

Case No. 2022-00396
Joint Applicants
Response to Commission Staff's First Request for Information

Commission Staff 1-1:

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

Response: Confirmed.

Witness: Steve Lubertozi

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Commission Staff 1-2:

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

Response: Corix US has not performed a cost-benefit analysis related to the merger that quantifies the financial benefits to the customers of Water Service Corporation of Kentucky. As noted on page 15 of Mr. Lubertozi's testimony, while "the Proposed Transaction is not driven by synergies, we anticipate that the business combination will improve efficiency and the integration of administrative and general functions should eventually result in cost savings. Yet, the integration of CII's water, wastewater, and related businesses with SouthWest's water and wastewater business will be a significant, prolonged undertaking. We anticipate that integration will lead, over time, to additional efficiencies and reduced operating costs in various functional areas. We expect that the costs and benefits of integration will be addressed in future-making proceedings and our utility customers will benefit from even more efficient operations."

Witness: Steve Lubertozi

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Commission Staff 1-3:

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

Response: Currently, WSCK is 100% equity financed; it is anticipated that it will continue to be 100% equity financed at closing. As of December 31, 2021, Corix Infrastructure (US) Inc. was financed by 40% equity. SWMAC will merge with and into Corix Infrastructure (US) Inc., with Corix Infrastructure (US) Inc. being the surviving entity; therefore, SWMAC will not have a post-transaction capital structure because it will cease to exist and thus no comparison has been made. Due to the nature of the Proposed Transaction and the fact that closing is not anticipated to occur until late 2023, it is unknown what Corix Infrastructure (US) Inc.'s capital structure will be following completion of the Proposed Transaction.

The Joint Applicants retained Ellen Lapson to assess the impact of the transaction on the combined company's access to capital. Per the testimony of Ellen Lapson, the Proposed Transaction will have a favorable financial impact upon WSCK and its customers by enhancing WSCK's access to capital. As an indirect subsidiary of Intermediate Newco¹, WSCK will have access to equity capital funding superior to that which it now has as an indirect subsidiary of Corix Infrastructure Inc. and direct subsidiary of Corix Regulated Utilities (US) Inc., and Intermediate Newco will have superior capability to supply equity capital to WSCK for WSCK's

¹ Please see Application Appendix A, Page 7 of 8, Combined Company – Simplified Post-Closing organization structure. Intermediate Newco will indirectly own all of the utility operating subsidiaries comprising the CII water, wastewater, and related businesses, as well as the SWMAC water and wastewater businesses.

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future capital improvements. The Joint Applicants prepared pro-forma, or notional financial statements comparing, among other things, the balance sheet of the Corix water business with the SouthWest water business as of December 31, 2021, with the combined water businesses, or "Intermediate Newco", as of the same date. The comparative balance sheet is contained in attachment Commission Staff 1-3 Combined Financial Statements.

As mentioned above, it is anticipated that the Proposed Transaction will have a positive impact on WSCK's access to capital.

Witness: Steve Lubertozi, Brian Bahr

Combined Company
Consolidated Pro-Forma Statements of Operations
Year Ended December 31, 2021
(In thousands)

	<u>Corix US</u>	<u>SWW</u>	<u>Combined</u>
Operating revenues	\$ 273,988	\$ 248,906	\$ 522,894
Operating expenses:			
Operations and maintenance	170,398	150,895	321,293
Other operating gain, net	-	(7,736)	(7,736)
Depreciation and amortization	37,000	36,994	73,994
Taxes other than income taxes	15,259	10,202	25,461
Total	<u>222,657</u>	<u>190,355</u>	<u>413,012</u>
Operating income	51,331	58,551	109,882
Non-operating expense (income):			
Interest expense, net	25,614	26,522	52,136
Allowance for funds used during construction	(1,957)	-	(1,957)
Gain on sale of assets	(596)	-	(596)
Other non-operating income	(358)	-	(358)
Total	<u>22,703</u>	<u>26,522</u>	<u>49,225</u>
Income before taxes	28,628	32,029	60,657
Provision for income taxes	4,363	8,367	12,730
Net income	<u>\$ 24,265</u>	<u>\$ 23,662</u>	<u>\$ 47,927</u>

