Redacted

BEFORE THE UTAH PUBLIC SERVICE COMMISSION

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

REBUTTAL TESTIMONY OF

MAXWELL WANG FOR CORIX

October 9, 2026

CORIX EXHIBIT 11.0R

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I. INTRODUCTION

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

A. My name is Maxwell Wang, and I am the Chief Financial Officer of Corix. Corix's business address is Suite 1160, 1188 West Georgia Street, Vancouver, BC V6E 4A2.

Q. Did you file direct testimony in this docket?

A. Yes. I submitted direct testimony on behalf of Corix Utah City Heating and Cooling LLC ("Corix" or "Utility").

Q. Are you sponsoring any exhibits with your rebuttal testimony?

A. Yes. I sponsor the following exhibits:

- **Highly Confidential Corix Exhibit 11.1R** - a letter from Corix's lead lender confirming the borrowing costs under Corix's corporate credit facility.
- **Confidential Corix Exhibit 11.2R** and **Redacted Corix Exhibit 11.2R -** Corix's response to Office of Consumer Services ("OCS") data request 1.10(a) and 1.10(b).

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony in this Docket?

A. The purpose of my rebuttal testimony is to respond to the cost of capital recommendations in the direct testimony of Casey J. Coleman, witness for the Division of Public Utilities ("DPU"), and David J. Garrett, witness for the OCS, both filed September 3, 2026. I address capital structure, cost of debt, and the relevance of the negotiated Fee Framework to the return on equity ("ROE"). I also provide additional

evidence, including details of third-party lender terms and confirmation of Corix's corporate borrowing costs, that supports the cost of debt.

Corix witness, Josh Figueroa of The Brattle Group, will respond separately to the DPU's and OCS's cost of equity models, including their discounted cash flow, capital asset pricing model, and risk premium inputs, and to their use of the proxy group, or alternative methods, to set the cost of debt.

Q. Should your silence on any arguments presented by parties on topics addressed in your testimony be interpreted as support for the positions of other parties.

A. No. My silence on any position adopted by the parties in this proceeding should not be interpreted as Corix's agreement with those positions.

Q. Please summarize your testimony and recommendations.

A. I recommend that the Public Service Commission of Utah ("Commission") approve a capital structure of 50% debt and 50% equity, an ROE of 10.50%, and a test-year cost of debt of 7.49% calculated using the negotiated formula [redacted], resulting in a weighted average cost of capital ("WACC") of 9.00%. The 50/50 capital structure is not contested. The DPU's 5.60% and the OCS's 5.50% cost of debt recommendations should be rejected because they are comparing the borrowing cost of large, mature, investment-grade utilities to an unrated, greenfield utility with one customer. The actual market evidence shows that the negotiated rate is at or below the parent's actual borrowing cost and below every financing offer Corix received from potential third party lenders. The 10.50% ROE is supported by Witness Figueroa's analysis, is below the DPU's own greenfield adjustment being applied to the top of its

model range (10.63%), and was negotiated and agreed upon, with Corix's single customer.

III. OVERVIEW OF COST OF CAPITAL POSITIONS

Q. Please summarize the cost of capital recommendations of Corix, the DPU, and the OCS.

A. The recommendations of the Parties are summarized in Wang Table 1.

Wang Table 1 – Comparison of Cost of Capital Recommendations

Component	Corix	DPU (Coleman)	OCS (Garrett)
Debt / Equity	50% / 50%	50% / 50%	50% / 50%
Return on Equity	10.50%	10.00%	9.00%
Cost of Debt	7.49%	5.60%	5.50%
WACC	**9.00%**	**7.80%**	**7.25%**

Sources: Coleman Testimony, Table 1; Garrett Testimony, Figure 2

Q. Where do the parties agree and disagree?

A. All three parties support a 50/50 capital structure. The disagreement is over the cost of debt and the ROE. On the cost of debt, the gap is 189 to 199 basis points. On the ROE, the gap is 50 to 150 basis points. Both the DPU and the OCS recommend an ROE above the results of their own financial models, because each recognizes that UCDEU's greenfield status calls for regulatory judgment beyond mature-utility benchmarks.

IV. CAPITAL STRUCTURE

Q. Do the DPU or the OCS dispute the proposed 50/50 capital structure?

A. No.

Q. How do you respond to Witness Coleman's statement that the DPU would likely recommend the actual capital structure once more data is available?[1]

A. Corix agrees that capital structure should be revisited in a future general rate case, once UCDEU has an operating history and third-party financing in place. Corix is funding UCDEU at 50/50 by design, consistent with the Fee Framework, and does not intend to over-leverage the utility.

