

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

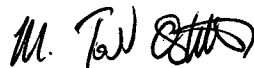
In the Matter of:

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 COMMISSION STAFF**

Corix Utilities (Illinois) LLC (“Corix”); Hydro Star, LLC (“Hydro Star”); Utilities, Inc. (“UP”); and its Kentucky utility subsidiary, Water Service Corporation of Kentucky (“WSCK”) (collectively “Applicants”) respectfully submit the following responses to the Commission Staff’s first set of information request.

Respectfully submitted,



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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.

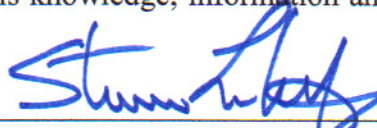
*M. Tol [Signature]*

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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 Commission Staff'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**

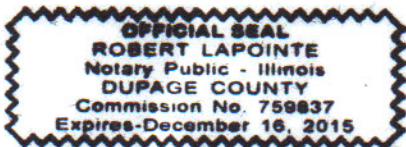
**STATE OF ILLINOIS**


**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.



  
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NOTARY PUBLIC

Water Service Corporation of Kentucky  
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1. Refer to Case No. 2002-00018, *Application for Approval of the Transfer of Control of Kentucky-American Water Company to RWE Aktiengesellschaft and Thames Water Aqua Holdings GmbH* (Ky. PSC May 30, 2002) at 11-12. Explain why the following entities did not join with the Joint Applicants in their application for Commission approval of the proposed transfer of control:

- a. Corix Infrastructure Inc. ("Corix Infrastructure");
- b. Corix Infrastructure (US) Inc.;
- c. Inland Pacific Resources;
- d. American General Life Insurance Company;
- e. Highstar Capital Prism Fund, L.P.;
- f. Highstar Capital Fund II, L.P.; and
- g. Hydrostar Interco LLC.

Response: Objection. As explained in the above referenced case, there is no requirement under Kentucky law for certain persons to be parties to a transfer case. As stated by the Commission, "KRS 278.020 confers jurisdiction of the transaction regardless of the parties." Case No. 2002-00018, *Kentucky American Water Co.*, at 12 (Ky. PSC May 30, 2002). The applicants herein are fully committed to provide relevant information so that the Commission can make finding as to whether the acquiring entity has the financial, technical, and managerial abilities to ensure reasonable service to the utility's customers and whether the proposed acquisition is to be made in accordance with law, for a proper purpose, and is consistent with the public interest.

Objection – Legal

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2. List Corix's senior executive officers. For each listed officer, list all positions that he or she holds with Corix and all of Corix's subsidiaries and affiliates.

Response:

Brett Hodson, President and Chief Executive Officer

Albert Low, Vice President

Hamish Cumming, Vice President

Dietz Kellmann, Vice President

The individuals listed above are officers of all Corix subsidiaries. Kevin Meagher is the Vice President and Chief Operating Officer of Corix, and also is an officer of Corix Utilities (US) Inc. and Corix Utilities (Oklahoma) Inc.

Witness – Steve Lubertozi

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3. List and describe each benefit that Water Service's ratepayers will receive as a result of the proposed transaction. When possible, quantify the benefit.

Response: Objection. This request seeks information that is overly broad and would be unduly burdensome to produce. Not only are there too many benefits to readily identify, there are potentially additional benefits that are not yet identifiable. Without waiving this objection, the Applicants state the following: The benefits to WSCK and its customers related to this transaction include an increase to financial resources available to UI, which is expected to result in increased resources being available to WSCK. The Corix Group collectively manages over \$750 million in assets and generated cumulative revenue of approximately \$540 million. The Corix Group employs over 2,200 employees in North America. The Corix Group is an experienced utility owner and operator and is fit, willing and able to finance, own and operate UI and its subsidiaries, including WSCK. As part of the Corix Group, WSCK will have access to a wide spectrum of technical and industry expertise in all facets of sustainable water, wastewater and energy systems, including innovative technologies, operating tools and regulatory resources required to develop sustainable multi-utility services.

The WSCK ratepayers will continue to receive reliable service at a reasonable rate after the transaction. General day-to-day operations for WSCK will not change as a result of the transaction, and the transfer of control will not affect WSCK's customers. Additional benefits are further described in paragraphs 26-28 and 31-32 of the Application.

