

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Joint Application of Corix Utilities (Illinois))
LLC; Hydro Star, LLC; Utilities, Inc.;) Case No. 2012-00133
and Water Service Corporation of Kentucky)
for the Transfer and Acquisition)
of Control Pursuant to KRS 278.020)

**APPLICANTS' RESPONSE TO
FIRST SET OF INFORMATION REQUEST OF THE ATTORNEY GENERAL**

Corix Utilities (Illinois) LLC ("Corix Utilities"); Hydro Star, LLC ("Hydro Star"); Utilities, Inc. ("UI"); and its Kentucky utility subsidiary, Water Service Corporation of Kentucky ("WSCK") (collectively "Applicants") respectfully submit the following responses to the Attorney General's first set of information request.

Respectfully submitted,



M. TODD OSTERLOH
STURGILL, TURNER, BARKER & MOLONEY, PLLC
333 W. Vine Street, Suite 1400
Lexington, Kentucky 40507
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tosterloh@sturgillturner.com

ATTORNEY FOR APPLICANTS

CERTIFICATE OF SERVICE

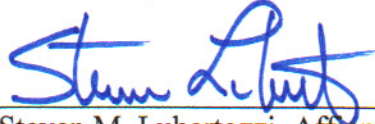
This is to certify that the electronic version of the filing is a true and accurate copy of each document filed in paper medium and the electronic version of the filing has been transmitted to the Commission. Upon electronic filing, the Commission and other parties are notified that the electronic version has been transmitted to the Commission. No parties have been excused from participation by electronic means.



ATTORNEY FOR APPLICANTS

VERIFICATION

The undersigned, Steven M. Lubertozi, being duly sworn, deposes and says that he is the Executive Director of Regulatory Accounting & Affairs for Utilities, Inc., that he has supervised the preparation of the responses to the Attorney General's First Request for Information; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.



Steven M. Lubertozi, Affiant

NOTARY CERTIFICATE


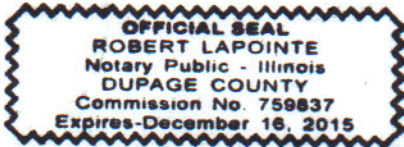
STATE OF ILLINOIS

COUNTY OF DUPAGE

Subscribed, acknowledged and sworn to before me by STEVEN M LUBERTOZZI

on this 16 day of JUNE, 2012.

My commission expires: 12-16-2015.



NOTARY PUBLIC

Water Service Corporation of Kentucky
Case No. 2012-00133
Attorney General's First Set of Information Requests

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.

Response: Highstar is divesting its Hydro Star investment because it has determined to exit this investment in the water utility space at this time.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky
Case No. 2012-00133
Attorney General's First Set of Information Requests

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.

Response: Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. Without waiving this objection, Highstar states the following: Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors determined that Corix Utilities (Illinois), LLC ("Corix") had the necessary financial, technical and managerial ability to own and exercise control over the Water Service Corporation of Kentucky ("WSCK") by virtue of consideration of Corix's experience in operating similar kinds of public utilities and also its financial condition. Exhibit 2 to the Application contains an overview of the Corix Group dated March 2012. That overview identifies Corix experience in operating public utilities and includes a table summarizing the water and sewer projects currently operated by Corix across North America, which serves an estimated population of over 350,000 people. Confidential Exhibit 5 to the Application contains Corix Infrastructure Inc.'s Consolidated Financial Statement for 2011 which demonstrates Corix's financial ability to own and operate Utilities, Inc. Ultimately, 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.

Objection – Legal

Witness – Steve Lubertoizzi

Water Service Corporation of Kentucky
Case No. 2012-00133
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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.

Response: Objection. This document request seeks to elicit information protected by the attorney-client privilege and/or attorney work product privilege. Without waiving this objection, Highstar states the following: Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors believe that the proposed transaction is in accordance with law, for a proper purpose, and is consistent with the public interest for the reasons set forth in response to Request No. 2, above, and in the Application. This legal determination, however, will be made by the Public Service Commission of Kentucky.

Objection – Legal
Witness – Steve Lubertozi

Water Service Corporation of Kentucky
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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.

Response: (A) There are no partners of Corix Utilities (Illinois) LLC. Corix Utilities (Illinois) LLC is 100% owned by Inland Pacific Resources, Inc.

 (B) The operating agreement is attached.

 (C) Corix Utilities (Illinois) LLC is a wholly owned indirect subsidiary of Corix Infrastructure, Inc.

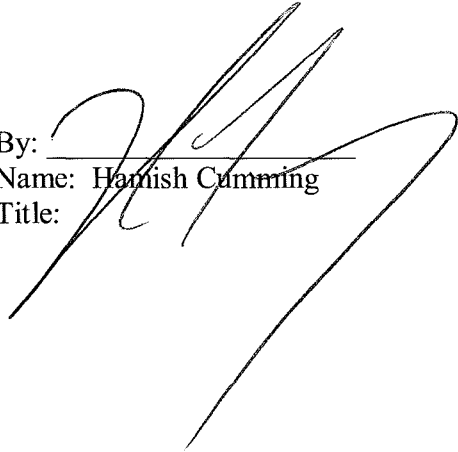
Witness – Steve Lubertozzi

CERTIFICATE OF FORMATION
OF
CORIX UTILITIES (ILLINOIS) LLC

1. The name of the limited liability company is CORIX UTILITIES (ILLINOIS) LLC.

2. The address of its registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, DE 19808. The name of its registered agent at such address is Corporation Service Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation this 16th day of February, 2012.

By: 
Name: Hamish Cumming
Title:

LIMITED LIABILITY COMPANY AGREEMENT

OF

CORIX UTILITIES (ILLINOIS) LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT (the "Agreement") of Corix Utilities (Illinois) LLC (the "Company") dated as of this 16th day of February, 2012, by Inland Pacific Resources, Inc., as the sole member of the Company (the "Member").

RECITAL

The Member has formed the Company as a limited liability company under the laws of the State of Delaware and desires to enter into a written agreement, in accordance with the provisions of the Delaware Limited Liability Company Act and any successor statute, as amended from time to time (the "Act"), governing the affairs of the Company and the conduct of its business.

ARTICLE 1

The Limited Liability Company

1.1 Formation. The Member has previously formed the Company as a limited liability company pursuant to the provisions of the Act. A certificate of formation for the Company as described in Section 18-201 of the Act (the "Certificate of Formation") has been filed in the Office of the Secretary of State of the State of Delaware in conformity with the Act.

1.2 Name. The name of the Company shall be "Corix Utilities (Illinois) LLC" and its business shall be carried on in such name with such variations and changes as the Member shall determine or deem necessary to comply with requirements of the jurisdictions in which the Company's operations are conducted.

1.3 Business Purpose; Powers. The Company is formed for the purpose of engaging in any lawful business, purpose or activity for which limited liability companies may be formed under the Act. The Company shall possess and may exercise all the powers and privileges granted by the Act or by any other law or by this Agreement, together with any powers incidental thereto, so far as such

powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business purposes or activities of the Company.

