

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. G-40, SUB 160

In the Matter of
Joint Application of Frontier Natural Gas)
Company and Ullico Infrastructure)
Hearthstone Holdco, LLC for Approval)
of the Sale and Transfer of Stock)

DIRECT TESTIMONY

OF

TESTIMONY OF SONIA AXTER

January 27, 2021

1 **INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
3 **ADDRESS.**

4 A. My name is Sonia Axter, and I am a Vice President of UIF GP, LLC (“UIF GP”),
5 which is the general partner of the Ullico Infrastructure Master Fund, LP (together
6 with UIF GP, “UIF or the “Fund”). I am also a Vice President of Ullico
7 Infrastructure Hearthstone Holdco, LLC (“UIHH”). My business address is 111
8 South Wacker Drive, Suite 3925, Chicago, IL 60606.

9 **Q. PLEASE DESCRIBE YOUR JOB RESPONSIBILITIES.**

10 A. I am a founder, senior partner, and head of asset management for the Fund and a
11 senior partner on the investment team. My job responsibilities primarily include
12 overseeing the management and performance of each of the portfolio investments
13 of the Fund. I am on the board of directors for the majority of our investments and
14 participate to a varying degree in the day-to-day management of these assets.

15 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
16 **BACKGROUND.**

17 A. I earned a B.S. in Civil Engineering from the University of Washington, and an
18 M.B.A. from Stanford Graduate School of Business. I have been in my current
19 position since 2009. I have 25 years of experience in infrastructure asset
20 management, development, principal ownership, and project management. Before
21 joining UIF, I was a senior member of Deutsche Bank’s alternatives investment
22 group and performed both acquisitions and asset management of infrastructure
23 assets. I was also a senior member of Bechtel Enterprises, which is the

1 infrastructure finance and development arm of Bechtel Group Inc. Prior to business
2 school, I spent seven years as a Project Manager and Project Engineer on a range
3 of transport, utility, and environmentally-impacted civil construction projects for
4 the Pacific Northwest division of Granite Construction Company.

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

6 A. I am testifying on behalf of UIF GP, LLC, which is the general partner of the. Ullico
7 Infrastructure Master Fund, L.P. The Ullico Infrastructure Master Fund, L.P., in
8 turn, owns UIHH. A diagram of the proposed entity structure is provided as Exhibit
9 C to the Joint Application.

10 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION OR ANY**
11 **OTHER STATE PUBLIC SERVICE COMMISSION?**

12 A. No.

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

15 A. The purpose of my testimony is to provide the Commission with the information
16 necessary to review and approve UIHH's acquisition of GEP Bison Holdings, Inc.
17 ("GBH") and to describe the impact of that acquisition on GBH's subsidiaries,
18 including Hearthstone Utilities Inc. ("HUI") and Frontier Natural Gas Company
19 ("Frontier"). Specifically, I will:

- 20 • Provide background regarding UIF, our knowledge and expertise, and our
21 management philosophies.
- 22 • Discuss the Stock Purchase and Sale Agreement ("SPSA") and our rationale
23 for acquiring GBH.

- 1 • Describe UIF’s financial condition and organizational structure, along with its
2 ability to successfully oversee the management of and provide capital to
3 support operations of and investments in HUI and its subsidiaries.
- 4 • Discuss the effect of this transaction on HUI’s regulated utility subsidiaries.
- 5 • Finally, I will explain why UIHH’s acquisition of GBH meets the
6 Commission’s standards for approval.

7 **BACKGROUND REGARDING UIF**

8 **Q. PLEASE PROVIDE THE COMMISSION WITH A BRIEF BACKGROUND**
9 **AND HISTORY OF UIF.**

10 A. Ullico Infrastructure Master Fund, L.P. is an infrastructure investment vehicle
11 created and managed by UIF GP, LLC under the Ullico affiliated group. The Ullico
12 affiliated group has grown out of the original founding of the Union Labor Life
13 Insurance Company in 1927. UIF was formed in 2012 to provide institutional
14 investors the opportunity to pool resources to make long-term investments into the
15 ownership, maintenance and refurbishment of the nation’s infrastructure.
16 Accordingly, UIF raises capital primarily from U.S. pension funds and makes
17 investments in U.S. and Canada-based infrastructure businesses that provide
18 essential services to communities, governments, and businesses.