Objection – Legal  
Witness – Steve Lubertozi

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4. At page 12 of the Application, Applicants states, "[t]he members of Corix Group believe in maintaining a strong local community presence and being a long-term committed partner in the communities where they operate. Corix Utilities plans to maintain its local presence in the communities in which UI and WSKK currently have operations."

a. Provide examples of the "strong local community presence" that members of the Corix Group presently maintain in the communities in which they operate.

b. List and describe the actions that Corix intends to take in Clinton and Middlesboro, Kentucky to maintain a strong community presence in those communities.

c. Explain the meaning of the phrase "maintain its local presence."

d. Describe the current level of community involvement that Hydro Star and Water Service maintain in Clinton and Middlesboro, Kentucky.

Responses:

a. The Corix Group operates its businesses, both regulated and non-regulated, at a community level. Where possible and practical, we employ people from the communities in which we operate. Where it is cost effective, we establish smaller local operations offices rather than providing services through larger regional centers. This community level approach is one way in which we differentiate ourselves from other service providers.

b. At this time Corix has not developed a specific plan or set of actions for the UI operations in Kentucky or any other state. As stated in the response to 4(a) above, Corix takes a community level approach to our businesses, and this approach is aligned with the current UI level of community service and involvement.

c. The Corix Group believes in maintaining the local business offices in those communities in which we operate where cost effective and where possible and practical, employing local people.

d. UI's ten employees in Kentucky are actively involved in their communities, and one employee is an elected official and a fire chief.

Witness – Steve Lubertozzi

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

Response: It is not anticipated that the UI capital structure will change. The transaction will not impact WSCK's cost of capital and, following the transaction, WSCK will continue to have ready access to capital.

Witness – Steve Lubertozi



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6. At pages 7 and 12 of the Application, the Joint Applicants state that Corix will not seek to recover any transaction costs or premiums relating to the proposed transaction from Water Service's ratepayers.

a. State the estimated premium that Corix Infrastructure is paying for Hydro Star's outstanding stock. Provide all workpapers, show all calculations and state all assumptions used to estimate this premium.

b. State the estimated transaction costs that Corix is incurring as a result of the proposed transaction.

c. Describe how the proposed purchase of Hydro Star's outstanding stock will be financed.

d. Explain how, if Corix does not use "push down" accounting to recover the acquisition premium and transaction costs from Water Service's ratepayers, Corix intends to recover its investment in Hydro Star.

Responses:

a. Objection. The information sought is not relevant to this case. The acquisition of the shares of Hydro Star by Corix was undertaken by arms-length negotiations that concluded in a mutual agreement between the parties. No costs related to this transaction apart from the rate base of the utilities, which is subject to Commission approval, will be included in customer rates. The working papers and other materials related to the negotiations are not relevant to the application and the Applicants object to the request.

b. Objection. The information sought is not relevant to this case. The transaction costs will not be included in customer rates and, therefore, have no relevance to the application.

c. The purchase will be financed using a combination of debt and equity. The financing has been secured however the exact proportions of debt and equity will be determined at the time the transaction is completed.

d. The price paid for the acquisition of Hydro Star reflects a fair market price as negotiated between the parties. Corix is a growth oriented company, and it anticipates the acquisition will facilitate future opportunities for expanding the company's utility businesses throughout the United States.

Objection – Legal  
Witness – Steve Lubertozi

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7. a. State when Water Service currently anticipates applying for an adjustment of its rates for service.
- b. Describe the effect of the proposed transfer of control on the date when Water Service plans to apply for an adjustment of its rates for service.

Responses:

- a. Objection. The information sought is not relevant to this proceeding. Without waiving this objection, WSCK anticipates filing for an adjustment of its rates in December 2012.
- b. The proposed transfer of control will have no impact on the date when WSCK plans to apply for an adjustment of its rates and services.

Objection – Legal  
Witness – Steve Lubertozi

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8. State whether the proposed transaction will affect Water Service's action for review of the Commission's Order of November 23, 2011 in Case No. 2010-00476.

Response: The proposed transaction will not affect WSCK's action for review of the Commission's final order in Case No. 2010-00476.

Witness: Steve Lubertozzi

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9. On page 12 of the Application, Joint Applicants state that the management services that Utilities provides to Water Service will be “augmented by the additional professional expertise available through their association with the Corix Group.” List and describe the managerial services that Corix or Corix Group will provide that are not being provided to Water Service.