1.4 Registered Office and Agent. The location of the registered office of the Company shall be 2711 Centerville Road, Suite 400, Wilmington, DE 19808. The Company's Registered Agent at such address shall be Corporation Service Company.

1.5 Term. Subject to the provisions of Article 6 below, the Company shall have perpetual existence.

ARTICLE 2 The Member

2.1 The Member. The name and address of the Member are as follows:

Name	Address
Inland Pacific Resources, Inc.	c/o Corix Infrastructure Inc. 1160-1188 West Georgia Street Vancouver, British Columbia V6E 4A2 Attn: Hamish Cumming

2.2 Actions by the Member; Meetings. The Member may approve a matter or take any action at a meeting or without a meeting by the written consent of the Member. Meetings of the Member may be called at any time by the Member.

2.3 Liability of the Member. All debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Member shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member.

2.4 Power to Bind the Company. The Member (acting in its capacity as such) shall have the authority to bind the Company to any third party with respect to any matter.

2.5 Admission of Members. Persons or entities may be admitted as members of the Company only upon the prior written approval of the Member.

ARTICLE 3 Management by the Member

3.1 Management of the Company. The management of the Company is fully reserved to the Member, and the Company shall not have "managers," as that term is used in the Act. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Member, who shall make all decisions and take all actions for the Company. In managing the business and affairs of the Company and exercising its powers, the Member shall act through resolutions adopted in written consents. Decisions or actions taken by the Member in accordance with this Agreement shall constitute decisions or action by the Company and shall be binding on the Company.

3.2 Officers and Related Persons. The Member shall have the authority to appoint and terminate officers of the Company and retain and terminate employees, agents and consultants of the Company and to delegate such duties to any such officers, employees, agents and consultants as the Member deems appropriate, including the power, acting individually or jointly, to represent and bind the Company in all matters, in accordance with the scope of their respective duties.

ARTICLE 4 Capital Structure and Contributions

4.1 Capital Structure. The capital structure of the Company shall consist of one class of common interests (the "Common Interests"). All Common Interests shall be identical with each other in every respect. The Member shall own all of the Common Interests issued and outstanding.

4.2 Capital Contributions. From time to time, the Member may determine that the Company requires capital and may make capital contribution(s) in an amount determined by the Member. A capital account shall be maintained for the Member, to which contributions and profits shall be credited and against which distributions and losses shall be charged.

ARTICLE 5
Profits, Losses and Distributions

5.1 Profits and Losses. For financial accounting and tax purposes, the Company's net profits or net losses shall be determined on an annual basis in accordance with the manner determined by the Member. In each year, profits and losses shall be allocated entirely to the Member.

5.2 Distributions. The Member shall determine profits available for distribution and the amount, if any, to be distributed to the Member, and shall authorize and distribute on the Common Interests, the determined amount when, as and if declared by the Member. The distributions of the Company shall be allocated entirely to the Member.

ARTICLE 6
Events of Dissolution

The Company shall be dissolved and its affairs wound up upon the occurrence of any of the following events (each, an "Event of Dissolution"):

- (a) The Member votes for dissolution; or
- (b) A judicial dissolution of the Company under Section 18-802 of the Act.

No other event, including, without limitation, the death, retirement, resignation, expulsion, bankruptcy or dissolution of the Member, shall cause the dissolution of the Company; provided, however, that in the event of any occurrence resulting in the termination of the continued membership of the last remaining member of the Company, the Company shall be dissolved unless, within 90 days following such event, the personal representative of the last remaining member agrees in writing to continue the Company and to the admission of such personal representative (or any other person or entity designated by such personal representative) as a member of the Company, effective upon the event resulting in the termination of the continued membership of the last remaining member of the Company.

ARTICLE 7

Transfer of Interests in the Company

The Member may sell, assign, transfer, convey, gift, exchange, pledge, hypothecate or otherwise dispose of ("Transfer") any or all of its Common Interests to any person or entity; provided, however, that such person or entity to whom such Common Interests are Transferred shall be an assignee and shall have no right to participate in the Company's business and affairs unless and until such person or entity shall be admitted as a member of the Company upon (i) the prior written approval by the Member pursuant to Section 2.5 of this Agreement and (ii) receipt by the Company of a written agreement executed by the person or entity to whom such Common Interests are Transferred agreeing to be bound by the terms of this Agreement.

ARTICLE 8

Exculpation and Indemnification

8.1 Exculpation. Notwithstanding any other provisions of this Agreement, whether express or implied, or any obligation or duty at law or in equity, none of the Member, nor any officers, directors, stockholders, partners, members, managers, employees, affiliates, representatives or agents of the Member, nor any officer, employee, representative or agent of the Company (individually, a "Covered Person" and, collectively, the "Covered Persons") shall be liable to the Company or any other person for any act or omission (in relation to the Company, its property or the conduct of its business or affairs, this Agreement, any related document or any transaction contemplated hereby or thereby) taken or omitted by a Covered Person in good faith in the reasonable belief that such act or omission is in or is not contrary to the best interests of the Company and is within the scope of authority granted to such Covered Person by this Agreement, provided such act or omission does not constitute fraud, willful misconduct or gross negligence.

8.2 Indemnification. To the fullest extent permitted by the Act, the Company shall indemnify and hold harmless each Covered Person from and against any and all losses, claims, demands, liabilities, expenses, judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative ("Claims"), in which the Covered Person may be involved, or threatened to be involved, as a party or otherwise, by reason of the fact that he, she or it is a Covered Person or which relates to or arises out of the Company or its property, business or affairs. A Covered Person shall not be entitled to indemnification under this Section 8.2 with respect to (i) any Claim with respect to which such Covered Person has engaged in

fraud, willful misconduct or gross negligence or (ii) any Claim initiated by such Covered Person unless such Claim (A) was brought to enforce such Covered Person's rights to indemnification hereunder or (B) was authorized or consented to by the Member. Expenses incurred in defending any Claim by (y) the Member or any officer, director, stockholder, partner, member, manager, or affiliate of the Member shall be paid by the Company and (z) any other Covered Person may be paid by the Company, but only upon the prior written approval of the Member in its sole and absolute discretion, upon such terms and conditions, if any, as the Member deems appropriate, in each case, in advance of the final disposition of such Claim upon receipt by the Company of an undertaking by or on behalf of such Covered Person to repay such amount if it shall be ultimately determined that such Covered Person is not entitled to be indemnified by the Company as authorized by this Section 8.2.

8.3 Amendments. Any repeal or modification of this Article 8 by the Member shall not adversely affect any rights of such Covered Person pursuant to this Article 8, including the right to indemnification and to the advancement of expenses of a Covered Person, existing at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

ARTICLE 9 Miscellaneous

9.1 Tax Treatment. Unless otherwise determined by the Member, the Member will elect on Internal Revenue Service Form 8832 (items 1a and 2a) effective as of the date of formation of the Company, to classify the Company as an entity treated as a corporation for U.S. federal income tax purposes (as well as for any analogous state or local tax purposes).

9.2 Amendments. Amendments to this Agreement and to the Certificate of Formation shall be effective only if approved in writing by the Member. An amendment shall become effective as of the date specified in the approval of the Member or if none is specified as of the date of such approval.