Combined Company
Consolidated Pro-Forma Balance Sheets
Year Ended December 31, 2021
 (In thousands)

	<u>Corix US</u>	<u>SWW</u>	<u>Combined</u>
Property, plant, and equipment, net:			
Property, plant, and equipment, at cost	\$ 1,624,613	\$ 1,092,588	\$ 2,717,201
Less accumulated depreciation	512,540	324,248	836,788
Total	1,112,073	768,340	1,880,413
Current assets:			
Cash and cash equivalents	2,677	69	2,746
Accounts receivable, net	22,901	12,749	35,650
Unbilled revenues	16,186	13,848	30,034
Prepayments and other assets	11,014	20,892	31,906
Total	52,778	47,558	100,336
Regulatory and other non-current assets:			
Regulatory assets and deferred charges	43,830	39,911	83,741
Goodwill	26,541	484,071	510,612
Intangible assets	35,217	57,305	92,522
Other assets	14,895	16,086	30,981
Total	120,483	597,373	717,856
Total assets	\$ 1,285,334	\$ 1,413,271	\$ 2,698,605
Shareholder's equity	\$ 269,930	\$ 455,818	\$ 725,748
Long-term debt	549,012	660,226	1,209,238
Current liabilities:			
Current portion of long-term debt	27,788	11,298	39,086
Accounts payable	11,670	21,201	32,871
Customer deposits	3,039	1,884	4,923
Accrued taxes	12,401	7,944	20,345
Accrued interest	6,367	6,139	12,506
Other accrued liabilities	24,111	24,813	48,924
Total	85,376	73,279	158,655
Deferred credits and other liabilities:			
Deferred income taxes	71,653	41,202	112,855
Regulatory liabilities	33,425	13,515	46,940
Due to affiliated companies	12,694	8,929	21,623
Other liabilities and deferred credits	20,282	19,733	40,015
Total	138,054	83,379	221,433
Contributions in aid of construction	241,684	119,532	361,216
Advances in aid of construction	1,278	21,037	22,315
Total equity and liabilities	\$ 1,285,334	\$ 1,413,271	\$ 2,698,605

Combined Company
Consolidated Pro Forma Statements of Cash Flows
Year Ended December 31, 2021
(In thousands)

	Corix	SWW	Combined
Cash flows from operating activities:			
Net income	\$ 24,265	\$ 23,662	\$ 47,927
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	37,079	36,994	74,073
Deferred income taxes	678	9,127	9,805
Provision for uncollectible receivables	1,997	1,438	3,435
Amortization of debt acquisition costs	255	1,138	1,393
Allowance for funds used during construction-equity	(968)	-	(968)
(Gain) loss on sale of assets	(596)	(2,315)	(2,911)
Other, net	3,777	90	3,867
Changes in assets and liabilities:			
Accounts receivable, net	(4,089)	(3,119)	(7,208)
Prepayments and other assets	(282)	(3,673)	(3,955)
Accounts payable and accrued liabilities	8	424	432
Other assets and liabilities, net	599	(1,730)	(1,131)
Net cash provided by operating activities	62,723	62,036	124,759
Cash flows from investing activities:			
Capital expenditures	(107,196)	(76,202)	(183,398)
Software implementation costs	(554)	-	(554)
Acquisitions	(672)	(32,003)	(32,675)
Proceeds from the sale of assets	1,644	1,536	3,180
Net cash used in investing activities	(106,778)	(106,669)	(213,447)
Cash flows from financing activities:			
Contributions and advances in aid of construction	10,151	5,525	15,676
Dividends to Parent	-	(85,000)	(85,000)
Dividends to noncontrolling interest	-	(977)	(977)
Contribution from Parent	14,000	44,100	58,100
Borrowings under revolving credit facility	76,000	162,549	238,549
Repayments of revolving credit facility	(67,000)	(81,874)	(148,874)
Borrowings under term notes	9,000	-	9,000
Debt issuance costs	-	(773)	(773)
Payment on capital lease obligations	(343)	(214)	(557)
Repayments of term notes	(9,759)	(3,241)	(13,000)
Net cash provided by financing activities	32,049	40,095	72,144
Net decrease in cash and cash equivalents	(12,006)	(4,538)	(16,544)
Cash and cash equivalents at beginning of year	14,683	4,607	19,290
Cash, cash equivalents, and restricted cash at end of year	\$ 2,677	\$ 69	\$ 2,746

