

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application Of American	:	
Transmission Systems, Incorporated, Mid-	:	
Atlantic Interstate Transmission, LLC,	:	Docket Nos. A-2023-_____
And Trans-Allegheny Interstate Line	:	A-2023-_____
Company For All Of The Necessary	:	A-2023-_____
Authority, Approvals, And Certificates Of	:	G-2023-_____
Public Convenience Required To Lawfully	:	
Effectuate (1) The Purchase And Sale	:	
Agreement Of An Incremental Thirty	:	
Percent Equity Interest In FirstEnergy	:	
Transmission, LLC By North American	:	
Transmission Company II L.P.; (2) The	:	
Transfer Of Class B Membership Interests	:	
In Mid-Atlantic Interstate Transmission,	:	
LLC Held By FirstEnergy Corp. To	:	
FirstEnergy Transmission, LLC; (3)	:	
Where Necessary, Associated Affiliated	:	
Interest Agreements; And (4) Any Other	:	
Approvals Necessary To Complete The	:	
Contemplated Transaction	:	

Direct Testimony of Jeffrey Rosenthal

**RE:
Brookfield’s Experience and Fitness**

DIRECT TESTIMONY OF JEFFREY ROSENTHAL

1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your full name and business address.**

3 A. My name is Jeffrey Rosenthal. My business address is 181 Bay Street, Toronto, Ontario,
4 Canada.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Vice Chair and Operating Partner in Brookfield Asset Management Ltd.'s ("BAM
7 Ltd") Infrastructure Group. BAM Ltd manages the various investment entities and funding
8 vehicles that are ultimately controlled by Brookfield Corporation (f/k/a Brookfield Asset
9 Management Inc.) (BAM Ltd and Brookfield Corporation are collectively referred to
10 herein as "Brookfield").¹ Brookfield is a leading global alternative asset manager with
11 over \$800 billion of managed assets, including extensive investment in the energy sector,
12 regulated utilities, and electric transmission infrastructure.

13 **Q. Please describe your current role and responsibilities as the Vice Chair and
14 Operating Partner at Brookfield.**

15 A. I joined Brookfield in 2007 and began my current role in 2017. In this position, I provide
16 oversight of Brookfield's utility investments as well as risk management, capital
17 expenditure and Environmental, Social, and Governance ("ESG") oversight as the
18 Infrastructure Group's Chief Risk Officer. I also presently serve as a board observer on the

¹ The Infrastructure Group specifically refers to the infrastructure and energy transition investment division of BAM Ltd, which manages the infrastructure investment entities and funding vehicles controlled by Brookfield Corporation.

1 FirstEnergy Transmission, LLC (“FET”) Board of Directors by virtue of Brookfield’s
2 existing investment in FET, which I will describe in this testimony.

3 As Chief Risk Officer, I provide strategic oversight over a number of initiatives and
4 directly interact with the Infrastructure Group’s portfolio companies on a global basis.

5 These initiatives include:

- 6 • Ensuring health and safety best practices, driving a strong safety culture,
7 utilization of leading indicators, contractor safety, and identification and
8 mitigation of high-risk activities.
- 9 • Assessment of our portfolio companies’ operating risks (e.g. health and
10 safety, economic, etc.)
- 11 • Ensuring compliance with legal and regulatory requirements and strong
12 corporate governance protocols.
- 13 • Ensuring that strong cyber security protocols and principles are in place,
14 separation of information technology and operational technology systems,
15 and conduct annual penetration testing and fire drills.
- 16 • Driving decarbonization programs and help develop roadmaps to net zero.
- 17 • Evaluating our portfolio companies’ preparedness for both physical and
18 transition risks as defined by the Task Force on Climate-Related Financial
19 Disclosures.²
- 20 • Monitoring capital expenditure execution from a scope, schedule and
21 budget perspective.
- 22 • Ensuring adequate insurance is in place at our portfolio companies.

23 In addition to these activities, in my role as an Operating Partner, I sit on the boards of
24 several utility company investments in which Brookfield retains a controlling, co-
25 controlling, or minority interest, including a transmission development and operating

² The Task Force on Climate-Related Financial Disclosures, created by the Financial Stability Board (“FSB”), an international body that monitors and makes recommendations about the global financial system, develops recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.

Joint Applicants Statement No. 3

1 company that is building over 5000 kilometers of 345 kilovolt (“kV”) lines throughout
2 Brazil; a gas distribution company in the United Kingdom (“UK”) with over 6 million
3 customers in Southern England, Scotland and Northern Ireland; a gas distribution company
4 in Colombia providing service to approximately 3 million customers in Bogota; and a
5 regulated gas pipeline business in Mexico.

6 **Q. Please briefly describe your professional and educational background.**

7 A. Collectively, I have more than three decades of experience as a professional investor and
8 manager of infrastructure investments in a range of business sectors, including utilities
9 (electric, gas distribution, and water), power and renewables, transportation, and
10 communications infrastructure. Prior to my current position, I served as the Chief
11 Operating Officer of Brookfield’s Renewable Power business from 2008 to 2013, where I
12 worked closely with our Canadian, United States (“U.S.”) and Brazilian leadership to
13 provide oversight of our hydro and wind generation assets in North and South America.
14 This included approval of annual strategy and five-year budget programs and ensuring new
15 hydro and wind facilities were being developed and executed safely and on scope, schedule
16 and budget. From 2013 to 2017, I oversaw our utility investments for infrastructure. These
17 included electricity transmission and distribution companies in the U.S., Canada, Chile and
18 Colombia, a high voltage direct current interconnection between Connecticut and Long
19 Island, a last mile connections business in the UK and a district energy business in North
20 America. Prior to joining Brookfield, I also served as the President and Chief Executive
21 Officer (“CEO”) of Oshawa Power and Utilities in Ontario from 2002 to 2007. As
22 President and CEO of Oshawa Power, I was responsible for overall strategic direction of
23 the local distribution company (just east of Toronto), including the development of two

1 new business opportunities (a dark fiber business and a campus district energy business).
2 I have a Master of Business Administration degree from the Schulich School of Business
3 at York University and a Bachelor of Applied Science and Engineering degree from the
4 University of Toronto.