Response: The Corix Group is involved in a variety of utilities and utility related businesses. In addition to water and wastewater utilities, the Corix Group operates gas, electric, geo-exchange and biomass utilities. The Corix Group also manufactures small water and wastewater plants, provides measurement services, and distributes a range of utility products including pipe, valves and fittings. Through these businesses, the Corix Group brings a broad range of professional expertise that it feels will benefit, and benefit from, the existing expertise of UI. WSCK will be able to draw on this expertise and the services listed above.

Witness – Steve Lubertozi

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10. On pages 12 and 13 of the Application, Joint Applicants state, “[a]s part of the Corix Group, WSCK and UI will have access to a wide spectrum of technical and industry expertise in all facets of sustainable water, wastewater, and energy systems, including innovative technologies, operating tools, and regulatory resources required to develop sustainable multi-utility services.” List and describe each product and service that Corix Group can offer to Water Service and Utilities that are currently unavailable to them.

Response: See response to Item 9 above.

Witness – Steve Lubertozi

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11. For each utility that a Corix Infrastructure subsidiary or affiliate operates or manages:
- a. Identify the utility;
  - b. Describe the utility service provided; and,
  - c. Identify the Corix Infrastructure subsidiary or affiliate that provides the management service; and
  - d. Describe the extent of state or local regulation over its rates and services.

Response:

- Fairbanks Sewer and Water – water and sewer utilities, management and services provided by Utility Services of Alaska, regulated by the Utilities Commission of Alaska.
- Doyon Utilities – Water, wastewater, energy utilities, management and services provided by Doyon and Corix Infrastructure Inc., regulated by Utilities Commission of Alaska.
- Corix Utilities (Oklahoma) Inc. – water, wastewater, energy utilities, management and services provided by Corix utilities (Oklahoma) Inc., regulated by contract by the University of Oklahoma.
- Corix Utilities Inc. – the following utilities are managed by Corix Utilities Inc.
  - o Dockside Green Energy LLP – district energy system, regulated by the British Columbia Utilities Commission.
  - o UniverCity - district energy system, regulated by the British Columbia Utilities Commission.
  - o Corix Utilities (Foothills Water) Inc. – water utility, regulated by the Alberta Utilities Commission.
  - o Corix Utilities (Foothills Waste Water) Inc. – wastewater utility, not regulated.
- Corix Multi-Utility Services Inc. – the following utilities are managed by Corix Multi-Utility Services Inc.
  - o Sun Rivers – gas and electric distribution, regulated by the British Columbia Utilities Commission; non-regulated water and wastewater utilities.
  - o Sonoma Pines – gas and electric distribution, regulated by the British Columbia Utilities Commission.
  - o Panorama – propane gas distribution, regulated by the British Columbia Utilities Commission; water utility regulated by the British Columbia Water Comptroller; non-regulated wastewater utility.
  - o Lindel Beach - water utility regulated by the British Columbia Water Comptroller; non-regulated wastewater utility.
- Westshore Environmental Services Inc. – wastewater system, managed by Westshore Environmental Services Inc., regulated by contract by the City of Langford, British Columbia.

Witness – Steve Lubertozi

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12. For each affiliate or subsidiary listed in response to Item 11(c), state the extent of Corix Infrastructure's ownership interest.

Response: All of the entities listed in the response to Item 11 above are 100% directly or indirectly owned by Corix Infrastructure Inc., with the exception of Doyon Utilities which is 50% owned by Corix Infrastructure Inc., and Dockside Green Energy LLP, of which Corix Infrastructure Inc. has 16% ownership.

Witness – Steve Lubertozi

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13. For each Corix Infrastructure subsidiary or affiliate that provides measurement and metering services to a municipality, utility or cooperative:
- a. Identify the subsidiary or affiliate;
  - b. Describe the nature of its business;
  - c. Describe the extent of Corix Infrastructure's ownership interest;
  - d. Describe the extent of government regulation over the services that it provides;
  - e. State the location of its corporate office and its actual operations;
  - f. State whether it has previously transacted business with Utilities or Water Service; and
  - g. State whether it expects to transact business with Utilities or Water Service after the proposed transfer of control.