Combined Company
Notes to Combined Pro-Forma Financial Statements
Year Ended December 31, 2021

1. The combined company pro-forma financial statements include the following:

The audited financial statements of:

Southwest Water Company
Corix Regulated Utilities (US) Inc.
Fairbanks Sewer & Water Inc.

Note that certain line items of the various financial statements have been reclassified for consistency in presentation.

The unaudited financial statements of:

West Shore Environmental Services LP
Corix Utilities (Foothills Water) Inc.
Corix Utilities (Foothills Wastewater) Inc.

The unaudited carveout financial statements of the Canadian regulated entities.

2. The combined company pro-forma financial statements exclude Gillem Enclave, which is included in the merger, but is not material.
3. The combined company pro-forma financial statements exclude goodwill of \$164.1 million related to Corix Infrastructure (US) Inc.'s acquisition of Corix Regulated Utilities (US) Inc.
4. The Corix Infrastructure (US) Inc. pro-forma financial statements include \$185.9 million of implied debt at an interest rate of 3.23%
5. Excludes any potential purchase accounting adjustments upon merger.

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Commission Staff 1-4:

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

Response: The filing of the next WSCK rate case depends partly on the result of pending Case No. 2022-00147. The decision on the timing of the next WSCK rate case will not depend on the Proposed Transaction.

Witness: Steve Lubertozi

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Commission Staff 1-5:

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

- a. P/E Ratio (price divided by earnings per share).
- b. Dividend Yield (dividend yield based on present cash dividend rate).
- c. Payout Ratio (primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends).
- d. Quick Ratio (cash plus short-term investments plus accounts receivable, divided by total current liabilities).
- e. Current Ratio (total current assets divided by total current liabilities).
- f. Interest Coverage (earnings before interest and taxes divided by interest expense).
- g. Equity Ratio (total common equity divided by total capitalization).
- h. Return on Equity (income available to common shareholders divided by common equity).

Response: Please see below, per WSCK's 2021 Annual Report. WSCK is the only utility party to the proposed merger who is an Applicant.

- a. N/A, no earnings per share or share price data available
- b. N/A, no cash dividend paid
- c. N/A, no cash dividend paid
- d. 0.22751
- e. 0.26801
- f. 0.39619

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g. 100%

h. -6.194%

Witness: Steve Lubertozzi

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Commission Staff 1-6:

Describe how the Joint Applicants will ensure against:

- a. The cross-subsidization of non-regulated activities by Water Service Kentucky.
- b. Adjustments of Water Service Kentucky's capital structure in a manner that could adversely affect Water Service Kentucky's cost of capital and financial integrity.
- c. A failed or failing unregulated affiliate adversely affecting Water Service's operating and financial condition.

Response: The Commission will continue to have the ability to ensure proper allocation of costs to WSCK customers, consistent with KRS 278.2201 through 278.2207. Please note WSCK's capital structure is 100% equity financed. As noted in the testimony of Mr. Bahr, pages 8-9, the Joint Application contains commitments designed to protect customers. These include a commitment that:

- "Without the Public Service Commission of Kentucky's ("Commission") prior approval, WSCK will not guarantee any debt or credit instrument of Intermediate Newco or any affiliate of WSCK.
- The proceeds of any debt incurred by WSCK will only be used for purposes specific to their system or operations.
- Unless it first obtains the Commission's approval, WSCK will not transfer any material assets to Intermediate Newco or an affiliate except in an arm's length transaction and in compliance with the laws of Kentucky.
- The combined business will be established with a target investment grade capital structure profile and operated in a way that is consistent with maintaining an investment grade profile...
- [WSCK will] . . . present any new or amended affiliated interest agreement to the Commission for approval pursuant to KRS 278.2207 when required."