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of North American Transmission Company II L.P. (“NATCo II”),
7 a controlled investment vehicle of Brookfield, which has agreed to increase its investment
8 in FET.

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

10 A. My testimony supports the Joint Application of American Transmission Systems,
11 Incorporated (“ATSI”), Trans-Allegheny Interstate Line Company (“TrAILCo”), and Mid-
12 Atlantic Interstate Transmission, LLC (“MAIT”) (collectively, the “Joint Applicants”) for
13 Certificates of Public Convenience (“CPCs”) under Sections 1102(a)(3) and 1103 of the
14 Public Utility Code filed with the PaPUC seeking approval for NATCo II to acquire an
15 additional thirty percent (30%) membership interest in FET and the transfer of certain
16 MAIT Class B Membership Interests from FirstEnergy Corp. (“FirstEnergy”) to FET in
17 exchange for Special Purpose Membership Interests in FET (“Transaction”).

18 In this testimony, I will first provide a description of Brookfield’s operations and
19 background, its business philosophy, practices, financial strength and, in particular, its
20 focus on infrastructure and regulated utilities investment. I will also discuss Brookfield’s
21 first investment in FET in May 2022 and describe why Brookfield is undertaking the
22 acquisition of an additional 30% membership interest in FET. I will also show how the
23 Transaction will be financed and managed by the leadership and financial strength of

1 Brookfield. My testimony, along with the Joint Application and the other accompanying
2 testimony, demonstrates why the Transaction is in the public interest and should be
3 approved by the PaPUC.

4 **Q. Are you sponsoring any exhibits as part of your direct testimony?**

5 A. Yes. A description of my experience is attached to my testimony as Appendix A. I am
6 also sponsoring Highly Confidential Joint Applicants Exhibit JR-1, which contains certain
7 financial information of the Brookfield Super-Core Infrastructure Partners (“BSIP”) fund,
8 a perpetual investment fund that invests in high-quality, core infrastructure assets and
9 indirectly owns a majority voting interest in NATCo II.

10 **Q. Were these exhibits prepared by you or under your direct supervision?**

11 A. Yes.

12 **II. BACKGROUND OF BROOKFIELD**

13 **Q. Can you please describe the Brookfield-related entities that will be involved in this**
14 **transaction?**

15 A. NATCo II is a Delaware limited partnership that was formed for the purpose of effectuating
16 Brookfield’s investments in FET. NATCo II currently is 100% controlled by affiliates of
17 Brookfield Corporation and BAM Ltd. NATCo II currently holds a 19.9% interest in FET.
18 Other than its minority ownership interest in FET, NATCo II conducts no other business
19 and has no other assets. Upon closing of the Proposed Transaction, NATCo II will directly
20 own a 49.9% interest in FET.

21 NATCo II is a direct, wholly owned subsidiary of its limited partner North
22 American Transmission Company I L.P. (“NATCo I”). Brookfield Super-Core

Joint Applicants Statement No. 3

1 Infrastructure Partners GP LLC (“Brookfield GP”) is the general partner of both NATCo I
2 and NATCo II. Additionally, all of the limited partnership interests in NATCo I are
3 currently directly owned by two Delaware limited partnerships, BSIP Aggregator III L.P.
4 and BSIP NATC Sidecar LP (collectively, the “Existing Brookfield LPs”), both of which
5 are also controlled by Brookfield GP. The BSIP fund, which is controlled by the
6 Brookfield GP, is a perpetual investment fund that makes long-term investments in high-
7 quality, core infrastructure assets located principally in North America, Western Europe
8 and Australia.

9 Brookfield GP is an indirect, wholly owned subsidiary of Brookfield Asset
10 Management ULC, an unlimited liability company formed under the laws of British
11 Columbia, which is owned by Brookfield Corporation (75%) and BAM Ltd (25%).³ In
12 short, at present, NATCo II is 100% controlled by NATCo I, which is 100% controlled by
13 Brookfield GP, which, in turn, is 100% controlled by Brookfield.

³ The outstanding Class A shares of each of Brookfield Corporation and BAM Ltd are publicly traded on the Toronto Stock Exchange and New York Stock Exchange under the symbol “BN” and “BAM” respectively. The outstanding Class B shares of Brookfield Corporation and BAM Ltd are held by the “BAM Partnership,” a trust constituted under the laws of the Province of Ontario, the corporate trustee of which (the “Trustee”) is held, directly or indirectly, by certain longstanding individual stockholders. Two corporations formed under the laws of Bermuda and the Province of Ontario, respectively, each hold 33.3% of the voting interests in the Trustee. The first corporation is wholly owned, directly or indirectly, by Bruce Flatt, a private individual (together with the first corporation, “Flatt”). The second corporation is wholly owned, directly or indirectly, by Jack Cockwell, also a private individual (together with the second corporation, “Cockwell”). No other person or entity owns or controls (directly or indirectly, together with its affiliates) a 10% or greater voting interest in the Trustee or has the right to appoint a non-independent director to any management board of the Trustee. The Trustee votes the Class B shares held by the BAM Partnership with no single entity or individual controlling the BAM Partnership. Aside from the BAM Partnership, the Trustee, Flatt, and Cockwell, no person or entity currently owns or exercises control or direction over, directly or indirectly, a 10% or greater voting interest in Brookfield or has the right to appoint a non-independent director to any management board of Brookfield.

1 **Q. Please describe the history and background of Brookfield.**

2 A. Historically, Brookfield began in 1899 as the São Paulo Tramway, Light and Power
3 Company. At that time, the company was engaged in the construction and management of
4 electricity and transport infrastructure in Brazil, providing electricity and tram services in
5 São Paulo and Rio de Janeiro. In 1959, Edper Investments, a Canada-based company,
6 acquired the Brazilian electric generation and distribution businesses and subsequently
7 named this holding company Brascan Limited. During the following three decades, until
8 the 1990s, Brascan grew through a series of combinations and cross shareholdings with
9 public and private companies. Brascan's investments became a diversified portfolio of
10 businesses ranging from real estate to financial services. Through the late 1990s, Brascan
11 simplified its corporate structure and focused its portfolio on a few main investment
12 strategies and, in 2005, changed its name to Brookfield Asset Management, Inc., or what
13 is now known as Brookfield Corporation, which would go on to form BAM Ltd as the
14 manager of the asset management business.