Response: Corix Utilities (US) Inc. provides measurement and metering services in 15 states in the US. Corix Utilities Inc. provides measurement and metering services in two provinces in Canada. Corix Infrastructure Inc. is the parent company of Corix Utilities (US) Inc. and Corix Utilities Inc. and owns 100 percent of the shares in both companies, indirectly and directly respectively. As a third party service provider to municipalities and other utilities Corix Utilities (US) Inc. and the measurement and metering services portions of Corix Utilities Inc. are not regulated. The main office for Corix Utilities (US) Inc. is located in Wauwatosa, Wisconsin, and measurement and metering group for Corix Utilities Inc. is located in Vancouver, British Columbia. Regional offices are established from time to time depending on the size and duration of the contracts with a municipality or utility. Corix Utilities (US) Inc. and Corix Utilities Inc. have no current business with UI or WSCK. Future business between Corix Utilities (US) Inc. and UI or any of its subsidiary companies is possible, but there are no current plans for such business arrangements.

Witness – Steve Lubertozzi



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14. Page 4 of Exhibit 2 of the Application states, "Corix operates 38 utility products branches across North America, distributing a full line of pipes, valves, meters, pumps, irrigation equipment, service and repair products, and other components that are used to transport clean water and wastewater." For each Corix Infrastructure subsidiary or affiliate that provides utility products:

- a. Identify the subsidiary or affiliate;
- b. Describe the nature of its business;
- c. Describe the extent of Corix Infrastructure's ownership interest;
- d. Describe the extent of government regulation over the services that it provides;
- e. State the location of its corporate office and its actual operations;
- f. State whether it has previously transacted business with Utilities or Water Service; and
- g. State whether it expects to transact business with Utilities or Water Service after the proposed transfer of control.

Response: Corix Water Systems Inc. designs and builds water and wastewater treatment systems. Corix Water Products (GP) Inc. is the general partner in Corix Water Products LP and Corix Control Solutions LP, both of which distribute water products in Western Canada. Corix Water Products (US) Inc. distributes water products in the United States. Corix Infrastructure Inc. owns all of the shares of these companies either directly or indirectly. *See* Exhibit 3 to the Application. None of these companies are regulated by a utility commission. Corporate offices for the Canadian water products operations are in Richmond, British Columbia. Corporate offices for the United States water products operations are in Wauwatosa, Wisconsin. Corix Water Products (US), Inc., currently has no current business with UI or WSCK. Future business between Corix Water Products (US) Inc. and UI or any of its subsidiary companies is possible, but there are no current plans for such business arrangements.

Witness – Steve Lubertozi

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15. Provide the following financial performance measures and ratios for Hydro Star, Corix Infrastructure, and Corix for the most recent reporting quarter and annual or fiscal year:
- a. P/E Ratio (price divided by earnings per share).
  - b. Dividend Yield (dividend yield based on present cash dividend rate).
  - c. Payout Ratio (primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends).
  - d. Quick Ratio (cash plus short-term investments plus accounts receivable, divided by total current liabilities).
  - e. Current Ratio (total current assets divided by total current liabilities).
  - f. Interest Coverage (earnings before interest and taxes divided by interest expense).
  - g. Equity Ratio (total common equity divided by total capitalization).
  - h. Return on Equity (income available to common shareholders divided by common equity).

Responses:

- a. Corix Infrastructure, Corix, and Hydro Star are privately held companies, and no P/E ratio is calculated for these companies.
- b. Corix Infrastructure, Corix, and Hydro Star are privately held companies and do not issue dividends.
- c. Not applicable.
- d. Objection. The information requested is not relevant to this case. Without waiving this objection, detailed financial information for the Corix Group on which the Applicants rely to support their application is contained in the Corix Group's 2011 Financial Statements, which is attached to the Application as Exhibit 5.
- e. Objection. The information requested is not relevant to this case. Without waiving this objection, detailed financial information for the Corix Group on which the Applicants rely to support their application is contained in the Corix Group's 2011 Financial Statements, which is attached to the Application as Exhibit 5.
- f. Objection. The information requested is not relevant to this case. Without waiving this objection, detailed financial information for the Corix Group on which the Applicants rely to support their application is contained in the Corix Group's 2011 Financial Statements, which is attached to the Application as Exhibit 5.
- g. Objection. The information requested is not relevant to this case. Without waiving this objection, detailed financial information for the Corix Group on which the Applicants rely to support their application is contained in the Corix Group's 2011 Financial Statements, which is attached to the Application as Exhibit 5. Further, Corix Infrastructure Inc. operates in a number of business lines in North America related to utility infrastructure and maintains a capital structure that is considered investment grade by its lenders. Corix Infrastructure Inc. will continue to maintain an investment grade credit level following the acquisition of UI. The capital structure and debt rates at Corix Infrastructure Inc. reflect the diverse operations of the business and are not relevant to the transaction or future operations of UI or its subsidiaries. The capital structure and cost of financing at UI and the Regulated Entities will not be affected by the transaction.