Witness: Steve Lubertozi, Brian Bahr

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Commission Staff 1-7:

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

- a. Corix Infrastructure Inc. (CII).
- b. IIF Subway.
- c. SouthWest.

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.” *See Kentucky American Water Co.*, Case No. 2002-00018 at 12 (Ky. PSC May 30, 2002). Accordingly, the information requested is not relevant to the Commission’s determination. Notwithstanding this objection, the Joint Applicants state as follows: The Joint Applicants herein are fully committed to providing relevant information so that the Commission can make a 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.

Witness: Legal counsel, Steve Lubertozzi, Brian Bahr

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Commission Staff 1-8:

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

Response: Please see below the goals of each of the Joint Applicants.

WSCK: While a Joint Applicant, WSCK is not a party to the Proposed Transaction and did not enter into the Transaction Agreement with specific financial goals. As explained in the testimony of Mr. Lubertozzi and Mr. Kersey, as well as the Application, it is anticipated that WSCK customers will benefit from the Proposed Transaction through, among other things, the increased scale of the combined company, the combined company's access to debt and equity capital, and sharing of prudent practices.

Generally, SWMAC and Corix US entered into the Proposed Transaction because SouthWest and the Corix Water Business share common missions and values centered on safety, environmental stewardship, integrity, employee empowerment, and service excellence. These commonalities provide an opportunity for operational improvement that follows from the sharing of experience, knowledge, prudent operating practices and resources. The sharing of experience, knowledge and prudent practices should yield numerous benefits for the customers of the combined company's operating utilities. Likewise, the sharing of resources should enhance operational resilience and increase recovery abilities in response to natural and man-made disasters. In short, the Proposed Transaction creates a larger platform company focused on the water and wastewater business, with like-minded sponsors who can support the investments necessary to ensure the delivery of safe, reliable and sustainable services in an evolving industry.

Witness: Steve Lubertozzi, Brian Bahr

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Commission Staff 1-9:

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

- a. The total cost incurred as of the date of this request of information by Corix US.
- b. The total cost incurred as of the date of this request of information by SWMAC.
- c. The current estimated total cost of the corporate reorganization to be borne by Corix US.
- d. The current estimated total cost of the corporate reorganization to be borne by SWMAC.

Response:

Objection. As noted in the Application, paragraph 32, commitment c): “The Joint Applicants have incurred and will incur transaction costs. The Joint Applicants will not seek to recover transaction costs from customers.” (Emphasis added.) Because the Joint Applicants will not seek recovery of transaction costs from customers, the actual and estimated transaction costs are not relevant to the Commission’s determination.

Notwithstanding this commitment, no transaction costs are estimated to be incurred by Water Service Corporation of Kentucky. In early December 2022, the parties to the Transaction Agreement estimated [REDACTED] in transaction costs attributable to the Proposed Transaction. The Joint Applicants will supplement this response once their respective books close for December 2022 to provide updated costs incurred to date.

Witness: Steve Lubertozi, Brian Bahr

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Commission Staff 1-10:

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

- a. List all of current employees located in Kentucky by name and business address.
- b. Describe the current job duties of each Kentucky employee. Explain if these job duties will change after the proposed reorganization and describe any anticipated changes.
- c. Provide which of these employees will continue to work for Joint Applicants after the proposed transfer/merger is completed.

Response: Please see attached file Commission Staff 1-10 Kentucky Employees. As noted in the testimony of Mr. Kersey, pages 5 and 9:

Page 5: "Customers in Middlesboro and Clinton will continue to be served by a team of passionate, dedicated employees and leaders with local responsibility and accountability.