9.3 Severability. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be ineffective to the extent of such invalidity or unenforceability; provided, however, that the remaining provisions will continue in full force without being impaired or invalidated in any way unless such invalid or unenforceable provision or clause shall be so significant as to materially affect the expectations of the Member regarding this Agreement. Otherwise, any invalid or unenforceable provision shall be replaced by the Member

with a valid provision which most closely approximates the intent and economic effect of the invalid or unenforceable provision.

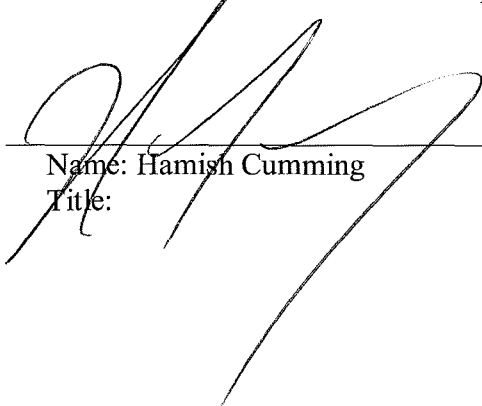
9.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of laws thereof.

9.5 Limited Liability Company. The Member intends to form a limited liability company and does not intend to form a partnership under the laws of the State of Delaware or any other laws.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement as of the day first above written.

INLAND PACIFIC RESOURCES, INC.

By: 
Name: Hamish Cumming
Title:

Water Service Corporation of Kentucky
Case No. 2012-00133
Attorney General's First Set of Information Requests

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.)

Response: (A) The Letter of Credit is designed to secure payment of the termination fee, if any, payable under the terms of the PSA.

(B) See response to 5(A). The Letter of Credit will have no impact on customers.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky
Case No. 2012-00133
Attorney General's First Set of Information Requests

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.).

Response: (A) The complaint is attached as Exhibit 6.
 (B) The case is scheduled for mediation on July 25, 2012 and settlement discussions are ongoing. No motions are currently pending before the court, and a trial date has not been set.

Witness – Steve Lubertoizzi

COMMONWEALTH OF KENTUCKY
44th Judicial Circuit
Bell Circuit Court
Civil Action No. 09-CI-00091

FILED COLBY SLUSHER MAR 05 2009 BELL CIRCUIT COURT CLERK BY: <u>ce</u> D.C.

TERESA T. CREECH and husband,
WAYNE T. CREECH,

PLAINTIFFS,

VS.

COMPLAINT

BRYAN K. SANDDFUR
109 Pump Springs Road
Harrogate, Tennessee 37752

SERVE VIA KENTUCKY SECRETARY OF STATE

and

UTILITIES, INC.,
2335 Sanders Road
Northbrook, Illinois 60062

SERVE VIA KENTUCKY SECRETARY OF STATE

DEFENDANTS.

* * * * *

The plaintiffs, for their cause of action herein, state as follows:

1. On or about August 15, 2008, on Cumberland Avenue West, near Middlesboro, in Bell County, Kentucky, the defendant, Bryan K. Sanddfur, negligently and carelessly operated a motor vehicle owned by the defendant, Utilities, Inc., causing the same to collide with a motor vehicle being operated by the plaintiff, Teresa T. Creech, and owned by the plaintiffs.

2. (a) As a direct and proximate result thereof, the plaintiff, Teresa T. Creech, sustained bodily injuries, suffered physical and mental pain and will continue to suffer physical and mental pain.

(b) As a further result, said plaintiff's power to earn money has been permanently impaired or destroyed.

(c) In addition, said plaintiff has necessarily incurred and will incur hospital and medical bills.

(d) As a further result, said plaintiff's injuries have prevented her from performing her household and child care duties.

(e) As a further result, said plaintiff's injuries have prevented her from engaging in her occupational duties and have resulted in lost wages.

3. As a further result of the accident, the plaintiffs sustained property damage to their automobile and consequential damages in amounts to be determined according to proof.

4. At all times mentioned herein, the automobile involved in the accident that was being operated by the defendant, Bryan K. Sanddfur, was owned and maintained by the defendant, Utilities, Inc., for the pleasure, convenience and necessity of itself and the defendant, Bryan K. Sanddfur. At the time of the accident, the defendant, Bryan K. Sanddfur, was operating the automobile with the knowledge and consent and for the uses and purposes of Utilities, Inc.

5. At all times material hereto, the defendant, Bryan K. Sanddfur, was the agent, servant and employee of the defendant, Utilities, Inc., and was operating a motor vehicle owned by the defendant, Utilities, Inc., in the due course and scope of his employment and with the knowledge, consent and permission of the defendant, Utilities, Inc. In the alternative, the defendants were operating the motor vehicle in question as joint venturers.

6. At the time and place of the accident aforesaid, the defendants were operating their vehicle with a flagrant indifference to the rights of other persons on the highway including the plaintiff, Teresa T. Creech, and with an objective awareness that their conduct would result in bodily harm. By reason therefore, the plaintiffs demand exemplary and punitive damages against the defendants in an amount to be determined according to proof.

7. In addition, and at all times material hereto, the plaintiff, Wayne T. Creech, was and is now the husband of the plaintiff, Teresa T. Creech, and by reason of the defendants' negligence as set forth herein and the resultant injuries to his wife, the plaintiff, Wayne T. Creech, has suffered mental anguish by being forced to witness the suffering endured by his wife whereby his own nerves and health have been permanently shocked, weakened and impaired. By reason of the physical and mental condition of his wife, he continues to suffer in mind and body and has been denied care, protection, companionship, aid and society of his wife and the pleasure and assistance of his wife. By reason of the foregoing, he has sustained loss of consortium and has been damaged in an amount to be determined according to proof.

8. The amount in controversy in this action exceeds the sum of Four Thousand Dollars (\$4,000.00) exclusive of interest and costs.

9. By reason of the foregoing and pursuant to KRS 24A.120 and KRS 23A.010, the Bell Circuit Court is vested with jurisdiction of this cause of action.

10. The plaintiffs are citizens and residents of 1417 Highway 63, Cumberland Gap, Tennessee, 37724.

11. The defendant, Bryan K. Sanddfur, is a non-resident of Kentucky, who caused tortious injury by an act in Kentucky within the meaning of KRS 454.210. By reason thereof, the Kentucky Secretary of State is deemed the statutory agent for service of process for said defendant whose address is shown in the caption of the Complaint.

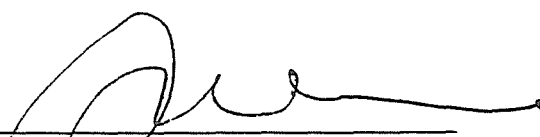
12. The defendant, Utilities, Inc., is a foreign corporation, not licensed to do business in the Commonwealth of Kentucky but nevertheless transacting business in this Commonwealth who also caused tortious injury by an act in Kentucky, all within the meaning of KRS 454.210, et seq. By reason thereof, the Kentucky Secretary of State is deemed the statutory agent for service of process for said defendant whose address is shown in the caption of the Complaint.

