

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 FIRST REQUEST FOR INFORMATION
TO THE JOINT APPLICANTS

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 First 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 First Request for Information.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL



David Edward Spenard
Jennifer B. Hans
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
T 502-696-5457
F 502-573-8315
david.spenard@ag.ky.gov
jennifer.hans@ag.ky.gov

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 paper medium on 11 June 2012, and he has submitted one copy in electronic format by uploading the electronic file to the Commission's Web Application Portal on this 8th day of June 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 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 8th day of June 2012.



Assistant Attorney General

THE ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

1. Reference: Application for Approval of Transfer and Acquisition of Control (Application). Please explain why Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors (as identified in Numbered Paragraph 1 or the Application) are selling the membership interest in Hydro Star.
2. Reference: Application. Please provide the documentation (including work papers, memoranda, reports from third-parties, etc.) through which Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors determined that the purchaser has the requisite financial, technical, and managerial ability to own and exercise control over Water Service Corporation of Kentucky.
3. Reference: Application. Please provide the documentation (including work papers, memoranda, reports from third-parties, etc.) through which Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors determined that the transaction is in accordance with law, for a proper purpose, and is consistent with the public interest.
4. Reference: Exhibit 3, Purchase and Sale Agreement (PSA).
 - A. Who are the partners of Corix Utilities LLC?
 - B. Please provide the operating agreement (or, if by other name, the governance document that specifies the rights and exercise of powers by the partners to the LLC).
 - C. Please explain the relationship between Corix Infrastructure, Inc., and Corix Utilities LLC.
5. Reference: PSA, Section 2.1(d). With regard to the Letter of Credit to the Sellers:
 - A. What is the purpose of this instrument?
 - B. Did this instrument provide any protection to ratepayers? (If yes, then please explain how.)
6. Reference: PSA, Section 4.7, Legal Proceedings. With regard to *Creech v. Utilities, Inc.*, Civil Action No. 09-CI-00091, Kentucky 44th Judicial Circuit, Bell Circuit Court:
 - A. Please provide a copy of the complaint or other initiating document (and any amendments or notice of additional claims).
 - B. Please provide a summary of the procedural status of the case (for example, is a motion for summary judgment pending, has a trial date been set, etc.).
7. Reference: PSA, Section 4.9, Material Contracts (a). Please provide:
 - A. A copy of the Tax Allocation Agreement;
 - B. The Agreement, dated as of December 19, 2007, between Water Service Corp. and Water Service Corporation; and

- C. The Agreement, dated as of December 19, 2007, between Water Service Corp. and Water Service Corporation of Kentucky.
- D. Is it anticipated that any of these agreements will differ or otherwise reflect a change following an approval of this transaction?

Note: If any of these documents has previously been provided for inclusion in the evidentiary record of a Kentucky Public Service Commission case, then cross-reference (by identification of the corresponding Case Number and date of provision) of the document is sufficient.

- 8. Reference: PSA, Section 4.11 Employee Benefits (e), please explain:
 - A. Why Utilities, Inc., is reclassifying an individual who was a consultant from contractor status to temporary employee status.
 - B. Is it anticipated that the employee status will terminate prior to the closing of this transaction? If yes, then why? If no, then why not?
- 9. Reference: PSA, Section 4.11 Employee Benefits (h), please indicate whether Utilities, Inc., will seek to defer these costs for recovery through rates.
- 10. Reference: PSA, Section 5.3 (b). What is CFIUS Clearance? Please fully explain. If it is not obtained, then what is the consequence?
- 11. Reference: PSA, Section 5.3 (b). Please supply the following:
 - A. List the jurisdictions that require an application for obtaining formal approval of the transaction through a discretionary determination of the state regulatory body (such as a public service commission);
 - B. For each jurisdiction in response to part 11 A, please indicate the status of the pursuit of an approval in that jurisdiction (including the date of filing, the docket number or other identification for the application, and the expected date of formal action on the application);
 - C. List the jurisdictions that do not require the applicants to obtain formal approval through a discretionary determination; however, the jurisdiction still requires formal notice of the transaction;
 - D. For each jurisdiction in response to part 11 C, please indicate the status of notifying each jurisdiction;
- 12. Reference: PSA Exhibit 7. Please identify:
 - A. bcIMC;
 - B. CAI; and
 - C. TWUS appearing in the Brett Hodson biography.
- 13. Reference: Section 4.3, Subsidiaries. At the end of the Section, there is a one paragraph discussion of rights of first refusal, options or other similar agreements in the event of a proposed sale. The paragraph states, in part, "such

rights, options or rights under similar agreements are not triggered by the execution and delivery of this Agreement and will not be triggered by the consummation of the transactions contemplated by this Agreement." Does this portion of the discussion mean that a sale by Utilities, Inc., triggers the various options but a proposal sale of Utilities, Inc., will not, of itself, trigger any of the options? (If not, then what does the section mean?)