WSCK will continue to provide safe and reliable water service to its customers. WSCK will maintain employees, offices, and facilities consistent with its obligation to serve customers and intends to maintain a local presence."

Page 9: "WSCK will continue to focus on providing high-quality water service to its customers while maintaining a strong local presence in Kentucky in terms of employees, facilities, offices, and community support. WSCK also reiterates its commitments to refrain from any involuntary reductions in force related to the combination for the first 12 months after the Proposed Transaction closes."

Witness: Justin Kersey

Name	Position	Business Address	Job Duties	Will job duties change?	Anticipated change in employer post-merger?
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		100 E. Jackson Street, Clinton, KY 42031	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No
		102 Water Plant Road, Middlesboro, KY 40965	See next tab	No	No

Redacted Pursuant to
 Petition for
 Confidential Treatment

Water Service Corporation of Kentucky
Employee Details
PSC DR 1-10
Docket No. 2022-00396

Position	Job Duties
Field Tech I and II	<p>Reads water meters around the system work CSR work orders and assist in all daily operations and maintenance around the distribution/ collection system.</p> <ul style="list-style-type: none"> - Reads between 200 and 1200 meters per day and records volume used by residential and commercial customers. - Determines consistency of meter readings; reports unusual cases to supervisor. - Inspects meters and connections for defects damage and unauthorized connections; ensures meters are registering properly. - Indicates irregularities on forms for necessary action by servicing department. - Documents customer interaction and field activities in CC&B. - Turns off service for nonpayment of charges in vacant premises or on for new occupants
Operations Apprentice	<p>GPS various assets around the systems. Begin to learn GIS system. Assists with the coordination of the operating activities of the department. Performs a variety of administrative tasks in support of the Operations Manager. Helps in the development and implementation of the organization's policies practices procedures business plans and attainment of operating goals.</p>
Lead Water-Wastewater Operator	<p>The Direct report for all other operators techs as well as state inspectors. Is responsible for all compliance testing and monitoring. Has the authority to make decisions in the daily operations of the water /wastewater treatment plants and collections/ distribution systems. Holds and maintain the maximum level of certifications needed to be the responsible person in charge.</p>
State Operations Manager	<p>Oversee all daily operations of the water and/or wastewater treatment facilities and all operations of the distribution/ collections system. Sees that all facilities maintain safety and compliance. As well as the responsible person for budgetary spending and all improvement and maintenance projects.</p> <ul style="list-style-type: none"> - Supervises directs and evaluates assigned staff processing employee concerns and problems directing work counseling disciplining and completing employee performance appraisals. - Coordinates assigns and reviews work and establishes work schedules; maintains standards; monitors status of work in progress; inspects completed work assignments; answers questions; gives advice and direction as needed. - Develops and implements plant policies and procedures to ensure compliance with applicable regulations. - Determines financial needs for upcoming year prepares expenditure requirements analyzes the budget prepares cost allocations and reviews expense reports to ensure availability of sufficient funds. - Develops and implements purchasing policies and procedures reviews purchases to ensure compliance with policies and procedures develops purchase specifications and serves as liaison between department staff and vendors. - Oversees the preparation of requisitions and purchase orders approves payment vouchers and coordinates financial reporting and other functions. - Develops internal control policies conducts operational audits and collects information for inclusion in department reports
Water-Wastewater Operator I	<p>Person directly responsible for the daily operation maintenance and compliance of the water and/or wastewater treatment plants and the collection/ distributions system. But does not yet have an operator certification licenses capable of being the sole operator in charge.</p> <ul style="list-style-type: none"> - Operate and maintain water and/or wastewater treatment equipment ensuring compliance with state and federal environmental protection limits. and adherence to Company policies and standards. - Conduct ongoing repairs to equipment or shut down equipment for more extensive maintenance and repair activating alternate equipment as needed. Requests services of outside maintenance vendor for major repairs and overhauls. - Assist Lead Operator with emergency procedures in the event of overflow or spill of chemicals or unpurified water. Follows safety protocol. - Prepare reports and maintain logs on meter readings tests chemical and equipment usage and all other recordkeeping requirements; maintains various Company records and other reports as required by the state. - Clean and maintain treatment plant pumping stations and wells; prepare and paint equipment walls and floors. - Maintain a safe working environment and report safety concerns to Area Manager. - Complete facility and vehicle inspections along with related to low-up. - Forward customer inquiries on to Operator II or Lead Operator. - Perform other related duties as assigned.
Water-Wastewater Operator II	<p>Person directly responsible for the daily operation and compliance of the water and/or wastewater treatment plants and the collection/ distributions system. But does have an operator certification licenses capable of being the sole operator in charge of a given shift.</p> <ul style="list-style-type: none"> - Operates and maintains water and/or wastewater treatment equipment ensuring compliance with state and federal environmental protection limits. - Monitors and samples well and groundwater upon entry to the system. Adjusts treatment levels when below-standard variances are detected. Samples water prior to exiting system. - Detects and reports atypical conditions such as: damaged malfunctioning and tampered meters detecting and reporting leaks high/low consumption exposed wiring and other safety hazards. - Conducts ongoing repairs to equipment or shuts down equipment for more extensive maintenance and repair activating alternate equipment as needed. Requests services of outside maintenance vendor for major repairs and overhauls. - Activates pumps valves and other processing equipment to move water through various treatment processes. Disposes of waste materials removed from water in line with Company procedures and government controls. - Assists Lead Operator with emergency procedures in the event of overflow or spill of chemicals or unpurified water. Follows safety protocol. - Adds chemicals to water by predetermined formula. Advises Lead Operator when minimum inventory levels of these materials have been reached. - Reads and interprets meters and gauges on central control panel or at individual machines or stages in the treatment process. Adjusts controls as needed. Retrieves computer reports on treatment process. - Prepares reports and maintains logs on meter readings tests chemical and equipment usage and all other recordkeeping requirements; maintains various Company records and other reports as required by the state. - Back-washes filters and basins; handles chlorine in a safe effective manner; assures proper working order of chlorine-related equipment. - Cleans and maintains treatment plant pumping stations and wells; prepares and paints equipment walls and floors. - Ensures regulatory compliance and adherence to Company policies and standards. - Maintains a safe working environment and reports safety concerns to Area Manager.