WHEREFORE, the plaintiffs pray judgment against the defendants, jointly and severally, for both compensatory and punitive damages in amounts to be determined according to proof, for their costs in this action and for all other proper relief.

ATTORNEYS FOR PLAINTIFFS:

GREENE & LEWIS, P.L.L.C.
P.O. Box 6
Pineville, Kentucky 40977
(606) 337-8050
FAX: (606) 337-8094

By: _____


Gerald L. Greene

Water Service Corporation of Kentucky
Case No. 2012-00133
Attorney General's First Set of Information Requests

7. Reference: PSA, Section 4.9, Material Contracts (a). Please provide:
- A. A copy of the Tax Allocation Agreement;
 - B. The Agreement, dates 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.

- Response:
- (A) A copy of the Tax Allocation Agreement and an amendment thereto will be filed with the Commission under a petition for confidential treatment.
 - (B) The Agreement is attached as Exhibit 7(B).
 - (C) See response to 7(B).
 - (D) The parties anticipate that there will be no changes to the agreements identified in (B), (C) and (D). A new Tax Allocation Agreement will need to be executed because of the change in the federal income tax consolidated reporting group (see the response to No. 40, below).

Witness – Steve Lubertozzi

AGREEMENT

Agreement dated December 19, 2007 between Water Service Corp., a Delaware corporation (hereinafter called the “**Service Company**”) and Water Service Corporation of Kentucky (hereinafter called the “**Operating Company**”):

WHEREAS, both the Service Company and the Operating Company are subsidiaries of or affiliated with Utilities, Inc., an Illinois corporation (hereinafter called the “**Parent**”); and

WHEREAS, the Service Company maintains an organization which includes among its officers and employees, persons who are familiar with the development, business and property of the Operating Company and are experienced in the conduct, management, financing, construction, accounting and operation of water and sewer properties and are qualified to be of great aid and assistance to the Operating Company through the services to be performed under this Agreement; and

WHEREAS, the Service Company has or proposes to enter into agreements similar to this Agreement with certain affiliated water and/or sewer companies (hereinafter referred to collectively as the “**Operating Companies**”); and

WHEREAS, the services to be rendered under this Agreement are to be rendered at cost and without profit to the Service Company;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

The Service Company will furnish to the Operating Company, upon the terms and conditions hereinafter set forth, the following services:

- A. EXECUTIVE: The principal executive officers of the Service Company, such as the Chairman of the Board, President and Vice Presidents, and Treasurer will assist and advise the Operating Company in respect to corporate, financial, operating, engineering, organization, regulatory, and other

problems. They will keep themselves informed in regard to the operation, maintenance and financial condition of, and other matters relating to, the Operating Company through contacts with the officers, directors and other representatives of the Operating Company. Such officers of the Service Company will visit the property of the Operating Company when necessary to the proper furnishing of the services provided for in this Agreement. They will also supervise the personnel of the Service Company to the end that services under this Agreement shall be performed efficiently, economically and satisfactorily to the Operating Company.

- B. ENGINEERING: The Service Company will supply engineering services as required in all areas of design, construction, operation and management of the Operating Company.
- C. OPERATING: The Service Company will furnish competent personnel to perform and/or control all normal operating functions, including pumping, treatment, and distribution as well as maintenance of all equipment and facilities. These responsibilities will include testing and record keeping to insure compliance with all state and local regulatory agency requirements.
- D. ACCOUNTING: The Service Company will provide total accounting service, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, P.S.C. annual reports, etc. Periodic analyses will be made for purposes of planning and measurement of efficiency.
- E. LEGAL: The Service Company will employ general counsel as necessary to advise and assist it in the performance of the services herein provided for and to aid the operating company in all matters where such assistance may be desired.
- F. BILLING AND CUSTOMER RELATIONS: The Service Company will handle all billing and collections. It will serve as the link between the customer and

the Operating Company in all areas such as new accounts, deposits, meter reading, inquiries, and complaints.

- G. CONSTRUCTION: The Service Company will perform directly or supervise all construction, including customer connections, meter installations, main extensions, plant expansions, or capital additions of any nature as required by the Operating Company.
- H. ALL OTHER SERVICES AS PROVIDED FOR IN APPENDIX A: In addition to items (A) through (G), the Service Company will employ or provide personnel to perform the attached services, or in the instance of assets. Liabilities, and associated non-cash items, has incurred costs associated with providing service to the corporate headquarters, regional areas, or to all operating companies as a whole. The allocated costs from these services will be for costs attributable to all operating companies, costs attributable to the Service Company, or for costs that cannot, without excessive effort and expense, be directly identified and related to services rendered to a particular operating company.

In consideration for the services to be rendered by the Service Company as hereinabove provided, the Operating Company agrees to pay to the Service Company the cost of said services. Said cost shall not include a markup for profit. In addition, the Operating Company agrees to pay to the Service Company its share of the cost of the investment in the Service Company rate base, including depreciation, amortization, interest on debt and a return on the equity invested.

All costs of the Service Company, including salaries and other expenses, incurred in connection with services rendered by the Service Company for the Operating Companies which can, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be charged directly to such company. Examples of such costs to be directly allocated include salary and other expenses incurred for specific projects such as rate cases, construction projects, legal proceedings, etc. Similarly, all such costs which may be identified and related to

services rendered to a particular group of the Operating Companies shall be charged directly to such group of the Operating Companies.

All such costs which, because of their nature, cannot, without excessive effort or expense, be identified and related to services rendered to a particular Operating Company, shall be allocated among all the Operating Companies, in the manner hereinafter set forth.

First, the allocable costs shall be distributed on a monthly basis, unless the Parent should elect to make a supplementary analysis for a special purpose.

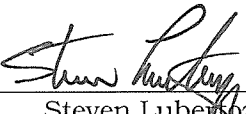
Secondly, these costs will be prorated on the basis of the proportion of active Equivalent Residential Customers ("ERCs") served by the Operating Company to the total number of active ERCs served by the Parent and its affiliates (including, without limitation, the Operating Company), determined as of the end of each month. For purposes of this Agreement, the number of ERCs attributable to each water and sewer connection maintained by the Parent and its affiliates (including, without limitation, the Operating Company) will be determined by applying the formulae set forth in Appendix B.

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the services rendered by the Service Company hereunder, the cost thereof and the allocation of such cost among the Operating Companies. In the case of services in connection with construction, the Service Company will, to the extent practicable, furnish to the Operating Company such information as shall be necessary to permit the allocation of charges for such services to particular work orders.

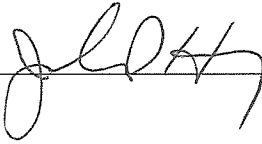
This Agreement shall be in full force and effect from the date as hereinabove mentioned and shall continue in full force and effect until termination by either of the parties hereto upon ninety days notice in writing.

IN WITNESS WHEREOF, the Service Company and the Operating Company have caused these presence to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attest by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

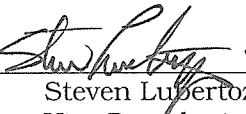
Water Service Corporation

BY  _____
Steven Lubertozi
Vice President and Chief Financial
Officer

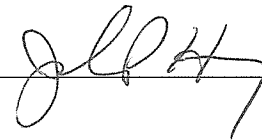
Attest

 _____

Water Service Corporation of Kentucky

BY  _____
Steven Lubertozi
Vice President and Chief Financial
Officer

Attest

 _____

AFFILIATE AGREEMENT
APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies at a business unit level.