15 Brookfield's asset management business is currently one of the largest and fastest
16 growing alternative asset managers globally, with operations spanning more than 30
17 countries on five continents. Brookfield has 1,200 investment and asset management
18 professionals who employ a disciplined investment approach to create value and deliver
19 strong risk-adjusted returns to clients across a diverse set of public and private fund
20 offerings. The business has grown from its infancy 25 years ago to approximately \$800
21 billion of assets under management today. Brookfield has also formed deep relationships
22 with more than 2,000 clients to invest capital on their behalf, with such clients including,
23 among others, financial institutions, pension plans, insurance companies, foundations,

1 endowments, sovereign wealth funds and high net worth investors across North America,
2 South America, Europe, Asia-Pacific and the Middle East.

3 **Q. Please generally describe Brookfield’s investments and asset portfolio.**

4 A. Brookfield has current asset investments that are valued at approximately \$800 billion
5 focused on several key segments, including infrastructure, renewable power and transition,
6 real estate, and private equity. In particular, Brookfield, including its subsidiaries, is one
7 of the world’s largest infrastructure investors, owning and operating assets across the
8 utilities, transport, midstream, and data sectors. For example, Brookfield’s utilities
9 segment is comprised of the following:

10 • Regulated Utilities

- 11 ○ ~83,100 kilometers of operational electricity transmission and
12 distribution lines in Australia, Brazil, and the U.S.
- 13 ○ ~5,200 kilometers of natural gas pipelines in North America and South
14 America, among others.
- 15 ○ ~7.8 million connections, predominantly electricity and natural gas in
16 Europe and South America.

17 • Renewable Power

- 18 ○ 8.2 gigawatts (“GW”) of hydroelectric generation, including 229 facilities
19 on 87 river systems diversified across power markets in the U.S., Canada,
20 Brazil and Columbia
- 21 ○ 6.9 GW of wind generation across 125 facilities in high-value markets
- 22 ○ 4.0 GW of utility-scale solar generation across 149 facilities in diverse
23 markets in North and South America, Europe and Asia
- 24 ○ 2.1 GW of commercial and industrial solar distributed generation assets
25 in the U.S., making it one of the largest portfolios in the country.

26 Brookfield is also eminently familiar with midstream natural gas operations with
27 significant investment in this sector, including assets such as:

Joint Applicants Statement No. 3

- 1 • ~15,000 kilometers of natural gas transmission pipelines in the U.S.
- 2 • ~600 billion cubic feet (“Bcf”) of natural gas storage in the U.S. and Canada.
- 3 • 17 natural gas and natural gas liquids processing plants, approximately 5.7 Bcf
- 4 per day of gross processing capacity and approximately 3,400 kilometers of gas
- 5 gathering pipelines in Canada.
- 6 • ~3,300 kilometers of long-haul pipelines and approximately 3,900 kilometers
- 7 of conventional pipelines in Canada.
- 8 • One petrochemical processing complex in Canada.

9 Thus, Brookfield has significant experience with investing in and supporting regulated
10 public utility assets.

11 Many of Brookfield’s utility investments (including its interest in FET) are held in
12 BSIP, its core infrastructure investment fund, which is ultimately controlled by Brookfield.
13 BSIP builds upon the success of Brookfield’s infrastructure track record and draws on its
14 long history of managing and operating infrastructure assets. BSIP seeks to invest in high-
15 quality, core infrastructure assets located principally in North America, Western Europe
16 and Australia with a focus on long-term stable cash flows. BSIP seeks to generate stable
17 returns by investing in a diversified portfolio of mature, high-quality assets on a perpetual
18 hold basis, meaning BSIP is an open-ended fund with no finite life. BSIP principally
19 targets sectors in which we believe Brookfield has established operations and significant
20 expertise. Brookfield seeks to leverage its business groups and implement an operations-
21 oriented approach to generate consistent yield and preserve capital post-acquisition.

22 As an owner-operator of critical infrastructure globally, a strong ESG practice has
23 always been an integral part of Brookfield’s investment and asset management approach.
24 Guided by Brookfield’s ESG policy, our practices are based on four fundamental
25 principles: (i) mitigating the impact of our portfolio companies’ operations on the

1 environment; (ii) ensuring the well-being and safety of employees; (iii) upholding strong
2 governance practices; and (iv) being good corporate citizens.

3 **Q. Please generally describe the financial strength of Brookfield and BSIP.**

4 A. Brookfield is a leading global alternative asset manager with over \$800 billion of managed
5 assets, 200,000 operating employees and 1,200 investment professionals across North
6 America, South America, Europe, the Middle East, and Asia-Pacific. Brookfield's
7 Infrastructure Group has \$208 billion in assets under management through various public
8 and private vehicles, one of which is BSIP.

9 BSIP leverages Brookfield's extensive operating expertise to target lower-risk,
10 essential infrastructure assets. BSIP currently holds interests in 24 operating businesses
11 across a variety of countries, including the U.S., UK, Denmark, Norway, Finland, Sweden,
12 Spain, and Australia. BSIP has an enterprise value of \$35 billion. Each of BSIP's
13 investments is in mature core infrastructure assets with stable cash flow profiles and
14 investment grade credit ratings across each investment. Also, accompanying my testimony
15 is Highly Confidential Joint Applicants Exhibit JR-1, which contains additional financial
16 information regarding BSIP.

17 **Q. Can you discuss Brookfield's investments in Pennsylvania?**

18 A. In Pennsylvania, Brookfield has significant investments that support assets and businesses
19 located within the Commonwealth across a range of sectors, including infrastructure,
20 renewable power, real estate, and private equity. As of the end of 2022 and excluding its
21 current and proposed investments in FET, Brookfield's investments in Pennsylvania
22 included the following Pennsylvania-based assets and entities:

- 1 • Four hydroelectric generation resources in central Pennsylvania totaling ~750
2 Megawatts.
- 3 • ~11.5 Megawatts of distributed solar generation resources.
- 4 • 751 miles of railroad in Pennsylvania.