19 UIF’s investment vehicle is structured as an open-ended fund and, as such,
20 does not have a defined term of existence (it is perpetual). This structural feature
21 allows the Fund to invest for the long-term, ideally for the useful life of the assets,
22 and therefore to align the long-term interests of its investors with the long-term
23 interests of the communities and public counterparties of the infrastructure

1 businesses in which it invests. UIF is committed to a buy-and-hold strategy for its
2 portfolio investments. Since 2012, UIF has made 18 investments across the
3 transportation, energy, and utilities sectors in the U.S. and in Canada (an average
4 of 2 to 4 investments per year, including follow-on investments). A description of
5 some of the investments is provided later in my testimony.

6 To date, UIF has secured more than \$3 billion in commitments from third-
7 party investors (an average of \$300 million per year) and continues to pursue and
8 raise new capital on a daily basis. These commitments, including over \$2 billion of
9 invested capital, come from well capitalized institutional investors, which consist
10 primarily of domestic pension funds. Currently the Fund has nearly \$1 billion of
11 un-invested committed capital. The perpetual nature of the Fund's capital supply
12 has allowed the Fund to make approximately ten follow-on investments in its
13 existing portfolio. UIF's willingness and ability to make additional or follow-on
14 investment at a reasonable return in its existing portfolio aligns well with the
15 anticipated need for access to funds for ongoing capital and operational needs of
16 GBH's operating companies, including Frontier.

17 UIF has been and intends to continue to be a long-term investor, which
18 seeks opportunities to invest in long-life infrastructure assets that provide long-term
19 stable returns. UIF has never sold an investment in which it was the majority owner.
20 In its history, UIF has only exited two small minority investments as the result of
21 decisions that were driven by the majority partner in each case. Well-established,
22 long standing regulated utilities, such as those owned by GBH, are ideally suited
23 for UIF's long-term investment strategy. The indefinite life of the Fund matches

1 the perpetual life and obligation to serve of regulated public utilities better than
2 funds with fixed lives.

3 **Q. WHAT INVESTMENTS HAS UIF MADE IN INFRASTRUCTURE,**
4 **ENERGY, AND UTILITY ASSETS?**

5 A. UIF has made and maintains the following investments in energy and utility assets:

6 • UIF's first investment in November 2012 was a 30-year concession to
7 manage and operate a water and wastewater utility in Rialto, California that
8 serves the City of Rialto (population 100,000).

9 • In 2014, UIF purchased an interest in the Neptune Regional Transmission
10 System, a 65-mile, 660 MW high-voltage direct-current submarine
11 transmission cable connecting New Jersey and Long Island, New York, and
12 has since made multiple follow-on investments in Neptune.

13 • UIF has investments in three combined-cycle natural gas electric generating
14 facilities: the 700 MW Carroll County Energy in Ohio, the 785 MW
15 Towantic Energy in Connecticut, and the 751 MW West Deptford Energy
16 in New Jersey.

17 • UIF has investments in six U.S. and Canada-based renewable energy
18 portfolios totaling over 3.3 GW: a 69 MW operating wind farm in Hawaii;
19 two portfolios of operational solar assets in Ontario, Canada; investments
20 in two U.S.-based solar and wind generation portfolios managed by D. E.
21 Shaw Renewable Investments, L.L.C., one a 1,118 MW portfolio and the
22 other a 750 MW portfolio; as well as an investment in a 1.3 GW U.S.-based

1 portfolio of over 70 wind and solar assets alongside affiliates of Alberta
2 Investment Management Corporation and The AES Corporation.

3 • UIF is an investor in Southern Star Central Gas Pipeline, Inc., a FERC
4 regulated interstate natural gas transmission pipeline system operating in
5 the central United States, alongside Caisse de dépôt et placement du Québec
6 (CDPQ).