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Commission Staff 1-11:

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

Response: Understanding “financial advisors” to mean the Joint Applicants’ investment bankers that represented the parties (as opposed to, e.g., accounting firms who provided accounting, tax, and other advice), Joint Applicants provide the following:

- A. Board Update, Project Stingray dated June 16, 2022 (Strictly Private and Confidential – Corix Parties Only) prepared by RBC Capital Markets, LLC (“RBC”) (privileged information redacted)
- B. Board Update, Project Stingray dated August 10, 2022 (Strictly Private and Confidential – Corix Parties Only), also prepared by RBC (privileged information redacted)
- C. Project Victor SWWC Board Discussion, dated April 29, 2022 (Strictly Private and Confidential – SWMAC Only), prepared by CIBC.

Witness: Steve Lubertozzi, Brian Bahr

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Commission Staff 1-12:

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

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

Response:

1. Water Service Corporation of Kentucky
 - a. Board Members

Table 1

Member Name	Member Occupation ²	Tenure Start
Catherine Edwards	Chief Operating Officer, Corix Infrastructure Inc.	November 19, 2019
Mario Alonso	Chief Financial Officer, Corix Infrastructure Inc.	December 31, 2021

- b. See Table 1, above.
- c. The directors of WSCK are elected by WSCK's shareholder, Corix Regulated Utilities (US) Inc. As a matter of corporate governance, WSCK's by-laws do not

² Copies of Ms. Edward's and Mr. Alonso's professional biographies can be found here. <https://www.corix.com/about-corix/executive-leadership-team>.