5 In addition, as will be discussed further in this testimony, Brookfield, through NATCo II,
6 presently owns a 19.9% membership interest in FET. FET wholly owns and operates ATSI
7 and TrAILCo and has Class A Member Interests in MAIT,⁴ all three of which own and
8 operate electric transmission assets throughout the Commonwealth.

9 **Q. What is Brookfield’s overall philosophy and approach regarding the operation of**
10 **regulated utility businesses in which it has a substantial ownership interest?**

11 A. For both controlling and non-controlling investments, Brookfield’s approach is to provide
12 oversight and support to the utility businesses in which it invests. Brookfield seeks to
13 maintain the local and regional management teams when it invests in such businesses and
14 to provide them with the tools and capital they need to operate and improve their
15 businesses.

16 Moreover, as a manager of assets and businesses that provide essential services,
17 Brookfield understands the importance of its role in the communities in which Brookfield’s
18 portfolio companies operate. Brookfield’s investment philosophy aims to couple sound
19 investment return with responsible and sustainable investing. This includes detailed
20 reporting to investors and stakeholders on ESG performance.

21 Lastly, Brookfield views itself as an experienced, long-term investor in
22 infrastructure assets that works closely with its portfolio companies to share best practices

⁴ FET’s Class A Member interests are the controlling/management interests of MAIT.

1 in areas such as optimal capital deployment, process excellence, portfolio planning and
2 analytics. As BSIP is a perpetual, open-ended fund with no finite life, Brookfield seeks to
3 develop long-term relationships with its BSIP-portfolio companies, as is the case with its
4 investment in FET.

5 **Q. Please identify the regulatory bodies that Brookfield, and/or the regulated utilities in**
6 **which it has a substantial interest, deals with on a regular basis and describe**
7 **Brookfield’s relationship with those regulatory bodies.**

8 A. Given the broad geographic scope associated with its investments, Brookfield frequently
9 interacts through its regulated utilities and renewable power investments with state and
10 federal agencies and related organizations, such as the Federal Energy Regulatory
11 Commission (“FERC”), PJM Interconnection, L.L.C. (“PJM”), OEB in Canada, the Office
12 of Gas and Electricity Markets and the Office of Water Regulation in the UK, and La
13 Comisión de Regulación de Energía y Gas, the national energy commission in Colombia.

14 Brookfield, through its regulated utilities, has developed productive relationships
15 with regulators and seeks to ensure that its regulated utility investments are engaging in
16 sound business practices and complying with state and federal laws and requirements.
17 Moreover, Brookfield’s management team, including myself, are well-versed in the
18 operation of regulated utilities. Thus, Brookfield has significant experience with topics
19 related to regulated utility operations.

20 **Q. Can you briefly describe Brookfield’s approach to how it governs itself and its**
21 **controlled investment vehicles?**

22 A. Brookfield Corporation's Class A Limited Voting Shares are co-listed on the New York
23 Stock Exchange (“NYSE”) and the Toronto Stock Exchange under the symbol “BN.”

1 Likewise, BAM Ltd's Class A Voting Shares are co-listed on the NYSE and the Toronto
2 Stock Exchange under the symbol "BAM." Accordingly, Brookfield Corporation and
3 BAM Ltd operate and control their investment vehicles under a regulatory, financial, and
4 reporting framework and corporate governance principles that are consistent with the
5 applicable requirements of U.S. law, including the Sarbanes-Oxley Act of 2002, as
6 amended, and NYSE requirements. Brookfield Corporation and BAM Ltd also operate in
7 accordance with governance policies and a code of conduct available at
8 <https://bn.brookfield.com/corporate-governance/governance-documents>.

9 **III. FIRST INVESTMENT OF BROOKFIELD IN FET**

10 **Q. As you indicated above, Brookfield currently has a 19.9% membership interest in**
11 **FET. Can you please explain the circumstances surrounding Brookfield's first**
12 **investment in FET?**

13 A. In November 2021, Brookfield, through BSIP and NATCo II, agreed to acquire from
14 FirstEnergy a 19.9% equity stake in FET, which owns and operates one of the largest
15 transmission systems in PJM, in exchange for consideration of \$2.375 billion. This
16 investment transaction closed on May 31, 2022. In many ways, FET was a perfect addition
17 to the BSIP portfolio as a high-quality electric transmission utility franchise under a stable
18 regulatory framework, with a long-term capital plan, opportunities for incremental growth,
19 and a strong operating track record.

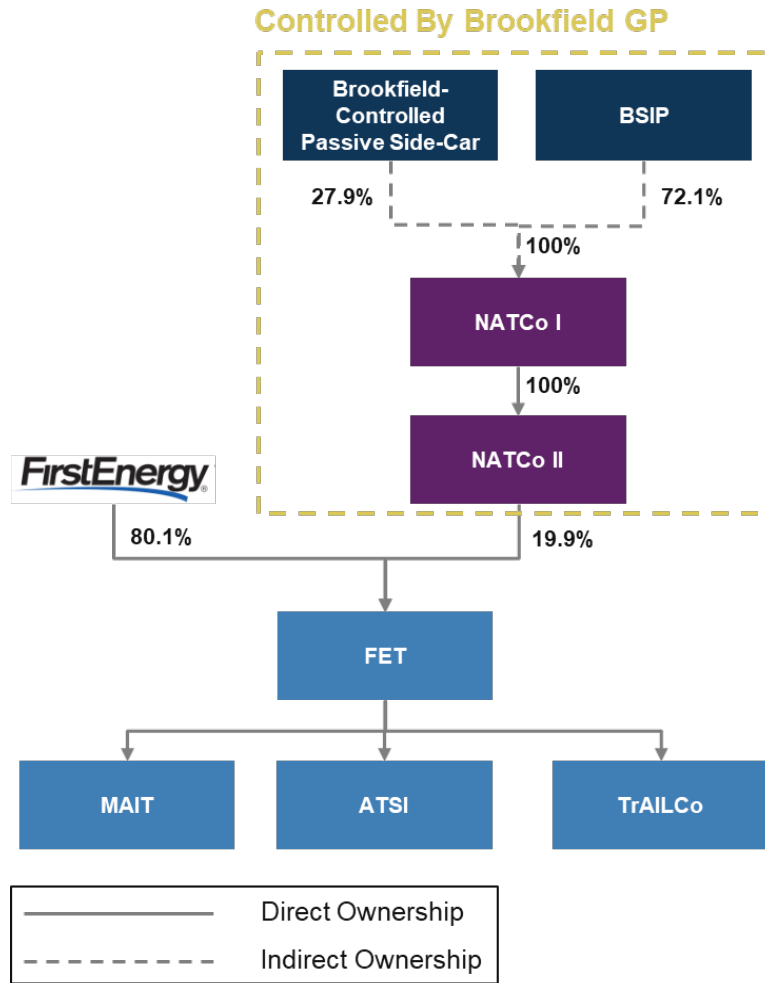
20 This transaction was also vital to FET and FirstEnergy because, as indicated in the
21 testimony of Steven Staub, it enhanced FirstEnergy's credit profile and provided funding
22 for strategic capital expenditures to support a more resilient electric grid, drive the
23 transition to a low-carbon future and better serve customers' evolving energy needs, with