7 • UIF is an investor in AES Southland Energy, LLC, a 1.4 GW portfolio of
8 two combined-cycle gas generation assets and two battery energy storage
9 assets located in California and Arizona contracted under long-term power
10 purchase agreements with investment grade utilities.

11 UIF has made and maintains the following investments in other essential
12 infrastructure assets:

13 • UIF is an investor in Autopistas Metropolitanas de Puerto Rico, LLC, a toll
14 road concessionaire operating highways PR-22 and PR-5 in Puerto Rico
15 under a long-term concession.

16 • UIF is an investor in TierPoint, a national provider of data center colocation
17 and managed services through a network of hub cities across the United
18 States.

19 • UIF is an investor in Student Transportation Inc., the third largest student
20 busing company in the U.S. and Canada focused on the home-to-school
21 transport sector, alongside Caisse de dépôt et placement du Québec
22 (CDPQ).

- 1 • UIF is an investor in Tidewater Transportation & Terminals, an intermodal
2 transportation business serving waterways in the Pacific Northwest region
3 of the United States and Canada.

4 **Q. PLEASE DESCRIBE UIF’S CORPORATE MISSION AND VISION.**

5 A. Essential infrastructure businesses, such as Frontier and the other subsidiaries of
6 GBH, are the bedrock of every community across the U.S. and Canada. UIF’s
7 corporate mission and vision is to invest patient, long-term capital into these core
8 infrastructure assets in a manner that brings experienced ownership, stability, a
9 long-term vision, consistently available capital, access to best-in-class operating
10 partners and a commitment to the economic success of the communities local to
11 each investment. Relative to other infrastructure investment managers, UIF attracts
12 philosophically aligned institutional investors whose goals are consistent with
13 UIF’s long-term horizon and conservative investment strategy. The open-ended
14 structure enables the Fund to match the term of its investments with the life of the
15 assets and provides UIF with perpetual access to new capital to meet the ongoing
16 needs of Ullico Infrastructure Master Fund, L.P.’s subsidiary operating companies.
17 Specific to GBH, the indefinite life of the Fund and UIF’s access to capital align
18 with the perpetual obligation to serve the interests of the regulated utilities’
19 customers, the communities in which the utilities operate, and the utilities’
20 workforce.

21 **THE TRANSACTION**

22 **Q. PLEASE EXPLAIN THE STRUCTURE OF UIF’S PROPOSED**
23 **ACQUISITION OF GBH.**

1 A. On December 22, 2020, GBH’s current controlling owner, GEPIF II ECHO AIV,
2 L.P., entered into a Stock Purchase and Sale Agreement (“SPSA”) with UIHH, a
3 company formed by UIF specifically for the purpose of acquiring GBH and its
4 subsidiaries, including HUI and Frontier (the “Transaction”). Under the SPSA,
5 UIHH will acquire from GEPIF II ECHO AIV, L.P., all of the common stock of
6 GBH.

7 **Q. WHAT DUE DILIGENCE WAS DONE BY UIF REGARDING GBH AND**
8 **ITS REGULATED UTILITIES?**

9 A. UIF conducted a thorough and comprehensive due diligence process on GBH and
10 its subsidiaries. We engaged a number of subject-matter expert advisors, including
11 Leidos Engineering, LLC with respect to technical due diligence and capital
12 expenditure assessment; PA Consulting Group, Inc. with respect to market and
13 regulatory due diligence; PricewaterhouseCoopers LLP with respect to accounting
14 and tax due diligence; Aon Risk Services Northeast, Inc. with respect to insurance
15 due diligence; and Milbank LLP with respect to legal review and general corporate
16 due diligence. In addition, we have engaged local counsel in each jurisdiction in
17 which GHB has holdings to evaluate the respective businesses: Crowley Fleck
18 PLLP with respect to Montana operations regulatory and local matters due
19 diligence; Taft Stettinius & Hollister with respect to Indiana and Ohio operations
20 regulatory and local matters due diligence; Drummond Woodsum with respect to
21 Maine operations regulatory and local matters due diligence; and, Brooks, Pierce,
22 McLendon, Humphrey & Leonard, LLP with respect to North Carolina operations
23 regulatory and local matters due diligence.

