

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WATER)	
SERVICE CORPORATION OF KENTUCKY)	CASE NO.
ALONG WITH CORIX INFRASTRUCTURE (US))	2022-00396
INC. AND SW MERGER ACQUISITION CORP.)	
FOR APPROVAL OF TRANSFER OF CONTROL)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO WATER SERVICE CORPORATION OF KENTUCKY AND CORIX
INFRASTRUCTURE (US) INC.

Water Service Corporation of Kentucky (Water Service Kentucky), Corix Infrastructure (US) Inc. (Corix US), and SW Merger Acquisition Corp. (SWMAC) (collectively, Joint Applicants), pursuant to 807 KAR 5:001, are to file with the Commission an electronic version of the following information. The information requested is due on January 12, 2023. The Commission directs Joint Applicants to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Joint Applicants shall make timely amendment to any prior response if Joint Applicants obtain information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Confirm that following the merger requested in the application, Corix US and all related parties will maintain a financial position that will allow them to meet the debt service coverage of any existing lenders as well as the debt service coverage

requirements for lenders associated with any debt that will be assumed as a result of the merger.

2. Refer to the Direct Testimony of Steve Lubertozzi, pages 14-16. Provide a copy of any cost-benefit analysis Corix US has performed to quantify financial benefits to Water Service Kentucky's ratepayers. If no cost-benefit analysis has been performed, explain why.

3. Describe how the proposed transaction will affect Joint Applicants' capital structure. Provide with the response a schedule that compares Joint Applicants' present capital to its projected post-transaction capital structure.

4. State when Water Service Kentucky currently anticipates applying for any further adjustment of its rates for service. Describe the effect of the proposed transfer of control on the date when Water Service Kentucky plans to apply for any further adjustment of its rates for service.

5. Provide the following financial performance measures and ratios for each utility party to the requested merger.

- a. P/E Ratio (price divided by earnings per share).
- b. Dividend Yield (dividend yield based on present cash dividend rate)
- c. Payout Ratio (primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends).
- d. Quick Ratio (cash plus short-term investments plus accounts receivable, divided by total current liabilities).
- e. Current Ratio (total current assets divided by total current liabilities).

f. Interest Coverage (earnings before interest and taxes divided by interest expense).

g. Equity Ratio (total common equity divided by total capitalization).

h. Return on Equity (income available to common shareholders divided by common equity).

6. Describe how the Joint Applicants will ensure against:

a. The cross-subsidization of non-regulated activities by Water Service Kentucky.

b. Adjustments of Water Service Kentucky's capital structure in a manner that could adversely affect Water Service Kentucky's cost of capital and financial integrity.

c. A failed or failing unregulated affiliate adversely affecting Water Service's operating and financial condition.

7. Refer to Case No. 2002-00018,² May 30, 2002 Order, pages 11-12. Explain why the following entities did not join with the Joint Applicants in their application for Commission approval of the proposed transfer of control:

a. Corix Infrastructure Inc. (CII).

b. IIF Subway.

c. SouthWest.

8. Provide a detailed explanation of the specific financial goals of this corporate reorganization for each of the Joint Applicants.

² See Case No. 2002-00018, *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE AKTIENGESELLSCHAFT and Thames Water Aqua Holdings GMBH* (Ky. PSC May 30, 2002).

9. Provide the following information concerning the costs of this corporate reorganization:

a. The total cost incurred as of the date of this request of information by Corix US.

b. The total cost incurred as of the date of this request of information by SWMAC.

c. The current estimated total cost of the corporate reorganization to be borne by Corix US.

d. The current estimated total cost of the corporate reorganization to be borne by SWMAC.

10. Refer to Application, page 16, paragraph 32b), which states: "WSCK will continue to maintain a strong local presence in Kentucky in terms of employees, facilities and offices, and community support."

a. List all of current employees located in Kentucky by name and business address.

b. Describe the current job duties of each Kentucky employee. Explain if these job duties will change after the proposed reorganization and describe any anticipated changes.

c. Provide which of these employees will continue to work for Joint Applicants after the proposed transfer/merger is completed.

11. Provide copies of all reports submitted by financial advisors to Joint Applicants related to the proposed transfer of indirect control of Water Service Kentucky.

12. Provide the following information concerning the board of directors of each Joint Applicant, if known, as of the date of this Request for Information:

- a. The names and occupations of each board member.
- b. How long the current board members have served on the respective board of directors.
- c. How the members of the board are selected and eligibility requirements that a candidate must satisfy if any.
- d. When the term expires for each board member.

13. Provide copies of any filings or applications regarding proposed transfer/merger that have been filed with any additional regulatory agency on behalf of each Joint Applicant.

14. Provide the proposed journal entries that will be recorded on the books of each Joint Applicant to reflect proposed transfer/merger using estimated dollar amounts if actual amounts are not known at this time.

15. Given that the application contains no provision for passing any corporate savings on to Water Service Kentucky ratepayers in the form of reduced rates, explain how proposed transfer/merger can be considered to be in the public interest.

16. Explain what local considerations were considered in this proposed transfer of control of Water Service Kentucky.



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DATED DEC 22 2022

cc: Parties of Record

Case No. 2022-00396

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