

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 21, 2012

IN RE:

**PETITION FOR AUTHORITY TO TRANSFER CONTROL
OF UTILITIES, INC. TO CORIX UTILITIES (ILLINOIS)
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**DOCKET NO.
12-00033**

ORDER APPROVING *PETITION*

This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA"), at a regularly scheduled Authority Conference held on June 7, 2012 for consideration of the *Petition for Authority to Transfer Control of Utilities, Inc. to Corix Utilities (Illinois) LLC* ("*Petition*") filed on April 13, 2012 by Corix Utilities (Illinois) LLC, ("Corix" or "Petitioner"). The *Petition* seeks approval of its acquisition of 100% membership interests in Hydro Star, LLC ("Hydro Star") from Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors ("Highstar") and transfer control of Utilities, Inc. ("UI") to Corix Utilities.

Corix is a limited liability company organized under the laws of Delaware. Corix is a wholly-owned, indirect subsidiary of Corix Infrastructure, Inc., together with certain of its affiliates (collectively the "Corix Group"), engaged in the business of water, wastewater, and energy utilities and utility related products and services in fourteen states.

Hydro Star, through its wholly-owned subsidiary Hydro Star Holdings Corporation, owns 100% of the issued and outstanding common stock of UI. UI is a holding company for approximately seventy-six subsidiary operating companies that provide water and/or wastewater services to approximately 290,000 customer equivalents in fifteen states. UI provides wastewater service to the Chalet Village Subdivision in Sevier County, Tennessee, through its wholly-owned subsidiary Tennessee Water Service, Inc. ("TWS"). Currently, TWS has approximately 500 water

customers in Tennessee and provides water services pursuant to a Certificate of Public Convenience and Necessity granted by the Tennessee Public Service Commission in January 1984 in Docket No. U-83-7240.

THE PETITION

On February 17, 2012, Corix and Highstar entered into a Purchase and Sale Agreement ("Agreement") pursuant to which Corix will acquire 100% of the membership interests in Hydro Star from Highstar. After the transfer of control of Hydro Star, TWS will continue to operate as it has in the past, using the same name, tariff, and operating authority. TWS will remain a wholly-owned subsidiary of UI. The management and operational staff will remain unchanged.

The proposed transaction does not involve the assignment of any authorizations or the transfer of any customers between Hydro Star and Highstar. TWS will continue to provide service to its existing customers under its existing name and pursuant to its existing authorizations, with no change in the rates or terms and conditions of service as a result of the merger. The transfer of control of Hydro Star will be transparent and have no adverse impact upon TWS customers.

FINDINGS AND CONCLUSIONS

Tenn. Code Ann. § 65-4-113(a) (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services and provides:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, which in pertinent part, states as follows:


Upon application for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

Based on the filings in this docket, the panel found that the proposed transaction does not involve the assignment of any authorization or the transfer of any customers because TWS will continue to provide services to its existing customers under its existing name pursuant to its existing authorizations. Also, there will be no change in rates or terms and conditions of service as a result of the merger, and the proposed transfer of control will be transparent to customers. Further, the *Petition* states the acquisition is in the public interest and will not adversely affect the ability of TWS to provide water service to its customers and the effect of the acquisition will be positive and benefit TWS customers because it will provide them with additional financial, technical and managerial resources that will enhance the ability of TWS to grow and meet its service obligations. Thereafter, based on the filings in the record and the aforementioned findings, the panel voted unanimously to approve the *Petition* pursuant to Tenn. Code Ann. § 65-4-113.

IT IS THEREFORE ORDERED THAT:

The *Petition* of Corix Utilities (Illinois) LLC is approved pursuant to Tenn. Code Ann. § 65-4-113.


Kenneth C. Hill, Chairman


Sara Kyle, Director

 6/08/12
Mary W. Freeman, Director