1 The due diligence process consisted of extensive reviews of documents in
2 the public domain and provided by HUI management as well as multiple phone
3 conferences and virtual meetings among HUI management, UIF, and our advisors.
4 The due diligence process provided further clarity on, among other things, customer
5 and regulatory relationships, operating practices, exposure to legal risks and any
6 pending litigation, quality of earnings and financial reporting practices, as well as
7 asset management and safety standards.

8 **Q. WHY DOES UIF WANT TO ACQUIRE GBH AND ITS SUBSIDIARIES?**

9 A. As a long-term core infrastructure investor, UIF looks for stable and essential
10 companies to acquire and own. UIF sees stability and essentiality in GBH and its
11 utility subsidiaries due to UIF’s broad outlook on the natural gas sector in general,
12 and regulated distribution systems in particular. This Transaction allows UIF to
13 invest in a group of companies with a strong mix of non-regulated and regulated
14 operations expected to generate reasonable rates of return, long-term stable cash
15 flows, and where the target business benefits from UIF’s long-term view of
16 ownership and community alignment.

17 The acquisition of GBH will provide UIF and its investors with an
18 opportunity to own stable, regulated and unregulated energy businesses and it offers
19 the opportunity to pair UIF’s desire to increase its investment in these type of assets
20 over time with the systems’ ongoing and likely increasing capital needs.

21 As discussed in more detail below, UIF believes that HUI and its
22 subsidiaries will benefit from UIF’s acquisition of GBH through access to
23 consistent follow-on capital provided by investors whose interests align with the

1 long-term success of the systems. This will provide Frontier access to the capital
2 necessary to appropriately and timely address safety and reliability of the system as
3 well as access to serve any growth in customers in the existing service territory or
4 to expand to new service territories where economically feasible. UIF will offer
5 capital to allow Frontier to pursue necessary system upgrades, address any
6 infrastructure replacement, as well as enhance customer service.

7 **UIF'S FINANCIAL CONDITION AND ABILITY TO SUCCESSFULLY**
8 **OPERATE AND MANAGE GBH'S REGULATED UTILITIES**
9

10 **Q. PLEASE DESCRIBE UIF'S FINANCIAL CONDITION AND WHETHER IT**
11 **HAS SUFFICIENT FINANCIAL RESOURCES TO ACQUIRE GBH AND**
12 **ITS REGULATED UTILITIES.**

13 A. Currently, UIF has \$3.26 billion in commitments, with \$2.34 billion of invested
14 capital, and \$918 million of available capital. UIF also has a demonstrated history
15 of fund raising and established access to a pool of investors, whose commitment to
16 the Fund is largely predicated on UIF's strategy of making long-term investments.

17 **Q. HOW WILL UIF FUND THE ACQUISITION?**

18 A. While UIF has sufficient capital to complete the acquisition with all equity, it is
19 currently planning to fund ownership of HUI with a combination of equity from the
20 Fund's available capital, incremental acquisition debt from the placement of
21 investment grade private placement notes at HUI, and the continuation of HUI's
22 current financings.

23 Continuation of HUI's current financings requires change of control
24 consent from the current lenders: TIAA/Nuveen and Bank of America. It is
25 anticipated that HUI's current lenders will consent. In the event consent is not

1 received and HUI's current financings need to be replaced with new debt facilities,
2 UIF does not anticipate any changes to the existing, Commission-approved
3 intercompany notes and will commit to maintaining (or reducing) the current
4 quantum and interest rate of the intercompany notes at financial close.

