

BEFORE THE UTAH PUBLIC SERVICE COMMISSION

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IN THE MATTER OF THE APPLICATION OF CORIX UTAH CITY HEATING AND COOLING LLC TO ESTABLISH A THERMAL TARIFF WITH RATES AND TERMS OF SERVICE	Docket No. 26-2666-01
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**DIRECT TESTIMONY OF  
MAXWELL WANG FOR CORIX**

May 1, 2026

**CORIX EXHIBIT 4.0**

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**I. INTRODUCTION**

**Q. Please state your name, business address, and position with Corix.**

A. My name is Maxwell Wang. I am Chief Financial Officer for Corix District Energy Holdings LP which is Utah City Heating and Cooling LLC's parent entity. My business address is Unit 1160 - 1188 West Georgia Street, Vancouver, BC V6E 4A2.

**Q. Please describe the responsibilities of your current position.**

A. As Chief Financial Officer, my primary responsibilities includes providing oversight to the financial organization, managing corporate budgets, overseeing financial planning & analysis, and ensuring the accuracy and integrity of financial reporting. I am additionally responsible for formulating strategies to optimize capital structure, overseeing tax planning and compliance, and managing Corix's insurance program. I work closely with the executive leadership team to support Corix's short-term and long-term financial goals.

**Q. What are your qualifications to testify in this proceeding?**

A. I am a Chartered Professional Accountant in good standing with CPA British Columbia. I have a Bachelor of Management degree, with a major in Accounting, from the University of Lethbridge. I have been working for Corix for just under 8 years. Prior to joining Corix, I worked for over 10 years in public accounting firms in both Vancouver, Canada and London, England, providing accounting and assurance services for public companies.

**Q. Have you testified in previous regulatory proceedings?**

A. No.

24 **II. PURPOSE OF TESTIMONY**

25 **Q. What is the purpose of your testimony?**

26 A. My testimony supports Corix's General Rate Case (GRC) application as well as its  
27 request for interim rates. The purpose of my testimony is to provide rationale and  
28 support for the cost of capital regarding capital structure, return on equity (ROE), and the  
29 cost of debt for the Utah City District Energy Utility (UCDEU).

30 In the Application, Attachment 1, Chapter 20 the Cost of Capital is described in  
31 more detail.

32 **Q. Please summarize your testimony/recommendations.**

33 A. As set forth in more detail below, I recommend that the Public Service Commission  
34 (PSC) approve Corix's proposed capital structure of 50% debt and 50% equity, a ROE of  
35 10.50%, and a cost of debt at 7.49% for the test period from August 1, 2026 to July 31,  
36 2027.

37 **Q. Does your testimony include any attachments or exhibits?**

38 A. Yes. I include with my testimony Confidential Corix Exhibit 4.1, which is an  
39 Intercompany Credit Agreement between Corix Utah City Heating and Cooling LLC and  
40 Corix Utah City DE Systems LLC.

41 **III. NEGOTIATED COST OF CAPITAL**

42 ***A. Infrastructure Agreement – Fee Framework***

43 **Q. Please describe the Fee Framework that was negotiated in the Infrastructure**  
44 **Agreement between Corix and Flagborough (the Developer Customer).**

45 A. During 2024, Corix and Flagborough L.L.C. (Flagborough) negotiated an Infrastructure  
46 Agreement for Corix to build, own, and operate a district energy system for the Utah City

47 development in Vineyard, Utah. Included in the Infrastructure Agreement, which was  
48 signed on January 16, 2025, was a Lease Agreement and Fee Framework that would be  
49 utilized if the district energy system were to be unregulated. The Fee Framework includes  
50 negotiated key terms regarding capital structure, ROE, and cost of debt that would be  
51 used in the cost of service ratemaking approach that would be utilized if the district  
52 energy system was unregulated.

