

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF CORIX UTILITIES (ILLINOIS))
LLC; HYDRO STAR, LLC; UTILITIES, INC.; AND WATER) Case No. 2012-00133
SERVICE CORPORATION OF KENTUCKY FOR)
TRANSFER AND ACQUISITION OF CONTROL)
PURSUANT TO KRS 278.020)

ATTORNEY GENERAL'S
SUPPLEMENTAL REQUEST FOR INFORMATION
TO THE JOINT APPLICANTS
(REDACTED)

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention and in anticipation of the Commission's issuance of an order of procedure submits his Supplemental Request for Information to the Joint Applicants.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

WHEREFORE, the Attorney General submits this Supplemental Request for Information.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL

/x/David Edward Spenard

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Notice of Filing, Certificate of Electronic Filing, and Certificate of Service

Pursuant to Ordering Paragraphs 3, 13, and 14 of the Commission's 16 April 2012 Order of procedure, the Attorney General will submit the original and one photocopy in both redacted and non-redacted form in paper medium on 3 July 2012, and he has submitted one copy in electronic format in redacted form by uploading the electronic file to the Commission's Web Application Portal on this 2nd day of July 2012.

Pursuant to Ordering Paragraphs 10 and 11 of the Commission's 16 April 2012 Order of procedure, the counsel certifies that the electronic filing is a true and accurate copy of the redacted document filed in paper medium. Further, the electronic version of the filing has been transmitted to the Commission, and the Commission and other parties have been notified by electronic means that the electronic version has been transmitted to the Commission. There are no parties that have been excused from participation by electronic means. The date for this action is the 2nd day of July 2012.

/x/ David Edward Spenard
Assistant Attorney General

ATTORNEY GENERAL'S
SUPPLEMENTAL REQUEST FOR INFORMATION
TO THE JOINT APPLICANTS
(REDACTED)

2-1 RE: OAG 1 - 2. Applicants indicate that the legal determination of whether the purchaser has the requisite financial, technical, and managerial ability to own and exercise control over WSCK will be made by the Public Service Commission.

- A. Please identify, with specificity including name, job title, and affiliate for purposes of establishing that individual's work station or cost center, each individual who is currently executing the role of managing Water Service Corporation of Kentucky within the meaning of "managerial" per KRS 278.020(5). For any positions that are open or vacant, identify the vacancy by job title along with the corresponding affiliate for purposes of establishing that position's work station or cost center.
- B. In demonstrating that the purchaser has the managerial ability to run WSCK, within the meaning of KRS 278.020(5), is it the purchaser's position that it is relying upon the management team identified in sub-part A of this question as its means of meeting this burden WSCK or will the purchaser meet its management requirement in a supplemental or different manner? Please explain. (In simple terms: Is the purchaser conveying that it exercises control over other "similar" public utilities; therefore, it is capable of exercising control over WSCK through the retention of WSCK's current management and practices?)

2 - 2 RE: OAG 1 - 4. Following an approval of the transaction:

- A. Will WSCK file its own federal income tax return or will WSCK be part of a consolidated tax return?
- B. If WSCK files its own federal income tax return, then would this act prohibit the Member (as identified in Article 9 of the LLC Agreement of Corix Utilities (Illinois) LLC) from making the election on IRS Form 8832?
- C. If WSCK does not file its own federal income tax return, then please identify the entity that will be filing the return that will include WSCK.
- D. Does the ability to file a consolidated tax return provide a financial benefit to the (i) Purchaser or (ii) a holding or holdings of the Purchaser (other than WSCK)?
- E. Does WSCK's participation in a consolidated tax return provide any financial benefit to WSCK? If yes, then please identify and explain the benefit(s).

2 - 3 RE: OAG 1 - 27. Is it anticipated that Corix may seek, through WSCK, in conjunction with WSCK, or through a Corix holding or affiliate, to provide water, wastewater, and energy infrastructure solutions in Kentucky other than the regulated water operations of WSCK and the wastewater contract services with the City of Clinton, Kentucky? If yes, then please provide a summary of the goals or objectives. If no, then please explain why not.

2 - 4 RE: OAG 1 - 39. With regard to synergies, please update this response this response to address [begin confidential] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [end confidential]

2 - 5 RE: Hart-Scott-Rodino. [begin confidential] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [end confidential]

2 - 6 RE: Hart-Scott-Rodino. [begin confidential] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [end confidential]

2 - 7 Other than referencing the purchaser's financial condition, can the applicants further demonstrate that the purchaser will, in fact, make adequate investments in WSCK following an approval of the transaction? (Is it the case that the seller cannot warrant that the purchaser will make adequate investments in WSCK?)

2 - 8 RE: PSC 1 - 43. Please explain the role of the board of directors of Water Service Corporation of Kentucky with regard to contracts or agreements with affiliates or related-parties.

2 - 9 Will the purchaser commit to structuring a board of directors for Water Service Corporation of Kentucky in which at least one director serving on the board is

not an officer, director, employee of the purchaser or a holding or affiliate of the purchaser and who also resides within a service territory of Water Service Corporation of Kentucky? If not, then why not?

2 - 10 Reference: SCK's Response to AG 1-3. Please identify:

- A. Each instance in the Application and/or supporting documentation through which WSCK and the other Applicants detail how the transaction is consistent with the public interest as that phrase has been interpreted by Orders of the Kentucky Public Service Commission such as the 20 December 2002 Order of the Public Service Commission in Case No. 2002-00317. Please provide specific references to each benefit of the transaction.
- B. In addition to the immediately preceding request (in OAG 2 - 10 (A)), please indicate and, if applicable, identify each immediate or readily quantifiable benefit(s). If there are no immediate or readily quantifiable benefit(s), then affirmatively indicate this fact.

2 - 11 Reference: WSCK's Response to AG 1 - 7, p. 3 of the attached Allocation Agreement. The Allocation Agreement states that the costs of services provided "shall not include a markup for profit." Please explain:

- A. Please indicate whether the directors of Water Service Corporation of Kentucky monitor the costs of services provided under each affiliate agreement or related-party agreement (whether by name of allocation agreement, contract, or otherwise) in order to determine if (i) the costs are

reasonable and (ii) that the allocation process is in the best interest of Water Service Corporation of Kentucky.

- B. Please indicate whether, as part of its exercise of the managerial, financial, and technical duties and responsibilities to provide adequate, reasonable service, (i) the Purchaser anticipates that Water Service Corporation of Kentucky will enter into additional contracts or agreements with the Purchaser's existing holdings or affiliates and/or (ii) the Purchaser anticipates that one or more of Water Service Corporation of Kentucky's current corporate parents or affiliates will enter into additional contracts or agreements with Purchaser's existing holding or affiliates. (For example, the service company currently supplies engineering services. Will a current holding or affiliate of the Purchaser, either directly or indirectly, have an option or obligation to provide WSCK with engineering services?)

2 - 12 Reference: Response to PSC 1 - 41. Please provide the following documents referenced in and otherwise supporting the response to this request.

- (i) the company scorecard that Corix utilizes, (ii) the Corix company Code of Conduct, (iii) the Key Performance Indicators analysis/report for Utilities, Inc., and (iv) the Key Performance Indicators analysis/report for WSCK.