JDE Object Number	Account Description
5505	Agency Expense
5525	Bill Stock
5530	Billing Computer Supplies
5535	Billing Envelopes
5540	Billing Postage
5545	Customer Service Printing
5625	401K/ESOP Contributions
5630	Dental Premiums
5635	Dental Ins Reimbursements
5640	Emp Pensions & Benefits
5645	Employee Ins Deductions
5650	Health Costs & Other
5655	Health Ins Reimbursements
5660	Other Emp Pensions/Benefits
5665	Pension Contributions
5670	Term Life Ins
5675	Term Life Ins - Opt
5680	Depend Life Ins - Opt
5685	Supplemental Life Ins
5690	Tuition
5700	Insurance - Vehicle
5705	Insurance - Gen Liab
5710	Insurance - Workers Comp
5715	Insurance - Other
5735	Computer Maintenance
5740	Computer Supplies
5745	Computer Amort & Prog Cost
5750	Internet Supplier
5755	Microfilming
5760	Website Development
5785	Advertising/Marketing
5790	Bank Service Charges
5795	Contributions
5800	Letter of Credit Fee
5805	License Fees
5810	Memberships
5815	Penalties/Fines
5820	Training Expense
5825	Other Misc Expense
5855	Answering Service
5855	Answering Service
5860	Cleaning Supplies
5865	Copy Machine
5870	Holiday Events/Picnics
5875	Kitchen Supplies
5880	Office Supply Stores
5885	Printing/Blueprints
5890	Publ Subscriptions/Tapes
5895	Shipping Charges
5900	Other Office Expenses
5930	Office Electric
5935	Office Gas
5940	Office Water
5945	Office Telecom
5950	Office Garbage Removal
5955	Office Landscape / Mow / Plow
5960	Office Alarm Sys Phone Exp
5965	Office Maintenance
5970	Office Cleaning Service
5975	Office Machine/Heat&Cool
5980	Other Office Utilities
5985	Telemetering Phone Expense
6005	Accounting Studies
6010	Audit Fees
6015	Employ Finder Fees
6020	Engineering Fees
6025	Legal Fees
6030	Management Fees
6035	Payroll Services
6040	Tax Return Review
6045	Temp Employ - Cleri
6050	Other Outside Serv
6075	Water Resource Conserve Exp
6090	Rent
6105	Salaries - System Project
6110	Salaries - Acctg/Finance
6115	Salaries - Admin
6120	Salaries - Officers/Stkhdr
6125	Salaries - HR
6130	Salaries - MIS

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies.

JDE Object Number	Subsidiary Number	Account Description
1030		Land & Land Rights Pump
1035		Land & Land Rights Wtr Trt
1040		Land & Land Rights Trans Dist
1045		Land & Land Rights Gen Plt
1175		Office Struct & Imprv
1180		Office Furn & Eqpt
1190		Tool Shop & Misc Eqpt
1205		Communication Eqpt
1260		Land & Land Rights Intang Plt
1265		Land & Land Rights Coll Plt
1270		Land & Land Rights Trmnt Plt
1275		Land & Land Rights Reclaim Wtp
1280		Land & Land Rights Rcl Dst Plt
1285		Land & Land Rights Gen Plt
1455		Office Struct & Imprv
1460		Office Furn & Eqpt
1470		Tool Shop & Misc Eqpt
1485		Communication Eqpt
1575		Desktop Computer Wtr
1580		Mainframe Computer Wtr
1585		Mini Computers Wtr
1590		Comp Sys Cost Wtr
1595		Micro Sys Cost Wtr
1605		Desktop Computer Swr
1610		Mainframe Computer Swr
1615		Mini Computers Swr
1620		Comp Sys Cost Swr
1625		Micro Sys Cost Swr
1741		Other Plant In Process History
1745	00301	Wip-Cap Time Office Renovation
1745	00302	Wip-Cap Time Electrical
1745	00303	Wip-Cap Time Lab Expansion
1745	00304	Wip-Cap Time Computer Equipmnt
1745	00305	Wip-Cap Time Computer Software
1745	00306	Wip-Cap Time Radio Equipment
1746	00301	Wip - Interest During Constr
1746	00302	Wip - Interest During Constr
1746	00303	Wip - Interest During Constr
1746	00304	Wip - Interest During Constr
1746	00305	Wip - Interest During Constr
1746	00306	Wip - Interest During Constr
1747	00303	Wip - Labor/Installation
1747	00304	Wip - Labor/Installation
1747	00305	Wip - Labor/Installation
1748	00302	Wip - Equipment
1748	00303	Wip - Equipment
1748	00304	Wip - Equipment
1748	00306	Wip - Equipment
1749	00301	Wip - Material
1749	00302	Wip - Material
1749	00303	Wip - Material
1749	00304	Wip - Material
1749	00305	Wip - Material
1749	00306	Wip - Material
1750	00301	Wip - Electrical
1751	00301	Wip - Site Work
1752	00301	Wip - Contractor/Labor
1752	00302	Wip - Contractor/Labor
1753	00301	Wip - Architect/Designer
1753	00302	Wip - Architect/Designer
1753	00303	Wip - Architect/Designer
1754	00303	Wip - Building Addition
1755	00301	Wip - Furniture
1755	00302	Wip - Furniture
1756	00301	Wip - Heating/Air Condition
1756	00302	Wip - Heating/Air Condition
1757	00301	Wip - Interior Finish
1757	00302	Wip - Interior Finish
1758	00305	Wip - Modification/Convert
1759	00304	Wip - Remodeling
1769	00301	Wip - Transfer To Fixed Assets
1769	00302	Wip - Transfer To Fixed Assets
1769	00303	Wip - Transfer To Fixed Assets
1769	00304	Wip - Transfer To Fixed Assets
1769	00305	Wip - Transfer To Fixed Assets
1769	00306	Wip - Transfer To Fixed Assets
1771		Deferred Plant In Process History
1775	00401	Wip-Cap Time Water Tower Paint
1775	00402	Wip-Cap Time W/S Plt Paint
1775	00403	Wip-Cap Time Water Tank Paint
1775	00404	Wip-Cap Time Clean Sewer Line

AFFILIATE AGREEMENT
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The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies at a business unit level