1 an emphasis on customer-focused emerging technologies, grid modernization and electric
2 vehicle infrastructure.

3 **Q. Can you please explain how the first acquisition in FET was structured?**

4 A. As part of its first acquisition in FET, Brookfield, through BSIP's wholly controlled
5 NATCo I, established NATCo II as the investment vehicle by which Brookfield obtained
6 its 19.9% membership interest in FET. A depiction of NATCo II's organizational structure
7 after completing the first transaction is provided below⁵:

⁵ Note that the Brookfield-Controlled Passive Side Car reflected in the chart is BSIP NATC Sidecar LP, an investment-specific, Brookfield-controlled investment fund with passive limited partners similar to BSIP as discussed above.



1

2

3

As seen above, after the close of the first transaction, FirstEnergy retained an 80.1% controlling membership interest in FET.

4

Q. What role does Brookfield currently have as a minority interest holder in FET?

5

A. Under the terms of the existing Third Amended and Restated Limited Liability Company

6

Agreement (“Operating Agreement”) of FET, FirstEnergy continues to manage FET and

7

remains the beneficial holder of the largest voting interest. However, the Operating

8

Agreement does provide NATCo II with certain limited rights necessary to protect its

9

economic investment interests. NATCo II currently appoints a Director to the Board of

10

Directors of FET. This Director regularly attends FET board meetings, reviews financial

1 reports, and acts in the best interest of FET in carrying out her duties as a Director of FET.
2 NATCo II is also entitled to limited consent and consultation rights in certain fundamental
3 matters concerning, inter alia, the issuance of membership interests, certain transfers, sales,
4 or dispositions of FET's assets or the assets of FET's subsidiaries (that is, the Joint
5 Applicants), and the incurrence of indebtedness.

6 I also presently serve as a board observer on FET's Board of Directors. In this role,
7 I receive all the information provided to the Board of Directors at the same time and in the
8 same manner. However, as a board observer, I do not have voting rights.

9 **Q. Can you please describe the current business relationship between Brookfield and**
10 **FirstEnergy as it pertains to the membership in and operation of FET?**

11 A. Brookfield and FirstEnergy have a strong and close working relationship and have worked
12 cooperatively to ensure the success of FET and the Joint Applicants. In particular, we have
13 created a capital working group that includes key management members to:

- 14 • Review the current and future capital plans through the lens of the Transmission
15 Project Lifecycle Management Process ("PLMP") to track the state of each project
16 in the queue, from project initiation to closeout.
- 17 • Review and discuss the development and implementation of strategic initiatives to
18 address key project development risk and hurdles to capture the different
19 transmission investment opportunities and requirements.
- 20 • Share best practices and lessons learned from Brookfield's global utility platform,
21 including large-scale greenfield projects.
- 22 • Identify efficiencies to reduce operating costs.

23 FirstEnergy and Brookfield have developed a cooperative relationship, which is part of the
24 reason why Brookfield and FirstEnergy have agreed to increase Brookfield's membership
25 interest in FirstEnergy.

1 **IV. THE PROPOSED TRANSACTION**

2 **Q. Can you elaborate on why Brookfield decided to acquire an additional 30%**
3 **membership interest in FET?**

4 A. FET is an electric transmission utility franchise that presents an attractive
5 investment opportunity for Brookfield, with a high potential for growth supported by
6 modernization of the grid, decarbonization and general electrification of the economy. The
7 investment has attractive characteristics for BSIP, including:

- 8 • **High Quality Electric Transmission Utility Franchise:** Electric transmission
9 assets that are fully regulated by the FERC comprising over 12,430 miles of
10 transmission lines serving customers across multiple states in PJM.
- 11 • **Compensatory Regulatory Framework:** FERC’s regulatory framework for
12 electric transmission assets provides compensatory rates based on forward-looking,
13 formula-based rates that mitigate regulatory lag.
- 14 • **Capital Funding:** FET and its PaPUC-regulated transmission subsidiaries, MAIT,
15 ATSI, and TrAILCo, have a long-term capital plan substantially driven by
16 sustaining capital needs and mandatory reliability investments.
- 17 • **Strong Operating Track Record:** FET has a strong commitment to operational
18 excellence, safety, and reliability.
- 19 • **Alignment in ESG considerations:** FirstEnergy has revamped its corporate social
20 responsibility/ESG standards, which includes a 2050 carbon neutral goal and a
21 revised code of conduct.

22 **Q. How will the transaction be financed?**

23 A. On February 2, 2023, FirstEnergy, along with FET, entered into the FET Purchase and Sale
24 Agreement with Brookfield-controlled entities, including NATCo II, pursuant to which
25 FirstEnergy agreed to sell to NATCo II at closing, and NATCo II agreed to purchase from
26 FirstEnergy, an incremental 30% equity interest in FET for a purchase price of \$3.5 billion.
27 The Purchase and Sale Agreement is attached to Steven Staub’s testimony as Joint
28 Applicants Exhibit SRS-1. Under the terms of the Purchase and Sale Agreement, the

1 amount may be payable, in part, by the issuance of a promissory note by North American
2 Transmission FinCo L.P. (“NATFinCo”)⁶ to FirstEnergy substantially in the form attached
3 as Exhibit B (the “Parent Note”) to the Purchase and Sale Agreement. The Parent Note
4 shall have a principal amount on the closing date of equal to the lesser of (i) \$1.75 billion
5 minus the equity financing funded to NATCo II or its Affiliates⁷ from BSIP or its Co-
6 Investors⁸ at or prior to the closing date that is available to be used to pay the purchase
7 price and (ii) any lesser amount as may be determined by NATCo II in its sole discretion.
8 The balance of the purchase price not covered by the Parent Note amount will be paid in
9 cash on or before the closing date of the Transaction.