53 Since UCDEU is now regulated by the PSC, the negotiated Fee Framework will  
54 be replaced by a PSC approved revenue requirement. However, I believe the Fee  
55 Framework still provides a good reference point of key ratemaking terms that were  
56 agreed upon by third parties during negotiations of the Infrastructure Agreement. In  
57 Corix Exhibit 6.1 Flagborough in its Customer Letter of Support noted that the Thermal  
58 Tariff included the key terms and approach contemplated in the Fee Framework.

59 **Q. How is this negotiated Fee Framework relevant to the UCDEU GRC?**

60 A. In the Infrastructure Agreement, Corix committed in the event of being regulated as a  
61 public utility to transfer the relevant terms in the Fee Framework to the revenue  
62 requirement in a GRC. The key cost of capital terms transferred include the negotiated  
63 capital structure, ROE, and cost of debt. In this general rate case, Corix has transferred  
64 the negotiated cost of capital terms to the regulated cost of service model to calculate the  
65 test period's revenue requirement.

66

*B. Capital Structure and ROE*

67 **Q. What is the basis on which Corix and Flagborough reached agreement on the**  
68 **negotiated ROE of 10.50%?**

69 A. The agreed-upon Fee Framework outcome reflected a comprehensive evaluation of  
70 several factors, with both the capital structure and ROE forming integral components of  
71 the negotiation process. The parties considered what would be fair for the risk taken by  
72 the utility shareholder and what the customer considered a fair return. The result was  
73 rigorous back-and-forth negotiations between the parties with an objective to find  
74 common ground and ultimately create a fully regulated heating and cooling district  
75 energy system in Utah City. At the time of signing the Infrastructure Agreement on  
76 January 16, 2025, there was still uncertainty if both heating and cooling would both be  
77 regulated. At that time, an effort was underway to amend existing Utah law such that  
78 cooling services provided in combination with heating services would be among the  
79 regulated services to be provided by a heat corporation. Corix and Flagborough agreed  
80 that, if this statutory amendment did not occur by the end of the Utah Legislature's 2025  
81 general legislative session, then the Fee Framework, including the negotiated cost of  
82 capital terms, would still be applicable for 2026 and outer years.

83 **Q. Why is a negotiated capital structure of 50% debt and 50% equity appropriate for**  
84 **UCDEU?**

85 A. UCDEU has no third-party debt and both its debt and equity is funded from Corix's  
86 parent. Due to the greenfield nature of the UCDEU, the actual capital structure of the  
87 utility is not currently determined by market-based third-party debt, but negotiated  
88 between Corix and the customer based on similar capital structures observed in

89 jurisdictions with regulated district energy systems. Corix is privately owned by British  
90 Columbia Investment Management Corporation (BCI), a pension/insurance/special  
91 purpose fund manager, and has no publicly traded equity. As discussed below, UCDEU is  
92 presently not able to raise reasonable third-party debt. Given this particular circumstance,  
93 it would be appropriate for utility rate-making purposes to utilize a deemed capital  
94 structure based the capital structure negotiated between the parties until third-party debt  
95 can be raised.

96 *C. Equity Funding*

97 **Q. What is the source of the equity portion of funding for UCDEU?**

98 A. Corix's parent will provide the equity portion of the funding for UCDEU. Corix's single  
99 shareholder, BCI, has committed equity to the investment in UCDEU's multi-year  
100 development via Corix's parent. BCI is a pension/insurance/special purpose fund  
101 manager with CDN \$295 billion in gross assets under management.

102 *D. Cost of Debt*

103 **Q. Did Corix attempt to obtain third-party debt financing for UCDEU as a stand-alone**  
104 **entity? If so, was Corix able to receive debt financing on reasonable commercial**  
105 **terms?**

106 A. Corix explored obtaining financing from multiple third-party lenders. However, given the  
107 greenfield nature of the new district energy system, which includes significant  
108 development risks, lenders were unwilling to offer financing terms that Corix considered  
109 workable at that time. As a result, the parties concluded that third-party debt financing  
110 was not a viable option for the early stages of UCDEU's development.