5 UIF believes funding the Transaction with both equity and debt creates
6 better alignment among utility stakeholders such that it leaves UIF with more
7 available capital to continue to invest in HUI and its subsidiaries as needed in the
8 future, it promotes a long-term investment horizon consistent with the term of the
9 debt, and it creates added focus for the investors with the need to continue to
10 implement best practices and effectively manage the enterprise in order to maintain
11 an investment grade rating. UIF has worked with a rating agency to obtain a private
12 investment grade indicative rating for the contemplated incremental acquisition
13 debt and plans to pursue a formal rating prior to closing the acquisition. Closing of
14 the Transaction, however, is not contingent upon obtaining acquisition financing.

15 **Q. PLEASE EXPLAIN UIF'S EXPERIENCE MANAGING INVESTMENTS IN**
16 **ENERGY INFRASTRUCTURE AND REGULATED ASSETS.**

17 A. As discussed above, UIF has experience acquiring, owning and financing a mixture
18 of energy related firms. As an investor, UIF has a well-established practice of
19 supporting and enhancing existing management of acquired businesses. UIF relies
20 on the current management of the invested entity while also identifying and
21 engaging additional individuals with the experience needed to safely and efficiently
22 manage and operate our businesses. As mentioned above, if the acquisition of GBH
23 is approved, we do not anticipate any changes to utility management or operations.

1 UIF will also inherit an existing contract with Luvian Partners, the current executive
2 management service team, which does not terminate until December 31, 2022, to
3 maintain further continuity of operations.

4 **Q. PLEASE EXPLAIN UIF’S MANAGEMENT PHILOSOPHY FOR THE**
5 **PROPOSED ACQUISITION OF GBH AND ITS SUBSIDIARIES.**

6 A. UIF’s management philosophy is to ensure that GBH and its subsidiaries continue
7 to provide safe, reliable, and quality service to its customers. UIF believes this will
8 be best accomplished by maintaining the strong existing local management and
9 operating teams, transitioning over time from a third party executive management
10 firm to a dedicated, full-time executive management team that has long-term
11 alignment, and by providing consistent and strong financial governance of the
12 utilities. Post-acquisition, we anticipate that the current management team of HUI
13 and each of its subsidiary regulated utilities in Indiana, Maine, Montana, North
14 Carolina, and Ohio, including the management of Frontier, will remain unchanged.
15 We believe the utility operations are being satisfactorily addressed and
16 management and operations decisions should remain with the utilities’ respective
17 executive teams.

18 UIF anticipates that the third-party executive management firm Luvian
19 Partners, which provides access to experienced public utility managers, will
20 continue overseeing the management of HUI as their existing contract does not
21 terminate until December 31, 2022. Luvian Partners team has an extensive
22 background in operating regulated utilities and is a team of utility executives with
23 significant experience in operations, finance, regulation, human resources and

1 M&A with a track record of strong performance in multiple states, and Luvian
2 Partners has been involved in HUI's management since 2017. Luvian Partners will
3 continue to work with the HUI leadership team to ensure consistent and quality
4 interactions with their public utility executive teams and the utilities' regulators. It
5 is UIF's goal to continue to use the opportunity provided by the remaining term of
6 the Luvian Partners contract to evaluate the ongoing needs of the various companies
7 and to identify and implement a strategy for effective long-term management.

8 Additionally, to support its acquisition of GBH and its subsidiaries, UIF has
9 engaged Morgan O'Brien, a seasoned utility executive with extensive experience
10 leading and managing rate regulated electric and gas LDC operations in the United
11 States. Mr. O'Brien has more than 30 years of experience in the regulated public
12 utility industry, including serving as the Chief Executive Officer of Peoples Natural
13 Gas Company LLC and Peoples Gas Company LLC, and Duquesne Light
14 Company, all of which are public utilities regulated by the Pennsylvania Public
15 Utility Commission. Mr. O'Brien will assist UIF in assuring that the utilities will
16 continue to be run safely and efficiently. Being a good utility requires strict
17 adherence to all regulatory requirements, including any Commission orders
18 applying to the utility. But UIF's goal is to go beyond strict compliance and
19 become a leader on energy issues in the communities and states in which the
20 utilities operate. Where appropriate, we look forward to regular dialog and
21 engagement with the Commission, the Public Staff, and other stakeholders about
22 ongoing and evolving energy and utility issues. UIF plans on being a leader in

1 responding to customer expectations, needs and wants, as well as responding to the
2 ever-changing landscape of energy development, delivery and usage.