14. Reference: Exhibit 3, Section 2.1 (a). What is the Specified Distribution Adjustment Amount?
15. Reference: Exhibit 3, Section 2.3 (a)(i). Why is the Aggregate VCS Payment Amount subtracted from the Purchase Price?
16. Reference: Exhibit 3. Is it contemplated that the Value Creation Share Award plan will cease to exist? If yes, then explain why. If no, then explain why not.
17. Reference: Exhibit 3, Section 6.7, Government Filings. With regard to the Hart-Scott-Rodino Act filing, have the applicants been supplied with any notice regarding the review of the filing? If yes, then please provide a copy of each notice. If no, then please indicate the status of the review.
18. Please either supply the applicants' Hart-Scott-Rodino Act filings or make them available for inspection as soon as reasonable.
19. Reference: Exhibit 3, Section 6.8, Transfer Taxes. Please confirm that there will be no attempt to recover any transfer tax amount relating to this transaction from the ratepayers of WSCK. If this is not the case, then please explain how the purchaser will seek to recover the transfer tax amounts through rates.
20. With regard to the transaction and its impact on Water Service Corporation of Kentucky, will the purchaser seek the creation of any deferred debits or regulatory assets relating to the transaction? If yes, then please provide a schedule identifying each item for which deferral or the creation of a regulatory asset will be sought and include the rationale for establishing each deferred debit or regulatory asset along with whether recovery through rates will be sought for the item.
21. Reference: Exhibit 3, Section 7.1 (i) Resignation of Manager. Please identify the individual who will be resigning as manager and indicate whether this individual will be retained or offered a position as an employee, consultant, or advisor.
22. With regard to the transaction, have any of the parties identified or estimated the costs of information technology integration of the purchased entity into the

purchasing entity's structure? If yes, then please provide the costs or estimates along with the supporting documentation. If no, then please explain why not.

23. With regard to the transaction, if there are costs relating to information technology integration, then will the purchaser directly or indirectly seek recovery of any of these costs through the rates of Water Service Corporation of Kentucky? If yes, then please explain why and who.
24. With regard to Project Phoenix, is it anticipated that Utilities, Inc., will continue to utilize the JD Edwards component of Project Phoenix on a going-forward basis? (In answering this question, please state whether there has been any study or review of the continued utilization of the JD Edwards component of Project Phoenix following the completion of the transaction.) Please supply all pertinent documentation regarding the continued utilization of this component of Project Phoenix.
25. With regard to Project Phoenix, is it anticipated that Utilities, Inc., will continue to utilize the Oracle component of Project Phoenix on a going-forward basis? (In answering this question, please state whether there has been any study or review of the continued utilization of the Oracle component of Project Phoenix following the completion of the transaction.) Please supply all pertinent documentation regarding the continued utilization of this component of Project Phoenix.
26. With regard to the non-information technology integration costs (both direct and indirect), have any estimates been made regarding how much it will cost to integrate Utilities, Inc., into the operations of the purchaser? If yes, then please identify the estimate and supply the documentation supporting the estimate. If no, then please indicate why not.
27. Reference: Application, Exhibit 2. Corix is described as "a recognized leader in the implementation of sustainable water, wastewater and energy infrastructure solutions for small to medium-sized communities across North America." Will the applicants stipulate that the utility engages in activities other than regulated water service? If not, then why not?
28. Is the Cabarrus Woods transaction complete? If not, then please provide the status of the transaction. If it is complete, then please indicate the date of completion.
29. Will the transaction result in any change in the insurance coverage or policies of Water Service Corporation of Kentucky? If yes, then please fully explain.
30. Will the transaction result in any change in the insurance coverage or policies of any current affiliate of Water Service Corporation of Kentucky that allocates any

of its costs to Water Service Corporation of Kentucky. If yes, then please fully explain.