JDE Object Number	Account Description
6135	Salaries - Leadership Ops
6140	Salaries - Regulatory
6145	Salaries - Customer Service
6185	Travel Lodging
6190	Travel Airfare
6195	Travel Transportation
6200	Travel Meals
6205	Travel Entertainment
6207	Travel Other
6355	Deferred Maint Expense
6360	Communication Expense
6365	Equipment Rentals
6385	Uniforms
6390	Weather/Hurricane Costs
6580	Deprec-Office Structure
6585	Deprec-Office Furn/Eqpt
6610	Deprec-Communication Eqpt
6615	Deprec-Misc Equipment
6820	Deprec-Office Structure
6825	Deprec-Office Furn/Eqpt
6850	Deprec-Communication Eqpt
6855	Deprec-Misc Equipment
6920	Deprec-Computer
7510	FICA Expense
7515	Federal Unemployment Tax
7520	State Unemployment Tax
7535	Franchise Tax
7540	Gross Receipts Tax
7545	Personal Property/ICT Tax
7550	Property/Other General Tax
7555	Real Estate Tax
7560	Sales/Use Tax Expense
7565	Special Assessments
7665	Extraordinary Gain/Loss
7670	Extraordinary Deductions
7680	Rental Income
7685	Interest Income
7690	Sale of Equipment

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies

JDE Object Number	Subsidiary Number	Account Description
1030		Land & Land Rights Pump
1775	00405	Wip-Cap Time Chng Filter Media
1775	00406	Wip-Cap Time Tv Sewer Main
1775	00407	Wip-Cap Time Sludge & Hauling
1775	00408	Wip-Cap Time W/S Plt Landscape
1776	00401	Wip - Interest During Constr
1776	00402	Wip - Interest During Constr
1776	00403	Wip - Interest During Constr
1776	00404	Wip - Interest During Constr
1776	00405	Wip - Interest During Constr
1776	00406	Wip - Interest During Constr
1776	00407	Wip - Interest During Constr
1776	00408	Wip - Interest During Constr
1777	00408	Wip - Engineering
1778	00401	Wip - Labor/Installation
1779	00401	Wip - Equipment
1779	00404	Wip - Equipment
1779	00406	Wip - Equipment
1780	00401	Wip - Material
1780	00402	Wip - Material
1780	00403	Wip - Material
1780	00404	Wip - Material
1780	00405	Wip - Material
1780	00406	Wip - Material
1780	00407	Wip - Material
1780	00408	Wip - Material
1781	00408	Wip - Site Work
1782	00401	Wip - Contractor/Labor
1782	00402	Wip - Contractor/Labor
1782	00403	Wip - Contractor/Labor
1782	00405	Wip - Contractor/Labor
1782	00406	Wip - Contractor/Labor
1783	00404	Wip - Grouting/Sealing
1784	00404	Wip - Jet Cleaning
1785	00407	Wip - Pump & Haul Sludge
1786	00404	Wip - Rental/Machine
1786	00405	Wip - Rental/Machine
1787	00402	Wip - Repair
1787	00403	Wip - Repair
1799	00401	Wip - Transfer To Fixed Assets
1799	00402	Wip - Transfer To Fixed Assets
1799	00403	Wip - Transfer To Fixed Assets
1799	00404	Wip - Transfer To Fixed Assets
1799	00405	Wip - Transfer To Fixed Assets
1799	00406	Wip - Transfer To Fixed Assets
1799	00407	Wip - Transfer To Fixed Assets
1799	00408	Wip - Transfer To Fixed Assets
1970		Acc Depr-Office Structure
1975		Acc Depr-Office Furn/Eqpt
1985		Acc Depr-Tool Shop & Misc Eqpt
2000		Acc Depr-Communication Eqpt
2215		Acc Depr-Office Structure
2220		Acc Depr-Office Furn/Eqpt
2230		Acc Depr-Tool Shop & Misc Eqpt
2245		Acc Depr-Communication Eqpt
2315		Acc Depr-Desktop Computer Wtr
2320		Acc Depr-Mainframe Comp Wtr
2325		Acc Depr-Mini Comp Wtr
2330		Comp Sys Amortization Wtr
2335		Micro Sys Amortization Wtr
2345		Acc Depr-Desktop Computer Swr
2350		Acc Depr-Mainframe Comp Swr
2355		Acc Depr-Mini Comp Swr
2360		Comp Sys Amortization Swr
2365		Micro Sys Amortization Swr
2950		Def Chgs-Landscaping
2955		Def Chgs-Customer Complaints
2960		Def Chgs-Tank Maint&Rep Wtr
2965		Def Chgs-Relocation Expenses
2970		Def Chgs-Attorney Fee
2975		Def Chgs-Hurricane/Storms Cost
2980		Def Chgs-Emp Fees
2985		Def Chgs-Other
3000		Def Chgs-Other Wtr & Swr
3005		Def Chgs-Voc Testing
3020		Def Chgs-Sludge Hauling
3025		Def Chgs-Pr Wash/Jet Swr Mains
3030		Def Chgs-Tv Sewer Mains
3040		Def Chgs-Tank Maint&Rep Swr
3080		Amort - Landscaping
3090		Amort - Customer Complaints

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APPENDIX A

The following list includes expense accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies at a business unit level.

JDE Object Number Account Description

The following list includes asset and liability accounts at the Water Service Corporation level which have dollars booked to them and allocated to all Utilities, Inc. operating companies

<u>JDE Object Number</u>	<u>Subsidiary Number</u>	<u>Account Description</u>
1030		Land & Land Rights Pump
3110		Amort - Tank Maint&Rep Wtr
3120		Amort - Relocation Exp
3125		Amort - Attorney Fee
3130		Amort - Hurricane/Storms
3135		Amort - Employee Fees
3140		Amort - Other
3155		Amort - Other Wtr & Swr
3160		Amort - Voc Testing
3175		Amort - Sludge Hauling
3180		Amort - Pr Wash/Jet Swr Mains
3185		Amort - Tv Sewer Mains
3195		Amort - Tank Maint&Rep Swr
4367		Accum Def Income Tax-Fed
4369		Def Fed Tax - Ciac Pre 1987
4371		Def Fed Tax - Tap Fee Post 2000
4373		Def Fed Tax - Idc
4375		Def Fed Tax - Rate Case
4377		Def Fed Tax - Def Maint
4379		Def Fed Tax - Other Operation
4381		Def Fed Tax - Sold Co
4383		Def Fed Tax - Orgn Exp
4385		Def Fed Tax - Bad Debt
4387		Def Fed Tax - Depreciation
4389		Def Fed Tax - Nol
4391		Def Fed Tax - Cont Prop
4393		Def Fed Tax - Amt
4395		Def Fed Tax - Pre Acrs
4397		Def Fed Tax - Res Cap Fee
4417		Accum Def Income Tax - St
4419		Def St Tax - Ciac Pre 1987
4421		Def St Tax - Tap Fee Post 2000
4423		Def St Tax - Idc
4425		Def St Tax - Rate Case
4427		Def St Tax - Def Maint
4429		Def St Tax - Other Operation
4431		Def St Tax - Sold Co
4433		Def St Tax - Orgn Exp
4435		Def St Tax - Bad Debt
4437		Def St Tax - Depreciation
4439		Def St Tax - Nol
4441		Def St Tax - Cont Prop
4443		Def St Tax - Amt
4445		Def St Tax - Res Cap Fee

AFFILIATE AGREEMENT
APPENDIX B

The formula used to calculate all allocations is as follows:

Expenses:

Active ERC count for business unit/Active ERC count for all UI operating business units

Assets/Liabilities:

Active ERC count for company/Active ERC count for all UI operating companies

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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?