3 To ensure proper governance, UIF will establish a board of directors built
4 around best practices in corporate governance. A balance of independent directors
5 and UIF managers will be organized in order to serve the company, effective with
6 the closing of the Transaction. It is planned that the independent directors will
7 complement the board's experience and skill sets including direct utility
8 experience.

9 **EFFECT OF ACQUISITION ON HUI'S REGULATED UTILITIES**

10 **Q. WILL UIF'S ACQUISITION OF GBH NEGATIVELY AFFECT HUI AND**
11 **ITS REGULATED UTILITIES?**

12 A. No. We do not expect any negative effect on HUI or its regulated utility
13 subsidiaries as a result of UIF's acquisition of GBH. UIF will commit to be bound
14 by all regulatory commitments currently in effect, to the extent those commitments
15 are applicable under UIF's ownership. There will be no changes to customer rates
16 because of the Transaction. Specifically, UIF commits it will not seek recovery
17 from customers for any transaction costs associated with the Transaction. And as
18 previously outlined there will be no changes to the underlying provision of services
19 to customers.

20 **Q. WHAT BENEFITS WILL UIF'S ACQUISITION OF GBH BRING TO HUI**
21 **AND ITS REGULATED UTILITIES AND THEIR CUSTOMERS?**

22 A. A primary benefit of the Transaction is UIF's access to capital and a long-term
23 alignment between UIF, the regulated utilities, and their customers. These utility

1 businesses require access to on-going capital in order to maintain the safety and
2 integrity of their systems. These on-going capital needs are in addition to capital
3 needs to make investments in service improvements and efficiencies as well as the
4 additional capital needs for expansion of the current services.

5 UIF's investment vehicle is a long-term and open-ended fund, as opposed
6 to a fund with a finite life. That means it has available to it a ready source of capital
7 for follow-on investment as needed for any additional capital investment, to address
8 necessary maintenance, safety concerns or other shortcomings, and to increase the
9 useful life of the asset. Importantly, capital decisions will be evaluated based on the
10 useful life of the asset, not on short-term incentives, creating significantly more
11 alignment with the interests of the customers and local community. Additionally,
12 as discussed previously, UIF prioritizes long-term alignment with the needs of the
13 communities it serves and the workforce it employs over maximization of short
14 term gains. UIF's and its employees' interests completely align with that of the
15 communities it serves through these utilities. Serving a growing and prosperous
16 community that embraces and brings along everyone is in the best interest of all.

17 **Q. WHAT IMMEDIATE EFFECT, IF ANY, WILL THERE BE ON THE**
18 **CUSTOMERS OF HUI'S REGULATED UTILITY SUBSIDIARIES AS A**
19 **RESULT OF THE TRANSACTION?**

20 A. UIF does not anticipate any immediate direct impact to customers of the regulated
21 utilities such as Frontier. However, we believe our investment in the HUI regulated
22 utilities will maintain continued safety and reliability initiatives of the regulated
23 utilities.

1 **Q. HOW WILL THE TRANSACTION AFFECT THE OPERATIONS OR**
2 **MANAGEMENT OF HUI?**

3 A. As explained earlier, UIF does not intend to have any immediate impact on the
4 utility operations. UIF will retain the current management team, including the
5 experienced public utility management team from Luvian Partners, to maintain
6 continuity in the leadership at HUI and support UIF.