10 **Q. What additional rights will Brookfield obtain as a result of the Transaction?**

11 A. As a result of the Transaction, NATCo II will increase its current membership interest in
12 FET from 19.9% to 49.9%. Additionally, after the consummation of the transaction,
13 NATCo II will receive additional rights and obligations that will be effectuated by the
14 Fourth Amended and Restated Limited Liability Company Agreement of FirstEnergy
15 Transmission, LLC, attached to Steven Staub’s testimony as Joint Applicants Exhibit SRS-

⁶ NATFinCo is an indirect subsidiary of Brookfield Corporation and will be a direct or indirect equity holder of NATCo II.

⁷ The Purchase and Sale Agreement defines Affiliate as any other Person controlling, controlled by or under common control with such particular Person, where “control” means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, Contract or otherwise, and (i) with respect to Investor, the Guarantors and the Co-Investors, shall (for the avoidance of doubt) be deemed to exclude the Company or any of its Subsidiaries and (ii) with respect to the Company and its Subsidiaries, shall (for the avoidance of doubt) be deemed to exclude Investor, the Guarantors, the Co-Investors, or any of such Persons’ respective Affiliates. Purchase and Sale Agreement, Section 10.17.

⁸ A “Co-Investor” is an entity that receives limited partner interests in Brookfield-controlled limited partnerships and certain additional limited protective rights as contemplated under the terms of the Purchase and Sale Agreement in exchange for equity financing to complete the Transaction.

1 2 (“LLCA”). Specifically, under the terms of the LLCA of FET, Brookfield, through
2 NATCo II, will be entitled to the following:

- 3 • Per Section 2.2 of the LLCA, NATCo II will appoint two Directors
4 to FET’s Board of Directors, with the identity of such individuals
5 subject to FirstEnergy’s prior written consent unless such Directors
6 meet certain qualifications as specified in the LLCA. However,
7 FirstEnergy will retain the ability to appoint three members to FET’s
8 Board of Directors giving FirstEnergy control of Board decisions
9 and the operations of FET except to the extent NATCo II’s approval
10 is expressly required under the LLCA.

- 11 • Per Section 2.13 of the LLCA, NATCo II will appoint up to four
12 individuals to serve as observers of the Board of Directors, with the
13 identity of such individuals subject to the prior written consent of
14 FirstEnergy unless such individuals meet certain qualifications as
15 specified in the LLCA. However, the number of observers NATCo
16 II is entitled to appoint decreases if its ownership percentage of FET
17 falls below specified thresholds. Board observers have the right to
18 receive notice of, attend and participate in all meetings of the Board
19 of Directors and Board Committees, but do not have voting rights
20 with respect to any matter brought before the Board. At present,
21 NATCo II is allowed to appoint one board observer in connection
22 with its 19.9% ownership interest in FET.

- 23 • NATCo II will retain its negative consent rights over certain
24 fundamental matters set forth in Section 8.1 of the LLCA, such as
25 amending the organizational documents of FET and its subsidiaries
26 and issuing membership interests of FET and its subsidiaries, and
27 certain other matters set forth in Section 8.2 of the LLCA for so long
28 as NATCo II’s ownership interest is at least 9.9%, such as materially
29 changing FET’s line of business and capital expenditures over a
30 materiality threshold that are not made in connection with certain
31 core assets.

- 32 • Per Section 8.4 of the LLCA, for so long as NATCo II’s ownership
33 interest is at least 30.0%, NATCo II will obtain additional consent
34 and consultation rights in matters concerning, *inter alia*, the sale or
35 acquisition of equity, assets or operations if such transactions would
36 involve amounts in excess of 1.5% of the Rate Base Amount, the
37 establishment or amendment of the budget and business plan
38 (subject to deadlock resolution procedures) and entry into certain
39 affiliate transactions. All of these negative consent rights contain

1 exceptions for compliance with applicable law or regulation, and
2 many contain exceptions in the event of an emergency situation.

- 3 • Per Section 8.3 of the LLCA, NATCo II will retain its consultation
4 rights with respect to certain matters for so long as its ownership
5 interest is at least 9.9% (“Threshold Consultation Matters”).
6 Consultation Threshold Matters include establishing or materially
7 amending the budget and business plan, refinancing and incurring
8 certain indebtedness, and initiating or settling litigation in excess of
9 a certain threshold. Additionally, for so long as NATCo II’s
10 ownership interest is at least 25.0% but less than 30.0%, under
11 Section 8.5 of the LLCA, NATCo II will have a consultation right
12 with respect to matters that would otherwise be consent rights set
13 forth in Section 8.4 of the LLCA were NATCo II’s ownership
14 interest at least 30.0%.

15 Notwithstanding these additional rights and obligations, after the Transaction has closed,
16 FirstEnergy will retain majority ownership and the right to control FET and the day-to-day
17 operations of FET’s transmission subsidiaries, except to the extent Brookfield’s approval
18 is expressly required under the LLCA.

19 **Q. You indicated that Brookfield may seek additional funding from investors as part of**
20 **this Transaction. Can you please explain?**

21 A. Generally, investors in BSIP and any investment-specific Brookfield-controlled
22 infrastructure fund will be passive limited partners with no governance rights in either
23 NATCo I or NATCo II, and Brookfield will continue to control NATCo I and NATCo II.
24 More specifically, non-voting limited partnership interests, such as those of investors in
25 the Existing Brookfield LPs, are directly or indirectly held by a diffuse group of passive
26 investors.