- Response:
- (A) This individual was initially retained as an independent contractor for the completion of a specific project. When that project was nearing completion, the individual was hired as a temporary employee in the finance department.
 - (B) This individual is no longer employed by the Company.

Witness – Steve Lubertozi

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9. Reference: PSA, Section 4.11 Employee Benefits (h), please indicate whether Utilities, Inc., will seek to defer these costs for recovery through rates.

Response: WSKK has not sought rate recovery of payments made pursuant to the severance policy stated in the January 22, 2001 memorandum referred to in Section 4.11(h) of the Disclosure Schedule to the PSA, and has no plans to do so in the future. No payments have ever been made pursuant to the severance plan for "key management employees," which is also referred to in that section of the Disclosure Schedule, but if such payments are made in the future, Utilities, Inc., would seek to recover those costs in rates.

Witness – Steve Lubertozi

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10. Reference: PSA, Section 5.3 (b). What is CFIUS Clearance? Please fully explain. If it is not obtained, then what is the consequence?

Response: "CFIUS" means the Committee on Foreign Investment in the United States, as established by the Defense Production Act. "CFIUS Clearance" means the voluntary joint filing of notice by the Buyer and the Sellers with respect to the transactions contemplated by the PSA ("Transaction") in accordance with the requirements of the Defense Production Act and its applicable regulations and (a) the receipt by the Buyer and the Sellers of written notice from CFIUS, acting through its Chairman, of the CFIUS's determination that the Transaction is not subject to review under the Defense Production Act, (b) the determination by CFIUS under the Defense Production Act not to undertake an investigation of the Transaction, (c) CFIUS has investigated and found no unresolved national security concerns with respect to the Transaction, or (d) the determination by the President of the United States of America not to exercise his authority under the Defense Production Act with respect to the Transactions.

CFIUS clearance was obtained on May 25, 2012.

Witness – Steve Lubertozi

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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;

Response: (A) See attached.
 (B) See attached.
 (C) There are no applicable jurisdictions that do not require the applicants to obtain formal approval through a discretionary determination but still requires formal notice of the transaction. Nevertheless, each jurisdiction that does not require formal approval has been notified about the transaction.
 (D) See response to 11(C).

Witness – Steve Lubertozi

Attorney General Data Request No. 11 – Approvals Required

**A. THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976,
AS AMENDED ("HSR") ACT**

Corix Utilities and Highstar have filed a Notification and Report Form Pursuant to the HSR Act.

B. STATE PUBLIC UTILITIES COMMISSION REGULATORY APPROVALS

1. *Arizona*

UI owns and operates three water and service utility companies located in Arizona. No regulatory review or approval of the Transaction is required under Arizona law.

2. *Florida*

The Company owns and operates fourteen water and sewer service utility companies in Florida. This case was recently filed and is in the discovery phase.

3. *Georgia*

UI owns and operates two water and sewer service utility companies in Georgia. No regulatory review or approval of the Transaction is required under Georgia law.

4. *Illinois*

The Company owns and operates twenty-three water and sewer service utility companies in Illinois. This case was recently filed and is in the discovery phase.

5. *Indiana*

UI owns and operates three water and sewer service utility companies in Indiana. No regulatory review or approval of the Transaction is required under Indiana law.

6. *Kentucky*

The Company owns and operates one water and sewer service utility company in

Kentucky. This case was recently filed and is in the discovery phrase.

7. Louisiana

The Company owns and operates two water and sewer service utility companies in Louisiana. The Staff recommended that the Commission approve the transaction.

8. Maryland

UI owns and operates three water and sewer service utility companies in Maryland. The Commission recently approved the transaction.

9. Nevada

The Company owns and operates four water and sewer service utility companies in Nevada. This case was recently filed and is in the discovery phrase.

10. New Jersey

UI owns and operates two water and sewer service utility companies in New Jersey. This case was recently filed and is in the discovery phrase.

11. North Carolina

The Company owns and operates five water and sewer service utility companies in North Carolina. This case was recently filed and is in the discovery phrase.

12. Pennsylvania

The Company owns and operates three water and sewer service utility companies in Pennsylvania. This case was recently filed and is in the discovery phrase.

13. South Carolina

UI owns and operates five water and sewer service utility companies in the state of South Carolina. No regulatory review or approval of the Transaction is required under South Carolina law.

14. Tennessee

The Company owns and operates one water service utility company in Tennessee. The Commission recently approved the transaction.

15. Virginia

UI owns and operates one regulated water and sewer service utility company and one unregulated sewer utility company in Virginia. This case was recently filed and is in the discovery phase.

C. LOCAL GOVERNMENT APPROVALS

UI owns and operates Utilities, Inc. of Sandalhaven, which is a water service utility company subject to the regulatory jurisdiction of the County of Charlotte, Florida. The County determined that the transfer of ownership and control is far enough removed from Utilities Inc. of Sandalhaven that the County does not need to take any official action.

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12. Reference: PSA Exhibit 7. Please identify:

- A. bcIMC;
- B. CAI; and
- C. TWUS appearing in the Brett Hodson biography.

Response: (A) British Columbia Investment Management Corporation
(B) CAI Capital Management Inc.
(C) Terasen Water and Utility Services, which was formerly used to describe The Corix Group

Witness – Steve Lubertozi

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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?)

Response: The referenced paragraph in Section 4.3 of the Disclosure Schedule refers to system acquisition agreements that include rights of first refusal, options or similar provisions that relate to the specific water and/or wastewater systems acquired. Such rights would not be triggered by a sale of the stock or assets of Utilities, Inc., or by a sale by Utilities, Inc. of the stock of an operating subsidiary (for example, WSCK). If WSCK was party to an acquisition agreement that included such rights, those rights could be triggered only by a proposed sale by WSCK of the assets that were the subject of the acquisition agreement. Most such acquisition agreements do not include such rights of first refusal, options or similar provisions.

Witness – Steve Lubertozi

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14. Reference: Exhibit 3, Section 2.1 (a). What is the Specified Distribution Adjustment Amount?

Response: The definition of Specified Distribution Adjustment Amount, as set forth in Appendix A of the PSA, should read as follows: "Specified Distribution Adjustment Amount means the portion of the Specified Distribution that has not been distributed by Utilities, Inc. to HSHC prior to or at the Closing."

Witness – Steve Lubertozi

Water Service Corporation of Kentucky
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15. Reference: Exhibit 3, Section 2.3 (a)(i). Why is the Aggregate VCS Payment Amount subtracted from the Purchase Price?

Response: Objection. This request seeks information that is not relevant and beyond the scope of this proceeding. These arms-length terms were fairly negotiated between two unaffiliated entities. Without waiving this objection, the Aggregate VCS Payment Amount is a component of the Purchase Price to fund VCS payments.

Objection – Legal
Witness – Steve Lubertozi

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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.

Response: The plan will cease to exist after closing because the plan was designed to address a sale of the Company. As such, the plan will no longer be applicable after the closing of the transaction set forth in the PSA.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky
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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.

Response: The Hart-Scott-Rodino Act filing cleared on May 25, 2012. The remainder of this response has been filed with the Commission under a petition for confidential treatment.

