

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.;)
and Water Service Corporation of Kentucky)
for the Transfer and Acquisition)
of Control Pursuant to KRS 278.020)
Case No. 2012-00133

**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
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ATTORNEY FOR APPLICANTS

CERTIFICATE OF SERVICE

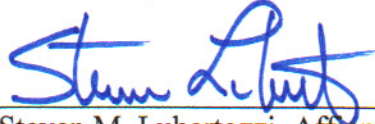
This is to certify that the electronic version of the filing is a true and accurate copy of each document filed in paper medium and the electronic version of the filing has been transmitted to the Commission. Upon electronic filing, the Commission and other parties are notified that the electronic version 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

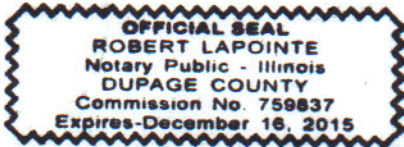
STATE OF ILLINOIS

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
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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
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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 Lubertozzi

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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.

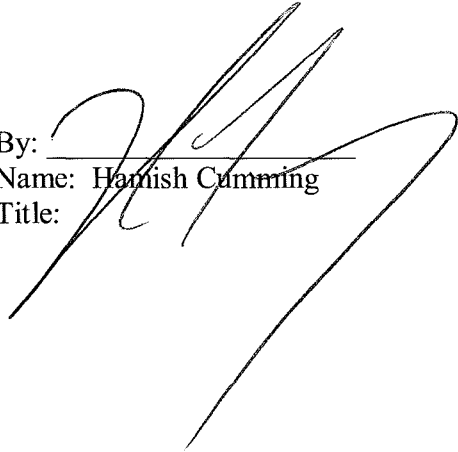
Witness – Steve Lubertozzi

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.

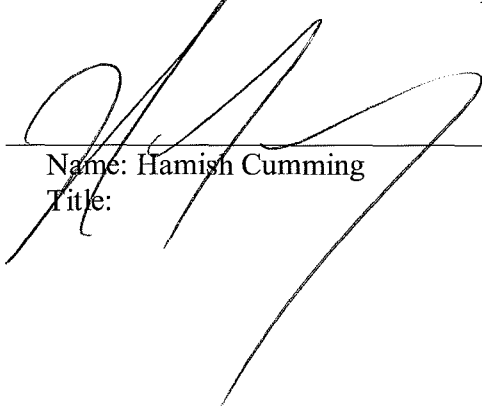
9.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of laws thereof.

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
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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

Water Service Corporation of Kentucky
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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

Water Service Corporation of Kentucky
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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 Lubertozzi

Water Service Corporation of Kentucky
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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 Lubertozzi

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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

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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

Water Service Corporation of Kentucky
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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 Lubertozzi

Water Service Corporation of Kentucky
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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 Lubertozzi

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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 Lubertozi

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