27 However, one investor, Platinum Compass B 2018 RSC Limited (“Platinum
28 Compass”), a direct wholly-owned subsidiary of the Abu Dhabi Investment Authority

1 (“ADIA”),⁹ will be a Co-Investor as defined under the Purchase and Sale Agreement and
2 will acquire an indirect interest of approximately 10% in FET.¹⁰ Platinum Compass will
3 not obtain a controlling interest in FET or FET’s regulated transmission subsidiaries and
4 will only receive substantially similar rights as an owner of approximately 10% of FET
5 under the LLCA.¹¹

6 **Q. Will Brookfield retain majority control over NATCo II?**

7 A. Yes. Following consummation of the Proposed Transaction, limited partnership interests
8 in NATCo II will continue to be directly owned by NATCo I, whose limited partnership
9 interests will be directly owned by the Existing Brookfield LPs and NATFinCo.¹² As with
10 the Existing Brookfield LPs, NATCo I, and NATCo II, the general partner interests in
11 NATFinCo are directly owned and controlled by Brookfield GP, and therefore, indirectly
12 controlled by Brookfield.

⁹ ADIA is a public institution established by the Government of the Emirate of Abu Dhabi in 1976 as an independent investment institution. ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes, including energy infrastructure in the United States.

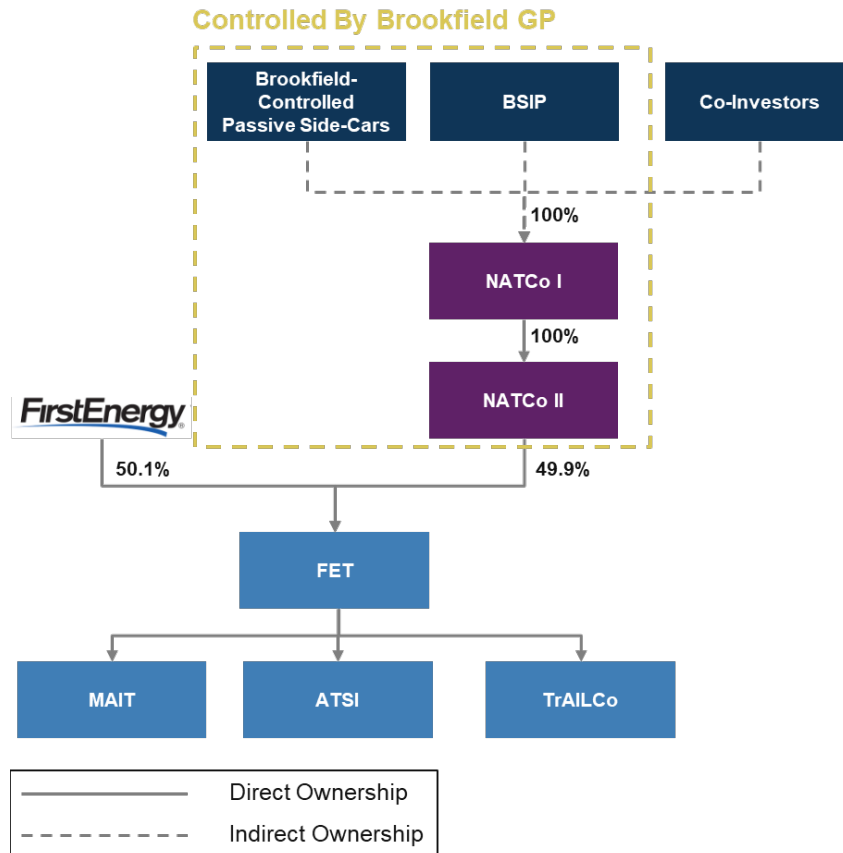
¹⁰ The Purchase and Sale Agreement also provides NATCo II the right, but not the obligation, to use additional Co-Investors as is customary in the asset management industry, with such Co-Investors having similar limited protective rights to those held by Platinum Compass.

¹¹ As a Co-Investor, Platinum Compass will receive limited partner interests in NATFinCo and limited protective rights, including the right to designate one of NATCo II’s four non-voting board observers to the FET board, limited consent and consultation rights regarding the exercise by NATCo II of certain consent rights granted to NATCo II under the LLCA, and, subject to certain confidentiality provisions, access to certain financial information and reports provided by FET to NATCo II under the LLCA.

¹² After closing the Transaction, NATFinCo may be liquidated with its direct investors redeeming their interests in NATFinCo for direct interests in NATCo I. This would have no substantive effect on the governance or control of the investment.

1 **Q. Please provide a depiction of the organizational structure of NATCo II after**
 2 **consummation of the Transaction.**

3 A. Below is a post-Transaction organizational chart of NATCo II:



4
 5 **Q. What is Brookfield’s overall objective in the consummation of the Transaction?**

6 A. Brookfield’s long-term investment strategy is to make high quality investments in
 7 businesses that are led by top-tier management teams, have stable cash flows, and further
 8 growth opportunities to benefit all parties involved. The potential investment in FET
 9 satisfies all of these objectives. Ultimately, Brookfield seeks to maintain and enhance its
 10 ability to protect its investment in FET over the long term through a focus on FET’s
 11 reliability, customer service, compensatory rates, and operational performance.

1 **Q. Is Brookfield positioned to finance its proportionate share of FET's future equity**
2 **needs?**

3 A. Yes. On average, BSIP generates approximately \$600 million from operations per year
4 and raises approximately \$2 billion of new capital commitments per year, from current
5 and new limited partners. In addition, BSIP has access to a \$1.4 billion credit facility to
6 address any future equity needs.

7 **V. STANDARD FOR APPROVAL OF THE TRANSACTION**

8 **Q. Are you familiar with the legal standard that governs the PaPUC's consideration of**
9 **equity investments in Pennsylvania utilities?**

10 A. Yes. I have been advised by counsel that Public Utility Code Section 1102(a)(3), 66
11 Pa.C.S. §1102(a)(3), requires the PaPUC to issue a CPC, upon proper application, to
12 authorize a “public utility or an affiliated interest of a public utility” to acquire from or
13 transfer to [any other entity by any means whatsoever] “the title to, or the possession or
14 use of, any tangible or intangible property used or useful in public service.” I understand
15 that the PaPUC has further clarified, under 52 Pa. Code § 69.901, that, regardless of the
16 tier, a CPC is required, pursuant to 66 Pa.C.S. §1102(a)(3), when a new controlling interest
17 (defined as 20% or more) results in “a different entity becoming the beneficial holder of
18 the largest voting interest in the utility or the parent.” The PaPUC is required to issue a
19 CPC upon finding that “the granting of such certificate is necessary or proper for the
20 service, accommodation, convenience or safety of public.” 66 Pa. C.S § 1103(a).