Witness – Steve Lubertozi

Water Service Corporation of Kentucky
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18. Please either supply the applicants' Hart-Scott-Rodino Act filings or make them available for inspection as soon as reasonable.

Response: See response to No. 17 above. A copy of the Hart-Scott-Rodino Act filings will be made available at the offices of Sturgill, Turner, Barker & Moloney, in Lexington, Kentucky, subject to confidential treatment of the information contained therein.

Witness – Steve Lubertozi

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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.

Response: There will be no attempt to recover transfer taxes relating to the transfer from WSCK's customers.

Witness – Steve Lubertozi

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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.

Response: No.

Witness – Steve Lubertozi

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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, officer, director, consultant, or advisor to or for the purchaser, any of the affiliates of the purchaser, Utilities, Inc., or any of the affiliates or subsidiaries of Utilities, Inc.

Response: Hydro Star LLC is a manager-managed limited liability company. Highstar Capital GP II, L.P. is currently the manager and, therefore, will resign that position as of closing so that Corix may control Hydro Star LLC.

Witness – Steve Lubertoizzi

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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.

Response: No. Any allocation of costs from Corix or its affiliated companies to UI or its affiliated companies will be done through transparent contractual or regulatory cost allocation methods approved by the regulatory jurisdictions impacted by those costs.

Witness – Steve Lubertozi

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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 how.

Response: If there are costs incurred related to information technology integration after the closing of the transaction, to the extent that those costs are allocated to WSCK, any allocation of costs from Corix or its affiliated companies to UI or its affiliated companies will be done through transparent contractual or regulatory cost allocation methods approved by the regulatory jurisdictions impacted by those costs.

Witness – Steve Lubertozi

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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.

Response: Objection. This request seeks information that is not relevant and beyond the scope of this proceeding. Without waiving this objection, WSCK is currently not recovering the cost of Project Phoenix from WSCK customers and no determination regarding the continued utilization of Project Phoenix for WSCK customers has been made.

Objection – Legal
Witness – Steve Lubertoizzi

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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.

Response: Objection. This request seeks information that is not relevant and beyond the scope of this proceeding. Without waiving this objection, WSCK is currently not recovering the cost of Project Phoenix from WSCK customers and no determination regarding the continued utilization of Project Phoenix for WSCK customers has been made.

Objection – Legal
Witness – Steve Lubertozzi

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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.

Response: No estimates have been made. Corix will review this matter after closing of the transaction. To the extent that any such costs are incurred and allocated to WSCK, any allocation of costs from Corix or its affiliated companies to UI or its affiliated companies will be done through transparent contractual or regulatory cost allocation methods approved by the regulatory jurisdictions impacted by those costs.

Witness – Steve Lubertozi

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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?

Response: It is assumed that the term “utility” in the question refers to WSCK. It is stipulated that WSCK provides wastewater contract operation services in Clinton, KY.

Witness – Steve Lubertozi

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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.

Response: Yes, the Cabarrus Woods transaction closed on January 31, 2012.

Witness – Steve Lubertozi

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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.

Response: It is not anticipated that the transaction will result in any change in the insurance coverage or policies. However, if any change in insurance coverage or policies occurs and results in a change in insurance costs to WSCK, WSCK will reflect those changes in insurance costs in its subsequent rate filings.

Witness – Steve Lubertozi

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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.

Response: It is not anticipated that the transaction will result in any change in the insurance coverage or policies. However, if any change in insurance coverage or policies occurs and results in a change in insurance costs to WSCK, WSCK will reflect those changes in insurance costs in its subsequent rate filings.

Witness – Steve Lubertozi

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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.

Response: No.

Witness – Steve Lubertozi

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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?

Response: No.

Witness – Steve Lubertozi

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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 (loss) attributable or otherwise corresponding to operations within the United States.

Response: Confidential Exhibit 5 contains the net earnings for Corix Infrastructure, Inc., for the calendar years ending December 31, 2010 and 2011. Corix Infrastructure's Financial Statement for the calendar year ending December 31, 2009, will be filed with the Commission under a petition for confidential treatment. The 2009 financial statement contains the net earnings for 2008 and 2009. In addition, a spreadsheet showing the amount and percentage of that period's net earnings attributable or otherwise corresponding to operations within the United States shall be filed under a petition for confidential treatment.

Witness – Steve Lubertozi

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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).

Response: No.

Witness – Steve Lubertozi

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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.

Response: Objection. This request is overly broad, unduly burdensome, not relevant, and outside the scope of this proceeding. Without waiving this objection, a schedule identifying costs has been contemporaneously filed with the Commission under a petition for confidential treatment. No claim will be made to recover these costs from WSCK's customers.

Objection – Legal

Witness – Steve Lubertozi

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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.

Response: Because the transaction occurs at a holding company level, several levels above any operating subsidiary, the PSA generally does not include provisions relating to any particular operating subsidiary, including WSCK. However, before entering into negotiations with Corix, Highstar, as noted in Response No. 2 above, gave careful consideration to the qualifications and experience of Corix and believes that Corix has the necessary financial, technical, and managerial ability to own and exercise control over WSCK. As a result, the parties expect that, following the transaction, the ratepayers of WSCK will continue to receive reliable service at a reasonable rate.

Witness – Steve Lubertozi

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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?

Response: No.

Witness – Steve Lubertozi

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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?

Response: No.

Witness – Steve Lubertozi

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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.

Response: No "synergies" are anticipated at this time. However, the transaction will result in other benefits for utility customers, as explained in the Application. See Application ¶¶ 26-28, 31-32.

Witness – Steve Lubertozi

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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.

Response: Objection. This request seeks information that is not relevant and outside the scope of this proceeding. Currently Utilities, Inc. is part of HSLLC's consolidated tax return. It is anticipated that after the transaction is consummated Utilities, Inc. will join with Corix Infrastructure (US) Inc. in filing a consolidated federal tax return.

Objection – Legal

Witness – Steve Lubertozzi

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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.

Response: None are anticipated at this time.

Witness – Steve Lubertozi

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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.

Response: It is anticipated that the agreement between WSCK and WSC will remain unchanged after the transaction is consummated.

Witness – Steve Lubertozi

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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.

Response: None are anticipated at this time. However, any allocation of services from Corix or its affiliated companies to UI or its affiliated companies will done through transparent contractual or regulatory cost allocation methods approved by the regulatory jurisdictions impacted by those services.

Witness – Steve Lubertozzi

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44. How will Water Service Corporation of Kentucky's cost of and access to capital change as a result of the transaction?

Response: The transaction will not impact WSKC's cost of capital and, following the transaction, WSKC will continue to have ready access to capital.

Witness – Steve Lubertozi

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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.

Response: None are anticipated at this time.

Witness – Steve Lubertozi

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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.

Response: No.

Witness – Steve Lubertozi

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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.

Response: No.

Witness – Steve Lubertozi

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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.

Response: The Corix Group is identified on the Corix Infrastructure, Inc., Pre-Closing Organizational Chart that is attached as Exhibit 4 to the Application. Corix Utilities (Illinois) LLC is a wholly owned indirect subsidiary of Corix Infrastructure Inc.

Witness – Steve Lubertozzi

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