V. COST OF DEBT

A. Positions of the DPU and the OCS

Q. Please summarize the DPU's and the OCS's positions on the cost of debt.

A. Witness Garrett recommends 5.50%, the rounded average estimated cost of debt of his twelve-company proxy group. He argues that an affiliate rate is not set at arm's length, and he invites Corix to demonstrate "with objective market evidence" that its cost of debt is higher than that of the proxy group.[2] Witness Coleman recommends 5.60%, based on a June 1, 2026 SOFR of 3.63% plus a judgmental spread of 197 basis points. He states that Corix has presented no independent market benchmarking or auditable cost verification.[3]

B. The Negotiated Rate Reflects Actual Cost and Is Below Market

Q. Is the 7.49% cost of debt an internally set transfer price?

A. No. The [redacted] through the cost of Corix's corporate credit facility debt to UCDEU. [redacted]

[redacted]

[redacted]

[1] Direct Testimony of Casey J. Coleman ("Coleman Direct"), p. 12, lines 286-288.
[2] Direct Testimony of David J. Garrett, p. 14, lines 285-295.
[3] Coleman Direct, p. 13, lines 312-320.

[redacted] Facility borrowing also includes customary financing fees, including a credit spread adjustment [redacted] a standby fee [redacted], and an upfront fee, arranger fee and annual administration fees [redacted]. Finally, Corix also incurs legal costs in relation to the drafting of the credit facility, which accounts for [redacted]. All-in, the borrowing cost under the facility is [redacted] Corix's actual cost of debt and is what was negotiated to be initially used with the customer. Provided in my testimony is **Highly Confidential Corix Exhibit 11.1R** which is a letter from Corix's lead lender confirming these borrowing costs.

Q. Was the cost of debt negotiated at arm's length with the customer?

A. Yes. In late 2024, during negotiation of the Infrastructure Agreement, Flagborough's principals challenged the proposed credit spread and asked Corix to support it with documentation. Corix provided a breakdown of its borrowing costs and financing fees. The parties agreed that: (i) the rate floats with [redacted]; (ii) after the initial corporate financing period, the rate will be adjusted to Corix's actual cost of debt; and (iii) Corix will use reasonable efforts to obtain alternative debt financing on market-competitive terms. This was a negotiation between unaffiliated parties with opposing interests. Flagborough, the party that pays the rates, reaffirmed its support for the 7.49% cost of debt in its Customer Letter of Support.[5]

[4] Corix estimates the annualized cost of i) upfront fee (paid at deal inception and each extension), ii) an arranger fee (paid at deal inception), and iii) annual administration fees to be [redacted].
[5] Corix Exhibit 6.1 – Customer Support Letter, pp. 2-3.

C. Third-Party Market Evidence

Q. Did Corix obtain financing terms from independent lenders for UCDEU?

A. Yes. In 2024, before relying on its corporate facility, Corix approached several banks to obtain UCDEU project specific debt and received indicative terms from two independent lenders (see Corix's response to OCS data request 1.10, filed as **Corix Exhibit 11.2R**). One lender, a global project finance bank, proposed [redacted] The other, a North American bank, [redacted]. As is customary, both banks had several layers of upfront, commitment, and agency fees. Also, both indicative term sheets were subject to significant due diligence that would need to be completed before either of the financings could proceed. The due diligence would have required significant costs to complete.

Q. How do those terms compare with the negotiated rate?

A. Prepared under my direction, Corix's treasury group annualized each lender's credit spread and financing fees into an all-in rate. The all-in cost was [redacted], all of which exceeded the negotiated rate of 7.49%. These offers were also indicative and subject to further due diligence and credit approval, so actual terms could have been less favorable.

Wang Table 2 compares the key terms of the negotiated financing with the two third-party offers.

126 **Wang Table 2 – Comparison of Negotiated Financing and Third-Party Financing Terms**

Term	**Negotiated Rate**	**Global Project Finance Bank**	**North American Bank**
Loan amount	[redacted]	[redacted]	[redacted]
Tenor	[redacted]	5 years	3 or 5 years
Interest rate	[redacted]	[redacted]	[redacted]
Upfront, commitment, and agency fees	[redacted]	Yes, in addition to the spread	Yes, in addition to the spread
Financial advisory fee	None	None identified	[redacted]
Drawdown flexibility	Borrow as needed; repay at any time without penalty	Drawn at closing	Revolving draws, based on construction schedule
Due diligence	None required	Required before closing, at Corix's cost	Required before closing, at Corix's cost
Indicative all-in cost	**7.49% test year**	[redacted]	[redacted]

127 Negotiated Rate Agreement Source: Intercompany Credit Agreement (Confidential Corix Exhibit 4.1)

The term loan would have been drawn at closing and the revolving credit facility would be based on an agreed-upon construction schedule. UCDEU's capital spending, customer connections, and construction timing are consistently changing as the developer's build-out schedule shifts. If Corix had obtained either of these third-party financing options at the proposed loan amounts, any construction delays would have meant paying interest or commitment fees on money it could not yet put to work thus increasing the overall cost of debt for funds actually borrowed. This uncertainty in construction timing and the development schedule was a key reason Corix concluded that third-party financing was not workable at that time. The corporate facility lets UCDEU borrow only as capital is needed, without these constraints.

