



July 16, 2012

HAND DELIVERY

Ann Cole, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

claim of confidentiality  
 notice of intent  
 request for confidentiality  
 filed by OPC

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COMMISSION  
CLERK

RE: Docket No. 120084-WS; Application of Utilities, Inc., for Authority for Transfer of  
Majority Organizational Control of Hydro Star, LLC to Corix Utilities (Illinois) LLC  
Our File No.: 30057.204

Dear Ms. Cole:

This correspondence is in response to Ralph Jaeger's June 11, 2012, letter requesting that Utilities, Inc., withdraw its request for confidential classification filed May 30, 2012, and re-file it after a consideration of documents that have been filed in other jurisdictions, and a re-evaluation of the Notes to the Consolidated Financial Statement. Utilities, Inc., files this response withdrawing its prior request for confidential classification and requests the return of the documents filed therewith.

Utilities, Inc., submits, subject to the enclosed Request For Confidential Classification with Justification Matrix, the following documents in response to Staff's May 11, 2012, deficiency letter and data request:

1. Consolidated Financial Statements of Corix Infrastructure, Inc.;
2. Corix Infrastructure, Inc. Organizational Charts (for which confidential classification is not requested);
3. Purchase and Sale Agreement; and
4. Disclosure Schedule.

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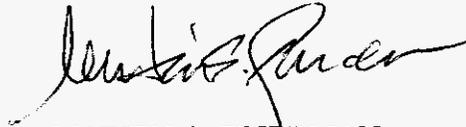
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Ann Cole, Commission Clerk  
Office of Commission Clerk  
Florida Public Service Commission  
July 16, 2012  
Page 2

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Thank you for your consideration, and please do not hesitate to contact me should Staff require any additional information.

Very truly yours,



MARTIN S. FRIEDMAN  
For the Firm

MSF/mp  
Enclosures

cc: Mr. Steve Lubertozi (via email) (w/o confidential documents)  
Ralph Jaeger, Esquire (via e-mail) (w/o confidential documents)  
Ms. Patti Daniel (via e-mail) (w/o confidential documents)  
Ms. Pat Brady (via email) (w/o confidential documents)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of UTILITIES, INC., for  
authority to transfer majority organizational  
control of HYDRO STAR, LLC to CORIX  
UTILITIES (ILLINOIS) LLC.

Docket No. 120084-WS

**UTILITIES, INC.'S REVISED**  
**REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Applicant, UTILITIES, INC. (the "Utility"), by and through its undersigned counsel, files this Request for Confidential Classification in relation to documents submitted with the Utility's response to Staff's Deficiency Letter and Data Request, dated May 11, 2012, Item Nos. 1 and 2.

1. Pursuant to Section 367.156, Florida Statutes, this Commission has the authority to classify certain material as proprietary confidential business information. This classification exempts the material from public disclosure under Section 119.07(1), Florida Statutes.

2. The Utility requests that certain information provided to Staff in connection with its response to Staff's Deficiency Letter and Data Request dated May 11, 2012 be classified as proprietary confidential business information pursuant to Section 367.156(2), Florida Statutes, and Rule 25-22.06, Florida Administrative Code (the "Confidential Information"). If this request is granted, then the subject portions of said response will be exempt from Section 119.07(1), Florida Statutes. Attached hereto as Exhibit "A" is a Justification Matrix providing a justification for the Utility's request. The information is enclosed herein in highlighted format on CD and redacted format on CD.

3. The information produced in response to Staff's Deficiency Letter dated May 11, 2012, Item No. 1 is the Consolidated Financial Statement of Corix Infrastructure Inc, is intended to be and is treated by Corix Infrastructure Inc. as private and confidential and has not been disclosed externally and has been strictly controlled internally.

DOCUMENT NUMBER-DATE

04694 JUL 16 2012

FPSC-COMMISSION CLERK

4. The information produced in response to Staff's Data Request dated May 11, 2012, Item No. 2 is the Purchase and Sale Agreement. This information should be classified as proprietary confidential business information because its disclosure would impair the competitive interests of the Utility and the parties to the Agreement, as more fully set forth in the Justification Matrix attached.

WHEREFORE, UTILITIES, INC. prays for confidential treatment and the entry of the protective order that is consistent with this Motion.

