSHC"), and therefore the indirect owner of 100% of Utilities, Inc. Following the proposed transaction, each of Utilities, Inc. and MW&S will continue their current corporate existence.

2. Utilities, Inc. is a corporation organized in the State of Illinois, with its principal office located at 2335 Sanders Road, Northbrook, Illinois 60062, and is one of the largest privately-owned water and wastewater utility companies in the United States, providing water and wastewater services to approximately 290,000 residential customer equivalents in fifteen states, including New Jersey. Utilities, Inc. is the direct owner of all issued and outstanding capital stock of each of MW&S as approved by the Board on December 16, 1996 in Docket No. WM96060475.

3. Parties to this proceeding include MW&S, Utilities Inc., the Staff of the Board, and the New Jersey Division of Rate Counsel ("Rate Counsel") (collectively, the "Parties"). There are no intervenors.

4. Corix Utilities is owned indirectly by Corix Infrastructure Inc., a member of the Corix Group of Companies (the "Corix Group"). The Corix Group is an experienced utility owner and operator of water and waste water facilities and is fit, willing and able to finance, own and operate Utilities, Inc. and MW&S. It is currently engaged in water, wastewater and energy utility and utility service operations in 14 states including Alaska, California, Colorado, Illinois, Michigan, Missouri, New Hampshire, New Jersey, New York, Oklahoma, Texas, Virginia, Washington and Wisconsin. The main investors in the Corix Group are BC Investment Management Corporation ("bcIMC") and CAI Capital Corporation ("CAI"). BcIMC is a Canadian investment management company whose clients include public sector pension plans, public bodies, publicly administered trust funds, and government operating funds. BcIMC is currently in the process of acquiring CAI's ownership interest.

5. The petition seeks the Board's approval of the transaction contemplated by the Agreement which provides that all of the issued and outstanding membership interests in Hydro Star will be acquired by Corix Utilities in exchange for cash consideration. This will make Corix Utilities the sole owner of Hydro Star, which, through its ownership of HSMC, owns all of the issued and outstanding shares of Utilities, Inc. Following the consummation of the proposed transaction, Utilities, Inc. will

continue its corporate existence as a wholly-owned subsidiary of HSHC.

(a) Subsequent to the consummation of the transactions contemplated by the Agreement, Corix Utilities may merge with and into Hydro Star, thereby eliminating one of the intermediate holding companies through which Corix Utilities will hold its interest in Utilities, Inc. and its indirect interest in the Montague Companies. If this post-acquisition consolidation is undertaken, it will have no regulatory or ownership impact relevant to New Jersey.

6. Following the proposed transaction, MW&S will continue to be wholly-owned subsidiaries of Utilities, Inc. and will continue to exist as New Jersey public utility corporations subject to the jurisdiction and regulation of the Board.

7. In considering a request for approval pursuant to N.J.S.A. 48:2-51.1, the Board is required to evaluate the impact of the acquisition (a) on competition, (b) on the rates of ratepayers affected by the acquisition of control, (c) on the employees of the affected public utility or utilities, and (d) on the provision of safe and adequate utility service at just and reasonable rates. N.J.S.A. 48:2-51.1. Petitioners must demonstrate that positive benefits will flow to the State of New Jersey, and that there are no adverse impacts on the above criteria. N.J.A.C. 14:1-5.14(c).

8. With regard to these four factors, the Verified Petition, discovery and conferences among the parties establish, among other things:

(a) Competition. The transaction contemplated by the Agreement will not adversely impact competition because the Montague Companies will continue to operate in their current franchise territories under the same market conditions which currently exist. Because the transaction will not in any way impair the access of the Montague Companies and Utilities, Inc. to capital, Utilities Inc. will be able to continue to compete for the provision of water and wastewater services to small, troubled systems, to acquire the water and wastewater assets of municipalities interested in transferring their systems or their service obligations to private water companies, and to acquire other smaller water and wastewater companies.

(b) Customer Rates. The proposed transaction will not have any adverse impact on the existing rates for the Montague Companies. Montague Water and Sewer will continue to operate under their existing tariffs and rate structures. There will be no rate increases to customers as a result of the proposed transaction. There will be no immediate changes in the balance sheets or financial positions of the Montague Companies as a result of the proposed transaction. Corix Utilities will not seek to recover from customers any transaction costs or acquisition premiums relating to the proposed transaction.

(c) Employees. The transaction will have no adverse impact on employee(s) that operate the Montague Companies. Local management and operational staff will remain unchanged. The transfer of control will have no future negative impact on the manner in which day-to-day operations of the Montague Companies are conducted.