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require that directors be shareholders. As a matter of practice, WSCK is an indirect, wholly owned subsidiary of Corix Infrastructure Inc. Corix Infrastructure Inc. authorizes the Corporate Secretary of Corix Infrastructure Inc. to vote shares (or take other appropriate action) to elect directors of its wholly owned subsidiaries and the directors of Corix Infrastructure Inc.'s subsidiaries are selected based on their position with Corix Infrastructure Inc.

- d. A director of WSCK is elected "to hold office until [the director's] successor is elected and qualified or until [the director's] death, resignation or removal." As a matter of practice, directors are elected annually at the annual meeting of WSCK's shareholder or by unanimous written consent.

2. Corix Infrastructure (US) Inc.

- a. Board Members

Table 2

Member Name	Member Occupation³	Tenure Start
Lisa Sparrow	Chief Executive Officer, Corix Infrastructure Inc.	July 1, 2019
Mario Alonso	Chief Financial Officer, Corix Infrastructure Inc.	December 31, 2021

- b. See Table 2, above
- c. The directors of Corix Infrastructure (US) Inc are elected by its shareholder, Corix Infrastructure Inc. As a matter of corporate governance, Corix Infrastructure (US) Inc.'s by-laws do not require that directors be shareholders.

³ Copies of Ms. Sparrow's and Mr. Alonso's professional biographies can be found here <https://www.corix.com/about-corix/executive-leadership-team>.

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Corix Infrastructure Inc. authorizes the Corporate Secretary of Corix Infrastructure Inc. to vote shares (or take other appropriate action) to elect directors of its wholly owned subsidiaries. Corix Infrastructure (US) Inc.’s directors are selected based on their position with Corix Infrastructure Inc.

- d. Each director of Corix Infrastructure US is elected “to hold office until his or her successor is elected or until his or her earlier death, resignation or removal.” As a matter of practice, directors are elected annually at the annual meeting of Corix Infrastructure (US) Inc.’s shareholder or by unanimous written consent.

3. SWMAC

- a. Board Members

Table 3

Member Name	Member Occupation⁴	Tenure Start
Art Beattie	Retired Utility Executive	10/1/2020
Sherina Maye Edwards	Former Chief Strategy Officer, MasTec	2/21/2019
Peter Kind	Utility Consultant	8/5/2014
Hai-Gi Li	Managing Director, Infrastructure Investments Group	2/26/2015
Robert MacLean	CEO/President, SWMAC CEO/President, SouthWest Water Company	8/9/2018
Hilda Pinnix-Ragland	Retired Utility Executive	4/1/2020
Karen Plessinger	Utility Consultant	11/19/2014

⁴ Additional details regarding the directors’ backgrounds can be found at SouthWest Water Company’s website at <https://www.swwc.com/board-of-directors/>

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Michael Quinn	Former CEO, SouthWest Water Company	1/4/2019
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- b. See Table 3, above.
- c. The directors of SWMAC are elected by its shareholders. SWMAC's bylaws do not include any eligibility requirements for candidates to SWMAC's board.
- d. Mr. MacLean and Mr. Li are the management and shareholder representatives on the board, respectively, and each serves as a director until their death, resignation, or removal. All other directors' terms continue until the earlier of their individual renewable 3-year terms or their death, resignation, or removal.

Witness: Steve Lubertozzi, Brian Bahr

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Commission Staff 1-13:

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

Response: Please see attached Zip file Commission Staff 1-13 - Merger Filings.zip

Witness: Steve Lubertozi, Brian Bahr

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Commission Staff 1-14:

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

Response:

WSCK agrees to provide, within 60 days after the Proposed Transaction closes, the journal entries that reflect the impact of the transfer/merger on its books and records, if there are any such entries. Due to the nature of the Proposed Transaction and the fact that closing is not anticipated to be complete until late 2023, the Joint Applicants are unable at this time to estimate the journal entries that will be recorded on their books.