7 **Q. AS A RESULT OF THE PROPOSED TRANSACTION, WILL UIF**
8 **CHANGE OR AFFECT THE DAILY MANAGEMENT OF FRONTIER?**

9 A. UIF has no plans to change the current management of Frontier.

10 **Q. WILL THE TRANSACTION NEGATIVELY AFFECT FRONTIER'S**
11 **EMPLOYEES?**

12 A. We do not anticipate any negative effects on Frontier's employees as a result of the
13 Transaction. One question that might arise is whether UIF, because of its origins,
14 would try to unionize the utilities' workforce. UIF is neutral with respect to union
15 organization of the utilities' workforce, and management strongly believes that
16 union organization is the will and option of the respective local workforce.
17 Importantly, UIF will not seek to maximize its returns by reducing the existing
18 workforce. Management's priority will be providing good quality jobs with benefits
19 and promoting quality workmanship, access to training, community enhancement
20 and workplace safety. Additionally, UIF has a progressive commitment to
21 supporting minority owned businesses and to partner with workforce development
22 providers to encourage diverse workforce development.

1 **Q. DO YOU ANTICIPATE ANY IMPACT TO ANY OF THE EXISTING**
2 **UTILITY SERVICE CENTERS AS A RESULT OF THE TRANSACTION?**

3 A. We do not anticipate there will be any impact to any of the existing utility service
4 centers or its main office location in Elkin, North Carolina.

5 **Q. WILL UIF MAKE ANY IMMEDIATE CHANGES TO THE UTILITIES AS**
6 **A RESULT OF THE TRANSACTION?**

7 A. No. Our intent is that the utilities in each state will continue business as usual. We
8 are going to continue operations, financing, investments, regulatory compliance,
9 safety, filed tariffs, rates and customer service as the utilities do now. Going
10 forward, we will look to implement improvements where possible as any business
11 should, while ensuring that GBH and its subsidiaries remain in compliance with all
12 relevant state rules, regulations, and orders.

13 **Q. DOES UIF ANTICIPATE ANY CAPITAL INFUSION INTO GBH OR ITS**
14 **SUBSIDIARIES AS A RESULT OF THE TRANSACTION?**

15 A. We do not anticipate any immediate capital infusions into GBH as a direct result of
16 the Transaction. However, we will be actively looking to find projects into which
17 we can deploy equity that provide the opportunity to expand service to unserved
18 customers and new service territories where extensions are economically feasible,
19 pursue necessary system upgrades, address any infrastructure replacement, and
20 enhance customer service.

21 **Q. WHAT, IF ANY, BENEFITS WILL THE ACQUISITION HAVE FOR**
22 **LOCAL COMMUNITIES AND THE PUBLIC IN GENERAL?**

1 A. Our plan is to protect the local employees as well as continue to support the local
2 businesses through our day-to-day operations. In addition, we will look to further
3 engage in economic development efforts by partnering with local leaders to
4 enhance current efforts. We will ask for a deeper engagement of our team to suggest
5 any changes to our current offerings which may better support economic
6 development in the region. And as we have done with our other investments, we
7 would expect to continue with support for local charities that serve families in need.
8 However, we will also explore opportunities for us to further engage with local
9 leaders, charities and workforce development providers to address the unique
10 economic challenges in each of the communities served, including any presented
11 by COVID-19 impacts.

12 **COMMISSION'S STANDARDS FOR APPROVAL**

13 **Q. WHAT IS YOUR UNDERSTANDING OF THE STANDARDS THAT NEED**
14 **TO BE MET FOR THE COMMISSION TO APPROVE THE**
15 **TRANSACTION?**

16 A. My understanding is that G.S. § 62-111(a) provides that the Commission shall
17 approve the transaction if the Commission finds that it is justified by the public
18 convenience and necessity. In this regard, it is also my understanding that the
19 Commission has adopted a three-prong test to determine if the transaction meets
20 this statutory standard and that those three prongs are whether: (i) the transaction
21 will have no adverse impact on North Carolina retail ratepayers; (ii) the utility's
22 customers are protected as much as possible from potential costs and risks resulting

1 from the transaction; and (iii) there are sufficient benefits from the proposed
2 transaction to offset the potential costs and risks.