(d) Provision of Safe and Adequate Service. As it has since 1996, Utilities, Inc. will see to it that the Montague Companies continue to provide safe, adequate and reliable service to their customers in fulfillment of their obligations under New Jersey law. By maintaining continuity of local administrative and operational personnel, Utilities, Inc. will assure that employees familiar with the requirements of the New Jersey customers and of this Board retain responsibility for the New Jersey operations.

9. Although the petition was not filed under N.J.S.A. 48:3-10 and N.J.A.C. 14:1-5.10, the Board's Staff and the parties considered the requirements of those sections. The regulations require applicants to provide information regarding the reasons for the stock transfer, an explanation of any anticipated changes in the Board of Directors, officers, managers, and company policies and a description of the qualifications of management.

10. With regard to the information required under N.J.S.A. 48:3-10, N.J.A.C. 14:1-5.10 and N.J.A.C. 14:1-5.14(c), the Verified Petition, discovery and conferences among the parties establish that:



11. Positive Benefits. The customers of the Montague Companies and the State of New Jersey will benefit from consummation of the proposed transaction because the Montague Companies will have access to a wide spectrum of technical and industry expertise in all facets of sustainable water, wastewater and energy systems, including innovative technologies, operating tools and regulatory resources required to develop sustainable multi-utility services. The State will benefit by the acquisition of control by an experienced utility operator which is focused on the need for capital to drive growth and support infrastructure improvements.

12. (a) Reasons For Transaction. The principal reason for the proposed transaction is a desire by Highstar, a private equity fund, to sell, and the desire by Corix Utilities to purchase all of the issued and outstanding membership interests in Hydro Star. The result will be to provide Utilities, Inc. with a stronger, more viable competitive position as part of the Corix Group because the Corix Group has significant experience and expertise in operating both regulated and unregulated water, wastewater and energy utilities and in the supply of related products and services in a number of communities across North America. Corix Utilities, together with its parent and affiliates, is well financed with stable long term funding and solid access to debt financing, capital markets and geographical diversity. The Corix Group collectively manages over \$750 million in assets and

generated cumulative revenue of approximately \$540 million in 2011. It employs over 2,200 people in utility related services across North America. Ensuring ready access to capital funds to support growth, infrastructure revitalization and continued critical maintenance of utility facilities is vitally important and increasingly so in today's turbulent financial markets.

(b) Management, Officers and Board of Directors. The Agreement does not contemplate any changes in the management of the Montague Companies. Thus, Montague Water Company, Inc. and Montague Sewer Company, Inc. will continue to have proven management experience and capability to provide safe, adequate and proper service to the public.

(c) No Change In Utility Policies. The transaction contemplated by the Agreement will not result in any immediate changes in the Montague Companies' policies with respect to service to customers, employees, operations, financing, accounting, capitalization, rates, depreciation, maintenance, or other matters affecting the public interest or utility operations.

(d) Qualifications of Management. The Agreement does not contemplate any changes in the existing management and officers of either Utilities, Inc. or MW&S. As stated above, MW&S will continue to have proven management experience and capability to provide safe, adequate and proper service to the public.

13. Since the filing of the Petition, Board Staff and Rate Counsel served extensive and detailed discovery requests for

information and supplemental requests upon petitioners. All discovery was answered and the parties have met to discuss and review the discovery and positions regarding the transaction.

14. Public Notice of the filing of the Petition and the opportunity to provide comments for consideration by the Board was served directly upon the Clerk of Montague Township and was also published in two newspapers of general circulation in the service area describing the Petition and the opportunity for public comment. No comments were supplied.

15. The Parties hereby request that the Board approve this Stipulation in its entirety and issue an appropriate decision and order adopting the Stipulation and granting the relief sought in the petition subject to the conditions set forth herein. If the Board does not approve the Stipulation as it is presented or in substantially the form executed by the Parties, then the Parties may return to their litigated position in this proceeding.

NOW THEREFORE, the parties AGREE as follows:

A. Petitioners agree that they will not allocate, push down, or assign any purchase price, goodwill or any premium reflected in the purchase price to MW&S, either directly or indirectly, for ratemaking purposes. Such items shall not be passed on to or funded by customers of MW&S after the proposed transaction. No acquisition adjustment amount, as defined in the Board-approved Uniform System of Accounts, related to the within transaction, shall be recovered from the customers of MW&S.

B. Petitioners agree that no transaction costs of this transaction (e.g., financial, legal, change in control agreement payments and investment services), shall be passed on to, recovered from, or funded by customers of MW&S, nor shall any of the administrative costs of this transaction incurred by Corix Utilities or by Utilities, Inc. be allocated to MW&S, either directly or indirectly from other subsidiaries or affiliates.