Q. Does the negotiated rate satisfy the NARUC "lower of cost or market" standard Witness Coleman cites?

A. Yes. On the cost side, the negotiated rate passes through the cost of Corix's corporate credit facility. On the market side, it is below the all-in cost of every independent lender offer UCDEU received. A rate that is at or below both measures meets the standard. This negotiated rate represents the independent market evidence that both Witness Coleman and Witness Garrett asked for.

D. Customers Pay Actual Interest Costs

Q. Do customers bear the risk that the 7.49% test-year rate is too high?

A. No. The 7.49% is a test-year forecast. Actual interest expense is determined in accordance with the Intercompany Credit Agreement based on actual debt outstanding and the applicable SOFR rates. The calculation is updated monthly using the trailing twelve months of average monthly SOFR rates and any resulting variance from the test-

year forecast is recorded in the RDDA. If SOFR falls, customers benefit. Once UCDEU can obtain third-party debt on commercial terms, that actual cost will replace the formula. Corix intends to pursue third-party financing once UCDEU has an operating track record and a borrowing requirement large enough to attract lenders on commercial terms.

VI. RETURN ON EQUITY AND THE NEGOTIATED FEE FRAMEWORK

Q. How do you respond to Witness Coleman's position that the Fee Framework should be treated as informational and compares it to build-transfer agreements?[6]

A. In a build-transfer agreement, the utility is the buyer, and the regulator protects ratepayers from the utility overpaying a seller who does not pay rates. Here, the party that negotiated the ROE, capital structure, and cost of debt is Flagborough, the customer that pays 100% of UCDEU's rates. Every basis point Flagborough agreed to comes out of its own pocket, so its interests match those of ratepayers in Witness Coleman's example. Witness Coleman's concern about developer markups being capitalized into rate base also does not apply. UCDEU's rate base reflects only Corix's own capital investment, which remains subject to the Commission's prudence review.

Q. Why should the Fee Framework receive meaningful weight?

A. Because it is not hypothetical. It was the operating commercial agreement. When the Infrastructure Agreement was signed on January 16, 2025, it was uncertain whether cooling service would be regulated. If legislation had not changed, Flagborough would have paid for cooling service under the Fee Framework terms, including a 10.50% ROE, a 50/50 capital structure, and debt at [redacted]. Those terms are what

[6] Coleman Direct, lines 943-967.

two sophisticated, unaffiliated parties actually agreed in the market. Corix is not asking the Commission to delegate its authority. It is asking the Commission to weigh this evidence together with Witness Figueroa's independent analysis.

It is also significant that Flagborough reached commercial terms with Corix when it had other options for the provision of heating and cooling services to the Utah City development. Flagborough could have elected to utilize electric and gas service from Rocky Mountain Power and Enbridge Gas Utah. It chose instead to enter into the Infrastructure Agreement and Fee Framework with Corix. The commercial terms reached in this competitive setting should be given meaningful weight.

Q. Why does the ROE matter for attracting capital?

A. UCDEU's rate base is forecast to grow from about $24 million in the test year to over $250 million by the late 2030s. Half of the rate base will be funded with equity from Corix's shareholder. That equity competes with other utility investments held by Corix's parent company which have allowed ROEs between [redacted] An ROE well below what comparable thermal utilities are allowed to earn would make UCDEU more difficult to fund.

VII. CONCLUSION

Q. Please summarize your recommendations.

A. I recommend that the Commission approve the uncontested capital structure of 50% debt and 50% equity; an ROE of 10.50%; and a test-year cost of debt of 7.49% calculated using the negotiated formula [redacted].

Together, these produce a WACC of 9.00%. The DPU's and OCS's cost of debt recommendations should be rejected because they rely on investment-grade proxies

rather than the financing actually available to UCDEU. The evidence shows the negotiated rate is at or below Corix's actual borrowing cost and below independent lender offers. The 10.50% ROE was negotiated with the customer and is supported by Witness Figueroa's analysis.

Q. Does this conclude your testimony?

A. Yes.