Witness: Steve Lubertozi, Brian Bahr

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Commission Staff 1-15:

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

Response: The Joint Applicants respectfully disagree with the foundation of this question which seemingly presumes that the “public interest” standard can only be met in the form of reduced rates. The Commission has articulated in prior cases that this standard can be met by demonstrating that the proposed transfer will not adversely affect the existing level of service or rates, or that any potentially adverse effects can be mitigated by the imposition of reasonable conditions. *See Kentucky-American Water Co.*, Case No. 2002-00018 at 9 (Ky. PSC July 10, 2002). Moreover, the Commission has recognized that most transfer-of-control applicants would not be able to demonstrate immediate or readily quantifiable public benefits, and yet still demonstrate that the transfer is within the public interest.

Notwithstanding the above, as noted in the testimony of Mr. Lubertozi, pages 17-18: “The Proposed Transaction will not adversely impact competition, employment, or WSCK’s quality of service. In fact, the consummation of the Proposed Transaction should provide a positive benefit by improving service over time due to the sharing of industry expertise and prudent practices between CII and SouthWest. In addition, the combined financial resources of CII and SouthWest will facilitate needed utility infrastructure investments. Further, the Proposed Transaction will have no immediate impact on WSCK’s rates. As future rate cases are processed, reductions in board governance positions and costs, senior executive positions and costs, and other functional areas will be allocated to our local operating utilities and reflected in those utilities’ rates.

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WSCK will continue to be locally managed, with local employees, offices and facilities consistent with its obligations to serve customers.”

Witness: Legal / Steve Lubertozi

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Commission Staff 1-16:

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

Response: The Proposed Transaction takes place well above the WSCK level and does not involve a transfer of WSCK assets, and SouthWest does not have any operations in Kentucky. However, please see the testimony of Mr. Kersey, pages 7-9, describing operational benefits to WSCK that are anticipated to be produced from the Proposed Transaction. This merger of equals brings together two highly complementary businesses to create new opportunities for the Company – and its employees. For example, with SouthWest Water, Corix US will have increased scale and an enhanced financial foundation to make important long-term investments required to continue to grow and provide water and wastewater services in communities like Middlesboro and Clinton. The Company expects even more career opportunities and experiences for employees as part of a larger, stronger, and more resilient organization. Also, the combined company will refrain from any involuntary reductions in force related to the combination for the first 12 months after the Proposed Transaction closes.

Witness: Steve Lubertozzi, Justin Kersey

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION BY WATER SERVICE)
CORPORATION OF KENTUCKY,)
ALONG WITH CORIX)
INFRASTRUCTURE (US) INC. AND)
SW MERGER ACQUISITION CORP.,)
FOR APPROVAL OF TRANSFER OF)
CONTROL AND ESTABLISHMENT)
OF A REGULATORY ASSET)

Case No. 2022-00396

CERTIFICATION OF RESPONSES

This is to certify that I have supervised the preparation of Water Service Corporation's and Corix Infrastructure (US) Inc.'s responses to the Commission Staff's Initial Requests for Information and that the responses are true and accurate to the best of my knowledge, information, and belief after reasonable inquiry.

January 12, 2023

Date



Steven M. Lubertozi

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:


APPLICATION BY WATER SERVICE)
CORPORATION OF KENTUCKY,)
ALONG WITH CORIX)
INFRASTRUCTURE (US) INC. AND)
SW MERGER ACQUISITION CORP.,)
FOR APPROVAL OF TRANSFER OF)
CONTROL AND ESTABLISHMENT)
OF A REGULATORY ASSET)

Case No. 2022-00396

CERTIFICATION OF RESPONSES

This is to certify that I have supervised the preparation of Water Service Corporation's and SW Merger Acquisition Corp. responses to the Commission Staff's Initial Requests for Information and that the responses are true and accurate to the best of my knowledge, information, and belief after reasonable inquiry.

Jan 12, 2023
Date


Brian Bahr