C. Subject to the execution, where appropriate, of acceptable confidentiality agreements, the Petitioners shall provide the Board Staff and Rate Counsel reasonable access to the books and records of Utilities, Inc., and to the books and records of any of its regulated or non-regulated subsidiaries or affiliates, for the purposes of review of whether there has been a proper allocation of costs to MW&S. Nothing herein shall be construed to limit the authority of the Board pursuant to N.J.S.A. 48:2-16 et seq.

D. MW&S shall maintain all applicable water quality standards and maintain or improve water and sewer service standards including, but not limited to, the following: service related interruptions and employee response time thereto; and customer complaint and customer inquiry response time. MW&S shall maintain adequate resources to continue to be responsive to questions from customers and regulatory agencies.

E. Upon closing of the transaction, Petitioners shall inform the Board of the date on which the change in control shall have been consummated.

F. In their next rate proceedings, should MW&S seek to recover in rates costs allocated by Utilities, Inc., its parent, or any of its subsidiaries or affiliates, MW&S shall provide the parties with a written explanation, supported by sufficient credible evidence, including data, of the method of allocating such costs.

G. Subject to the execution, where appropriate, of acceptable confidentiality agreements, copies of the tax returns of Utilities, Inc. or any other entity consolidated with MW&S for the purpose of reporting and calculating Federal Income Taxes shall be made available to the Board to the extent the Board determines that the information contained therein is necessary to resolve any regulatory or financial issues impacting MW&S. This provision shall not impair the rights of any of the parties in any other proceeding.

H. No reduction in the labor force shall take place at MW&S for two years following the close of the transaction. A temporary vacancy shall not constitute a violation of this provision.

I. Within sixty days of closing, MW&S will inform customers of the consummation of the transaction and of the continuing oversight of the Board and the New Jersey Department of Environmental Protection, the continued compliance with all New

Jersey laws and regulations, and the continuity of the customer service and customer relations procedures of MW&S.

J. MW&S shall maintain a level of capital investment and best operating practices sufficient to ensure safe, adequate and proper service in compliance with applicable regulations and statutes and in accordance with prudent utility practice.

K. MW&S will continue to implement and construct capital projects necessary for the provision of safe, adequate and proper service.

L. Recognizing that the Board has an ongoing concern with cross-subsidization and non-arm's-length transactions, MW&S agree to file a report with the Board fully describing any changes in the corporate structure and corporate relationships of Utilities, Inc. in sufficient detail to allow the Board's Division of Audits to monitor affiliate relationships, if so requested.

M. MW&S shall not disclose confidential customer information, including names, addresses, and phone numbers to any affiliate of Utilities, Inc. for marketing or non-utility business purposes.

N. The parties specifically affirm that the Board may exercise its authority to enforce the provisions of the Stipulation and any Order adopting the Stipulation.

O. The parties further specifically affirm that they are aware of the previously announced policies of the Board regarding Consolidated Income Tax Adjustments.

P. The parties agree that any Order adopting this Stipulation may contain a condition that the authority granted therein shall become null and void if the transaction is not completed within one hundred and eighty (180) days of the date of receipt of all required approvals.

Q. Based upon the foregoing and subject to the conditions stated herein, the parties agree that the statutory criteria set forth in N.J.S.A. 48:2-51.1 are satisfied.

R. This Stipulation is the product of extensive negotiations by the signatories, 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 signatories 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. The parties agree that the within Stipulation reflects a 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 and jointly state that they would not have signed this Stipulation had any terms been modified in any way. In the event any particular term of this Stipulation is not accepted and approved by the Board,


then any party hereto materially adversely affected thereby, upon notice within five business days after entry of the Board's Order, 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 settlement of the entire proceeding that avoids protracted and costly litigation of specific issues. Therefore, with respect to any policies or positions that were compromised in the spirit of reaching such 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 compromises pertain only to this matter and to no other matter.

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

T. The Signatory Parties further acknowledge that the resolution of any issue agreed to in this Stipulation, shall become effective upon service of the Board Order on all parties of record unless a later date is indicated in the Order.

UTILITIES, INC., and  
MONTAGUE WATER and SEWER COMPANIES

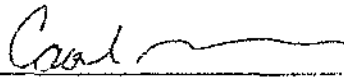
Date: 8/22/2012.

By:   
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ATTORNEY GENERAL OF NEW JERSEY FOR  
STAFF OF THE BOARD OF PUBLIC  
UTILITIES

Date: August 21, 2012

By:   
Carolyn McIntosh  
Deputy Attorney General

STEFANIE A. BRAND, ESQ.  
DIRECTOR, DIVISION OF RATE COUNSEL

Date 8/21/12

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