1 **Q. To the extent these standards apply here, does the Transaction satisfy them?**

2 A. Yes. While the Transaction will not result in a different entity becoming the beneficial
3 holder of the largest voting interest in the utility or parent, assuming the standards apply,
4 they are satisfied here because (1) NATCo II, through BSIP and Brookfield, has the
5 necessary legal, technical, and financial fitness to acquire the additional 30% membership
6 interest, and (2) the Transaction is proper and will result in substantial affirmative public
7 benefits.

8 **Q. Please address fitness.**

9 A. As stated elsewhere in this testimony, NATCo II is and will be legally fit to acquire an
10 additional 30% interest in FET. NATCo II already has a 19.9% interest that has enhanced
11 and improved FET's ability to operate and serve its communities, and the additional 30%
12 interest will build upon and strengthen the cooperative relationship between FirstEnergy
13 and Brookfield. Also, as set forth in the Purchase and Sale Agreement, Brookfield has
14 committed to obtain all necessary regulatory approvals needed to complete the Transaction.

15 NATCo II also has the requisite technical expertise demonstrating substantial
16 experience with and investment in energy and utility assets. As stated previously,
17 Brookfield is one of the world's largest infrastructure investors, owning and operating
18 assets across the utilities, transport, midstream, and data sectors, and is eminently familiar
19 with the regulatory needs and requirements of operating a regulated public utility business.
20 Further, Brookfield, through NATCo II, will continue to rely on the technical and
21 operational expertise of FirstEnergy and FET.

1 Lastly, NATCo II is financially fit to undertake this additional acquisition because
2 NATCo II has access to and is supported by BSIP, which, as I previously explained, is a
3 perpetual fund composed of mature core infrastructure assets held on a long-term basis,
4 with an enterprise value of \$35 billion, stable cash flow profiles, and investment grade
5 credit ratings across each investment.

6 **Q. What benefits will result from the Transaction?**

7 A. As explained in the direct testimonies of Mark Mroczynski and Steven Staub, the
8 Transaction will improve FirstEnergy's financial strength and its ability to finance the
9 necessary transmission and distribution system investments over the next decade by
10 improving FirstEnergy's balance sheet, broadening FirstEnergy's access to capital
11 markets, both debt and equity, and improving FirstEnergy's financial metrics to a level that
12 is consistent with investment grade credit ratings. As further set forth in the direct
13 testimony of Toby Bishop, this Transaction will also provide significant economic benefits
14 to Pennsylvania through FirstEnergy's enhanced ability to undertake future capital
15 investment with the proceeds from the Transaction.

16 Also, with Brookfield's significant experience in capital investment both in the
17 infrastructure space and other segments, such as real estate and renewable power, the Joint
18 Applicants will be able to utilize Brookfield's deep knowledge base and experience with
19 sustainable, responsible, and profitable investment strategies, Brookfield's long-standing
20 relationships with engineering companies, major equipment suppliers and field service
21 contractors, and Brookfield's best practices gained from its portfolio companies across key
22 infrastructure segments and other industries. Through the Transaction, Brookfield's
23 collaboration with FET management in portfolio planning, project delivery, and asset

1 strategy will continue to develop, which will assist FET and the Joint Applicants in
2 optimizing investment practices and enhance the Joint Applicants' ability to leverage cost
3 and delivery improvements.

4 **VI. CONCLUSION**

5 **Q. Please summarize your conclusions regarding whether the Transaction should be**
6 **found to be in the public interest and approved by the PaPUC.**

7 A. My testimony and exhibits, along with those of the other Joint Applicant witnesses,
8 demonstrate that the proposed acquisition of an additional 30% membership interest in FET
9 by NATCo II is in the public interest and results in substantial affirmative public benefits
10 to Joint Applicants and the public. Brookfield is an experienced, well-qualified alternative
11 asset manager that has demonstrated experience investing in well-run utilities and has the
12 necessary resources to provide those utilities with managerial and financial support to be
13 successful and continue to adequately serve their customers.

14 **Q. Does this conclude your direct testimony?**

15 A. Yes, it does. However, I do reserve the right to supplement this direct testimony as deemed
16 necessary or appropriate.

Jeff Rosenthal

Infrastructure

Jeff Rosenthal is an Operating Partner and Vice Chair of Utilities in Brookfield Asset Management Ltd.'s Infrastructure Group. In this role, Mr. Rosenthal provides oversight of Brookfield's regulated utility investments through both Board and advisor roles. In addition, Jeff provides risk management, capital expenditure and environmental, social and governance ("ESG") oversight as the Infrastructure Group's Chief Risk Officer. Previously, he was Chief Operating Officer of Brookfield's Renewable Power business.

Jeff was responsible for Brookfield's investment in electric transmission in the control area of the Electric Reliability Council of Texas ("ERCOT") through its ownership in Wind Energy Transmission Texas, LLC. He also served on the Board and provided direction to Cross Sound Cable Company, LLC, a High-Voltage Direct Current ("HVDC") connection between Connecticut and Long Island. Internationally, Jeff has served on the Boards of Great Lakes Power in Ontario, Transelec S.A. in Chile, Quantum (a 500-kilometer transmission development company) in Brazil, and EBSA, a local electric distribution company in Colombia.

Jeff currently sits on the Boards of SGN and Vanti, gas distribution companies in the United Kingdom and Colombia, respectively, and Los Ramones, a gas transmission company in Mexico. In addition to Quantum, Jeff directly supports Brookfield's recent investments in FirstEnergy Transmission in Ohio and the acquisition of Ausnet, a regulated electric transmission, electric distribution, and gas distribution utility in Australia.

Prior to joining Brookfield in 2007, Mr. Rosenthal was President and Chief Executive Officer of Oshawa Power and Utilities in Ontario.

Mr. Rosenthal has a Master of Business Administration from the Schulich School of Business at York University and a Bachelor of Applied Science and Engineering degree from the University of Toronto.

JOINT APPLICANTS EXHIBIT
JR-1

(No Public Version Available)