111

112 **Q. How is UCDEU's debt currently funded?**

113 A. Corix Utah City Heating and Cooling LLC (Borrower) has entered into an Intercompany  
114 Credit Agreement with Corix Utah City DE Systems LLC (Lender). The Borrower is a  
115 direct subsidiary of the Lender. The Lender commits to fund debt requirements as  
116 provided in the agreement. The Maturity Date of this agreement will be the earlier of: (i)  
117 two years from the date of the agreement, or (ii) the date on which Corix's parent is  
118 required to refinance or upsize its existing corporate facility. The Intercompany Credit  
119 Agreement was originally confidentially filed with the PSC in Docket 25-2666-01 as  
120 Exhibit H. The same Intercompany Credit Agreement is filed in this GRC proceeding as  
121 Confidential Corix Exhibit 4.1.

122 **Q. Please explain the negotiated cost of debt rate.**

123 A. [REDACTED]  
124 [REDACTED]  
125 [REDACTED]  
126 [REDACTED]  
127 [REDACTED]  
128 [REDACTED]  
129 [REDACTED]  
130 [REDACTED]  
131 [REDACTED]  
132 [REDACTED]  
133 [REDACTED]  
134 [REDACTED]

135 [REDACTED] However, given that both  
136 heating and cooling is now fully regulated by the Commission and the test period for the  
137 GRC is from August 1, 2026 to July 31, 2027, Corix proposes for this GRC Application  
138 that the negotiated funding and its interest rate would apply until the rate effective date of  
139 the next general rate case filing.

140 **Q. What interest rate does Corix utilize for cost of debt in the test period?**

141 A. Corix has calculated the interest rate for the test period to be 7.49% [REDACTED]

142 [REDACTED]

143 [REDACTED]

144 **Q. Is the test year interest rate of 7.49% fixed or is it trued up to the actual interest**  
145 **rate?**

146 A. In accordance with the Intercompany Credit Agreement the actual interest rate is variable  
147 and based on the market interest rate when the loan is outstanding. It is expected that the  
148 actual interest rate will vary from the test year interest rate of 7.49%. The actual interest  
149 rate using the negotiated formula will be applied to the actual debt portion to arrive at the  
150 total actual interest cost, in accordance with the terms of the Intercompany Credit  
151 Facility. For additional clarity, Corix will continue to use the negotiated formula until it is  
152 amended in the next GRC application. Corix currently intends to file its next GRC  
153 application such that new rates will be effective January 1, 2028.

154 **Q. Does UCDEU as a stand-alone entity plan to seek third-party debt in the future? If**  
155 **so, please elaborate on when it may occur.**

156 A. Yes, UCDEU anticipates pursuing third-party debt financing approximately 12-18  
157 months after operations have commenced. With an operational track record, construction

158 risks reduced with Phase 1 of UCDEU being partially complete, and regulatory approval  
159 of our first GRC, we believe this will be the optimal time to enter the market for third-  
160 party debt.

161 **Q. Has Corix obtained an external opinion on the reasonableness of the cost of capital**  
162 **matters regarding capital structure, ROE, and cost of debt?**

163 A. Yes, Corix has retained Josh Figueroa from The Brattle Group to provide his opinion on  
164 the cost of capital that is included in the GRC. The Direct Testimony from Josh Figueroa  
165 is filed as Corix Exhibit 5.0. The Brattle Group reviewed the proposed capital structure of  
166 50% debt and 50% equity; proposed ROE of 10.5%; and proposed cost of debt at 7.49%,  
167 and concluded all were reasonable for UCDEU.

168 **IV. CONCLUSION**

169 **Q. Please summarize your testimony.**

170 A. I explained how the negotiated cost of capital regarding capital structure, ROE, and cost of  
171 debt was included in the Fee Framework which was part of the Infrastructure Agreement.  
172 Those same negotiated terms are now included in this GRC which was contemplated if  
173 UCDEU were to become a regulated utility. I recommend that the PSC approve a revenue  
174 requirement based on a capital structure of 50% debt and 50% equity, a return on equity of  
175 10.50%, and a cost of debt at 7.49%.

176 **Q. Does this conclude your testimony?**

177 A. Yes.