



110 W. Taylor Street  
San Jose, CA 95110-2131

August 6, 2018

**BY ELECTRONIC MAIL AND HAND DELIVERY**

Hon. Michael Picker, President  
Hon. Carla J. Peterman, Commissioner  
Hon. Liane M. Randolph, Commissioner  
Hon. Martha Guzman Aceves, Commissioner  
Hon. Clifford Rechtschaffen, Commissioner

**Re: Announcement by SJW Group and Connecticut Water Service, Inc.  
of Their Amended Acquisition Agreement**

Dear President Picker and Commissioners:

Today, SJW Group, the parent company of San Jose Water Company (San Jose Water), and Connecticut Water Service, Inc. (Connecticut Water) announced that they have amended the terms of their previously announced merger agreement to transform the planned transaction from a stock-for-stock conversion to an all-cash acquisition of all outstanding common shares of Connecticut Water by SJW Group for \$70.00 per Connecticut Water common share. As previously planned, the transaction still will create the 3<sup>rd</sup> largest investor-owned water and wastewater utility in the United States, with ongoing public utility operations serving more than 1.5 million water users in the States of California, Connecticut, Maine and Texas.

The SJW Group and Connecticut Water Boards of Directors each have approved the amended transaction agreement to help facilitate the closing of the companies' transformative combination and ensure that their shareholders, customers, employees and communities realize its significant benefits. Major similarities and differences between the original merger plan and the amended transaction include the following:

- The transaction will continue to be effected by the merger of a non-utility subsidiary of SJW Group with and into Connecticut Water, leaving Connecticut Water as a wholly-owned subsidiary of SJW Group.
- While the original plan would have converted Connecticut Water shares into common shares of SJW Group, the amended transaction will convert each

Connecticut Water share into the right to receive \$70 in cash payable by SJW Group. A significant effect of this change will be to substantially reduce the dilution of ownership interests in SJW Group that the original plan for a stock-for-stock conversion would have required. Instead, SJW Group will finance the acquisition of Connecticut Water Group by a combination of debt and equity issued at the holding company level.

- While the original plan would have expanded the SJW Group Board of Directors to twelve members, with seven (including CEO Eric Thornburg) carrying over from SJW Group and five joining from Connecticut Water, the amended transaction provides simply for expansion of SJW Group's Board by two seats, with the two vacancies to be filled by current Connecticut Water directors selected by SJW Group to bolster the Board's expertise in the New England market.
- The plan continues to provide for the combined company's headquarters to be in San Jose, CA, with its New England headquarters in Clinton, CT. Members of Connecticut Water's current executive team are expected to lead the New England region of the combined company. The combined company will continue to be called SJW Group, with the New England organization known as Connecticut Water Service, Inc. Each company's current operating subsidiaries will continue to operate under their existing names.
- As previously planned, upon closing the transaction, Eric Thornburg will continue to serve as Chairman, President and Chief Executive Officer of SJW Group, but the amended transaction no longer requires any change to the SJW Group's management team. We still do not anticipate any transaction-related layoffs or any significant changes in employee compensation or benefits packages as a result of the transaction. We value our trusted union partnerships, and all union contracts will continue to be honored.
- We anticipate that SJW Group's acquisition of Connecticut Water will not have significant effects on San Jose Water's water resources, operations, rates, or customer service except by making greater institutional capabilities and resources available to meet the needs of San Jose Water and its customers and by spreading corporate overhead costs over a larger, national customer base.

The transaction now is expected to close by the first quarter of 2019, subject to customary closing conditions and various approvals. We appreciate that the Commission, in its recent order instituting an investigation of the planned transaction (I.18-07-007), adopted a schedule to complete its inquiry in time to allow the acquisition to go forward, if appropriate, by the end of 2018. We anticipate that the changes announced today in the planned transaction may simplify the Commission's review and so we are hopeful that the adopted procedural schedule

may be maintained. Until the closing, SJW Group and Connecticut Water remain separate organizations, and San Jose Water will operate as usual.

Further details about the revised transaction are set forth in the enclosed press release. We will be providing a fuller analysis of issues of concern to the Commission in our response to the Order Instituting Investigation on August 15. In the meantime, for additional information, please contact me as may be appropriate or visit <http://www.sjw-ctws.com>.

Very truly yours,



John B. Tang

Vice President of Regulatory Affairs  
and Government Relations

Enclosures

cc (by electronic mail):

Hon. Alice Stebbins, Executive Director  
Hon. Arocles Aguilar, General Counsel  
Hon. Karl J. Bemesderfer, Administrative Law Judge  
Ravinder Kahlon, Director, Water Division  
Elizabeth Echols, Director, ORA  
Geoffrey Dryvynsyde, Assistant General Counsel  
Richard Smith, Assistant Director, ORA  
Elizabeth Podolinsky, Advisor to President Picker  
Michael Minkus, Chief of Staff to Commissioner Guzman Aceves  
Shannon O'Rourke, Advisor to Commissioner Peterman  
Lester Wong, Advisor to Commissioner Randolph  
Simi George, Advisor to Commissioner Rechtschaffen  
Service list in A.18-01-004  
Service list in A.18-07-007