3 **Q. DOES THE PROPOSED TRANSACTION MEETS THESE STANDARDS?**

4 A. Yes, in my opinion, it does for several reasons.

5 First, broadly speaking, the Transaction is in the public interest, as UIF will
6 maintain and build upon the successful management of HUI since it was acquired
7 by the BlackRock investment fund in 2017. I have outlined herein the commitment
8 we will bring to this team to help families who are struggling in a more effective
9 manner and to engage broadly with local leaders in economic development efforts.

10 Second, Frontier’s customers will not be harmed as a result of the
11 Transaction. Not only do I believe this Transaction presents only benefits to
12 Frontier’s customers—and does not present any “costs” or “risks”—but UIF has
13 also agreed that it will not pass along the costs of the Transaction to ratepayers.

14 Third, I believe the benefits of the Transaction do not just offset costs of the
15 Transaction, but rather outweigh any such costs. Those benefits, which are detailed
16 in the Cost-Benefit Analysis attached to the Joint Application, include:

- 17 • Alignment of the interests between investors and ratepayers.
- 18 • Continued access to capital.
- 19 • Financial stability.
- 20 • Management stability and experience.
- 21 • Improved service, safety, and investments.
- 22 • Retaining local office and management in Elkin, North Carolina.

- 1 • Sustained ability to facilitate infrastructure expansion and economic
2 development efforts.
- 3 • No changes in rate, charges, or terms and conditions of service.
- 4 • A reduction of fixed costs per ratepayer as Frontier grows.
- 5 • Greater emphasis on focused, long-term-oriented management as part of our
6 ownership approach will provide significant future benefits to customers
7 and help create our identity as a leader in innovation.

8 **Q. WILL UIF REQUEST THAT ANY CHANGES BE MADE TO FRONTIER’S**
9 **CURRENT DIVIDEND POLICIES FOLLOWING THE TRANSACTION?**

10 A. UIF will continue to follow the rules and requirements pertaining to dividends in
11 each state where it operates. Any change in the existing dividend policies will be
12 made in a manner consistent with the applicable rules and regulations, including
13 Commission notification or approval if required.

14 **Q. WILL THE COMMISSION RETAIN APPROPRIATE REGULATORY**
15 **OVERSIGHT OVER FRONTIER FOLLOWING UIF’S ACQUISITION OF**
16 **GBH?**

17 A. Yes. The Transaction will not affect the Commission’s jurisdiction over Frontier,
18 and the Commission will continue to exercise the supervision and authority over
19 the North Carolina utilities under the powers granted to it by North Carolina statute.
20 UIF’s acquisition of GBH will not affect any of the regulatory conditions
21 previously approved by the Commission, to the extent those commitments are
22 applicable under UIF’s ownership.

1 **Q. WILL UIF ATTEMPT TO REQUIRE ANY OF HUI'S REGULATED**
2 **UTILITIES TO SEEK TO INCLUDE OR RECOVER ITS ACQUISITION**
3 **PREMIUM OR ANY TRANSACTION COSTS IN THEIR RATES?**

4 A. No. The acquisition premium (i.e., amount of the purchase price above book value)
5 and any transaction costs associated with the Transaction will not be included in
6 Frontier's rates.

7 **Q. DO THESE ASPECTS OF THE PROPOSED TRANSACTION SUPPORT**
8 **APPROVAL OF THE PROPOSED TRANSACTION?**

9 A. Yes. In my view, each of these factors, which are also identified and discussed in
10 the Cost-Benefit Analysis attached to the Joint Application in this Docket, support
11 the conclusion that the Transaction is justified by public convenience and necessity.
12 In particular, they establish that (i) the Transaction will have no adverse impact on
13 ratepayers, (ii) the utility's customers are protected as much as possible from
14 potential costs and risks resulting from the Transaction, and (iii) there are sufficient
15 benefits from the Transaction to offset the potential costs and risks.

16 **Q. WHAT OTHER APPROVALS ARE NEEDED WITH RESPECT TO UIF'S**
17 **ACQUISITION OF HUI?**

18 A. Approval of the Transaction by the Montana Public Service Commission, the
19 Public Utilities Commission of Ohio, and the Maine Public Utilities Commission
20 is needed and is being sought concurrently with our application to this Commission.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.