Respectfully submitted on this 13th day of July,  
2012 by:

SUNDSTROM, FRIEDMAN  
& FUMERO, LLP  
766 North Sun Drive, Suite 4030  
Lake Mary, FL 32746  
Telephone: (407) 830-6331  
Facsimile: (407) 830 8255  
Email: [mfriedman@sfflaw.com](mailto:mfriedman@sfflaw.com)



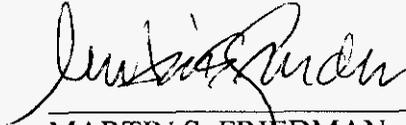
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MARTIN S. FRIEDMAN  
For the Firm

**CERTIFICATE OF SERVICE**  
**DOCKET NO. 120084-WS**

I HEREBY CERTIFY that a true and correct copy of the foregoing Request for Confidential Classification has been furnished by U.S. Mail to the following parties this 13<sup>th</sup> day of July, 2012:

Ralph Jaeger, Esquire  
Office of General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850



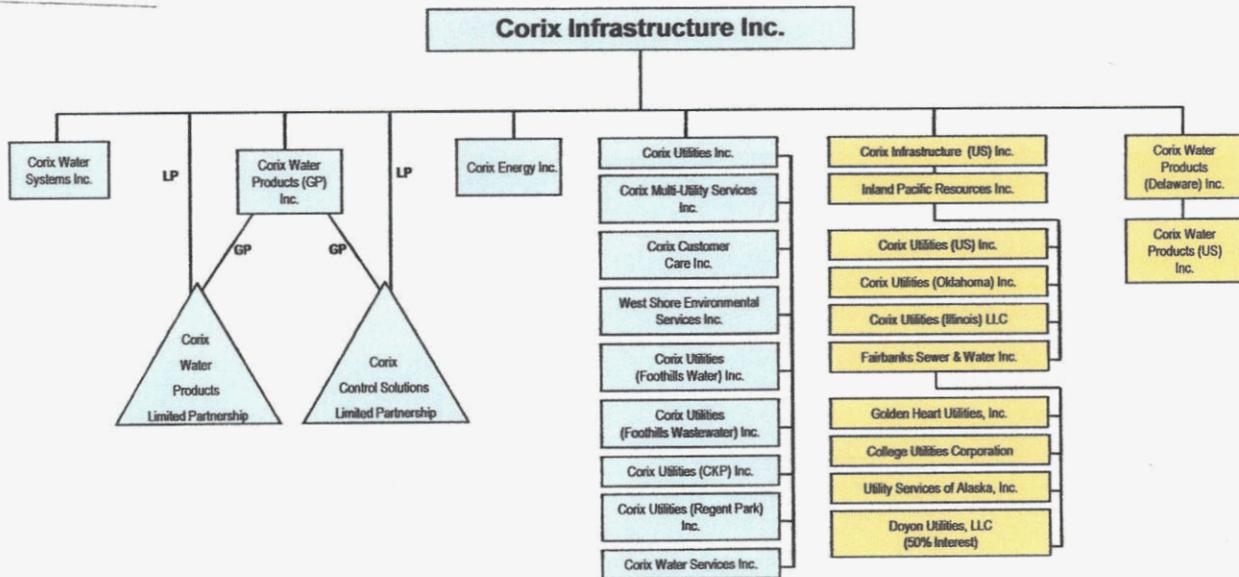
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MARTIN S. FRIEDMAN  
For the Firm