31. Will the transaction produce any rebates or refunds relating to insurance coverage for Utilities, Inc., or any subsidiary of Utilities, Inc.? If yes, then please provide a schedule identifying each rebate or refund.
32. Did the Purchase and Sale Agreement require the approval of the Board of Directors of Water Service Corporation of Kentucky? If yes, when and how was the approval obtained?
33. By year, for each calendar year, ending December 31st, 2008 through 2011, please identify the Net earnings (loss) for Corix Infrastructure, Inc., for the period and the thereafter also identify the amount and percentage of that period's Net earnings (or loss) attributable or otherwise corresponding to operations within the United States.
34. Is it anticipated that the transaction may result in any change in the accounting methods or practices of Utilities, Inc.? If yes, then please explain the anticipate change(s).
35. Does the transaction trigger or otherwise result in Utilities, Inc., or any of its subsidiaries incurring a cost or charge that would not be incurred "but for" the transaction? (For example, a payment made to a Utilities, Inc., executive upon a change in control or a cost to refinance debt, etc.) If yes, then please provide a scheduling identifying each cost and the reason that the transaction causes Utilities, Inc., or a subsidiary to incur the cost.
36. Did Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors (as identified in Numbered Paragraph 1 or the Application) negotiate any aspect of the transaction to protect the ratepayers of Water Service Corporation of Kentucky? If yes, then please identify the ratepayer protections obtained for the transaction.
37. Following the completion of the transaction, will Utilities, Inc., be under a requirement to comply with The Sarbanes-Oxley Act of 2002? If yes, then what are the projected costs for compliance on an annual basis?
38. Following the completion of the transaction, will the purchaser be under a requirement to comply The Sarbanes-Oxley Act of 2002 or similar legislative or regulatory requirement of the Canadian government with regard to the activities of Utilities, Inc.? If yes, then what are the projected costs for compliance relating to Utilities, Inc., on an annual basis?

39. Has the purchaser estimated, projected, or assumed the existence of any synergies relating to the transaction and purchase of Utilities, Inc. If yes, then please identify each estimate, projection, or assumption and the corresponding value amount. Please supply any documentation explaining and/or supporting the estimate, projection, or assumption.
40. Following the transaction, will Utilities, Inc., file a separate United States tax return? If no, then explain whether and how the operations and results of Utilities, Inc., will be reported for the purpose of taxation under the United States' Internal Revenue Code. Include in the discussion whether Utilities, Inc., will be a participant in another entity's consolidated tax return.
41. With regard to Corix Infrastructure, Inc., and/or COrix Utilities LLC, will there be any new programs or changes in the policies of Water Service Corporation of Kentucky relating to assisting customers who have difficulty in paying their water bills on a timely-basis? For example, is it anticipated that, post-transaction, WSCK will introduce a new program or a modification to an existing practice? Please fully explain.
42. Following the closing of the transaction, will Water Service Corporation of Kentucky have any new right to challenge the allocation of a cost from a parent or affiliate? If yes, please fully explain.
43. With regard to Water Service Corporation of Kentucky, is it anticipated that Water Service Corporation of Kentucky, either directly or indirectly, will begin receiving services from subsidiaries or affiliates of Corix Infrastructure, Inc., and/or Corix Utilities LLC (including joint ventures or partnership in which Corix Infrastructure, Inc., or a hold of Corix Infrastructure, Inc., has an interest)? If yes, then please fully explain including the name of each entity that will be providing Water Service Corporation of Kentucky service or that will cause its costs to be allocated to Water Service Corporation of Kentucky for assignment and recovery.
44. How will Water Service Corporation of Kentucky's cost of and access to capital change as a result of the transaction?
45. Does Corix Infrastructure, Inc., and/or Corix Utilities LLC plan to eliminate or consolidate any of the operations of Utilities, Inc.? If yes, then please fully explain.
46. Is it anticipated that Utilities, Inc., will be required to adopt International Financial Reporting Standards, Accounting Standards for Private Enterprises, or a rate-regulated accounting standard by the International Accounting Standards Board? Please fully explain.

47. Is it anticipated that Water Service Corporation of Kentucky will be required to adopt International Financial Reporting Standards, Accounting Standards for Private Enterprises, or a rate-regulated accounting standard by the International Accounting Standards Board? Please fully explain.
48. Reference: Application, Exhibit 2. Please identify the components or participants of "The Corix Group" and the corresponding membership interest of each component or participant. Further, please explain the relationships between Corix Infrastructure, Inc., Corix Utilities LLC, and The Corix Group.