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For clarification, when determining the amount of debt employed by Corix Infrastructure Inc., certain of the listed liabilities should be either excluded from the definition of debt or treated as equity. The convertible debentures are a residual interest instrument, treated by the banks as equity but bifurcated between debt and equity for GAAP purposes. In addition, the Contracts Payable are not considered debt for financing purposes, as payments on the Contracts Payable are made through a reduction in the revenue received and in the event of default there is no payment due (see Note 12 of the 2011 audited financial statements).

h. Objection. The information requested is not relevant to this case. Without waiving this objection, detailed financial information for the Corix Group on which the Applicants rely to support their application is contained in the Corix Group's 2011 Financial Statements, which is attached to the Application as Exhibit 5.

Objection – Legal  
Witness – Steve Lubertozi

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16. a. State the current bond and debt ratings for Corix Infrastructure's debt instruments and all debt instruments issued separately by a Corix subsidiary or affiliate. Identify the rating agency or institution.

b. If any rating agency or institution has placed any of the debt instruments on a credit watch or given a similar review that may lead to a change in any rating, identify the debt instrument and the rating agency or institution, and state the reasons for such placement.

Responses:

a. Objection. The information requested is not relevant to this case. Without waiving this objection, detailed financial information for the Corix Group on which the Applicants rely to support their application is contained in the Corix Group's 2011 Financial Statements, which is attached to the Application as Exhibit 5. Without waiving this objection, there are no bond and debt ratings for Corix Infrastructure's debt instruments and all debt instruments issued separately by a Corix subsidiary or affiliate.

b. No rating agency or institution has placed any of the debt instruments on a credit watch or given a similar review that may lead to a change in any rating.

Objection – Legal  
Witness – Steve Lubertozi

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17. State the current bond and/or debt ratings for Hydro Star's debt instruments and all debt instruments that any Hydro Star subsidiary or affiliate has issued separately. Identify the rating agency or institution.

Response: UI is rated by the National Association of Insurance Commissioners and its current designation is a 2.

Witness – Steve Lubertozi

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18. Provide the dividend history of Corix Infrastructure (or any corporate predecessor) since 2005.

Response: Objection. The information sought is not relevant to this case. Without waiving this objection, the Applicants state the following: No dividends have been paid by Corix Infrastructure.

Objection – Legal  
Witness – Steve Lubertozi

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19. Provide the dividend history of each Corix Infrastructure subsidiary and affiliate since 2005.

Response: Objection. The information requested is not relevant to the case pending before the Commission. Any dividends paid by Corix affiliates have been undertaken in accordance with law, and those payments have not fettered the ability of the affiliates to undertake capital projects or carry on their business in the normal course as required.

Witness – Steve Lubertozi

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20. Provide charts showing the stock price activity for Corix Infrastructure (and any corporate predecessor) and Corix (and any corporate predecessor) since 2005 on the applicable stock exchange. Explain the reason(s) for any significant movements in the stock price during the period.

Response: Corix is privately held and does not have a listed stock price.

Witness – Steve Lubertozi



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21. Provide investor ratings of Corix Infrastructure (or its corporate predecessors) and each subsidiary or affiliate since 2005. Identify any of these ratings that are currently under review and state the circumstances of such review.

Response: There are no investor ratings of Corix Infrastructure, its corporate predecessors, or its subsidiaries or affiliates.

Witness – Steve Lubertozi

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22. List each entity or individual that holds five percent or more of Corix Infrastructure's outstanding capital stock as of December 31, 2011, and state the percentage of capital stock held by that entity or individual.

Response:	BC Investment Management Corporation (bcIMC):	42%
	CAI Capital:	42%

The remaining 16% of the share interests in Corix Infrastructure are held by other investors who individually have less than a 5% share interest.

bcIMC and CAI have recently entered into an agreement pursuant to which bcIMC will acquire CAI's entire ownership interest. Upon completion of that transfer bcIMC will have an approximately 84% ownership interest in Corix Infrastructure Inc.

Witness – Steve Lubertozzi