## JUSTIFICATION MATRIX

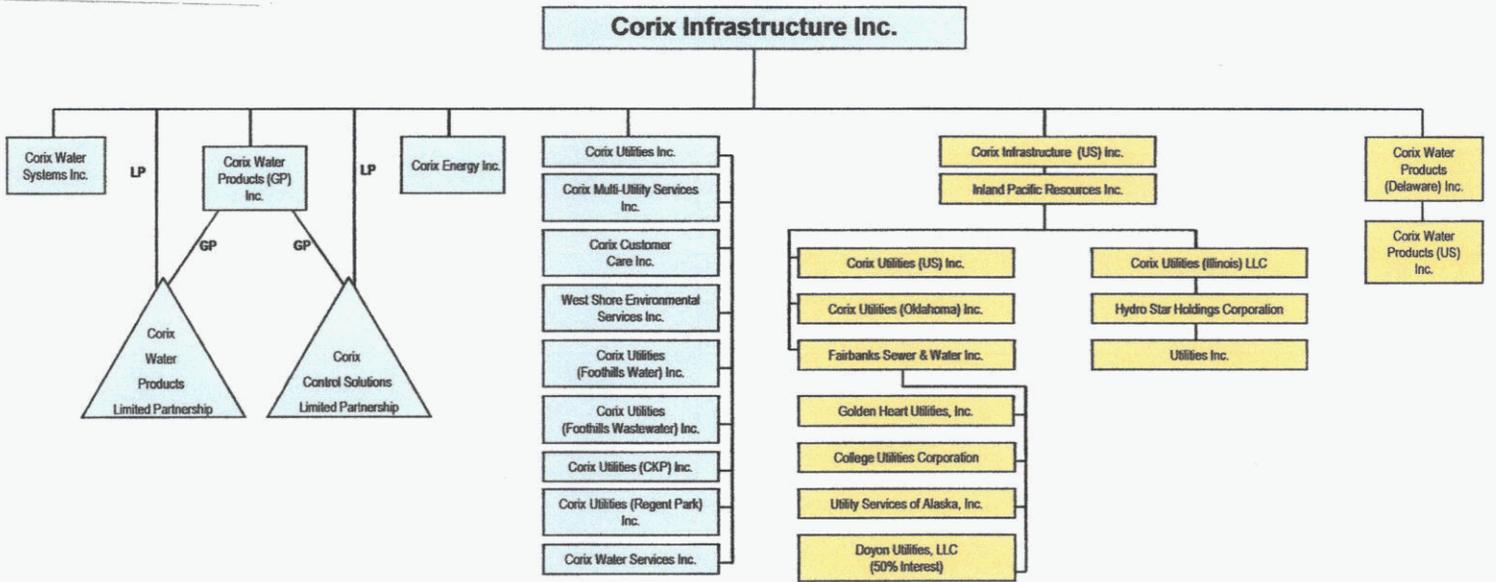
<u>Location</u> (Document name and location of information)	<u>Justification</u> <i>Please note: All information for which confidential treatment is requested has been kept confidential by the company, and the company intends to keep such information confidential.</i>
<p><b><u>Document:</u></b> Consolidated Financial Statements</p> <p><b><u>Location:</u></b> pp. 1 – 4, The numbers under columns headings 2010 and 2011 Page 3 – Note 1, 7<sup>th</sup> paragraph Page 11 – Note 3 Pages 12 through 30 – Notes 4 through 24</p>	<p>§367.156(3)(a),(b),(d) &amp; (e): Disclosure of the financial statements of Corix Infrastructure Inc., which is not a public company and is not subject to public disclosure of its financial statements would impair Corix Infrastructure Inc.'s competitive interests, could be used to discern trade secrets, or harm its ability to contract for goods and services on a favorable basis. Corix Infrastructure Inc. keeps this information strictly confidential also to prevent competitors and prospective counterparties from information which could be used in future negotiations to the disadvantage of Corix Infrastructure Inc. and its affiliates.</p>
<p><b><u>Document:</u></b> Purchase and Sale Agreement</p> <p><b><u>Location:</u></b> Section 2.1 (a) – Sale Price Section 6.2 (a)(xi) – Benefit Plan Increases   (xii) – Incur Indebtedness   (xvi) – Capital Expenditures   (xviii) – Discharge of Liabilities Section 8.3(c) &amp; (f)- Termination Fee Section 9.2(b) – Indemnification by Seller Section 9.3(b) – Indemnification by Buyer Appendix A page A-1 – “Bayside Amount”   Adjustment to purchase price Appendix A page A-2 – “Bradfield Farms   Amount” Adjustment to purchase price Appendix A page A-2 – “Cabarrus Woods   Retained Amount” Adjustment to purchase   price Appendix A page A-7 – “Letter of Credit” Appendix A page A-10 – “Regulatory   Termination Fee” Appendix A page A-10 – “Sandy Creek Amount”</p>	<p>§367.156(3)(e): Disclosure of the terms of the acquisition are intended by the parties thereto and the company to remain strictly confidential in order to protect their respective competitive interests and prevent competitors and prospective counterparties in future transactions from information which could be used in future negotiations to the disadvantage of the Utility or the parties to the Purchase and Sale Agreement.</p>

<p>Adjustment to purchase price Appendix A page A-11 – “Specified Distribution” Form Letter of Credit amount</p>	
<p><b><u>Document:</u></b> Disclosure Schedule</p> <p><b><u>Location:</u></b> Section 4.6 – Changes or Events Section 4.7 – Potential Lawsuit Claims Section 4.9 – Promissory Note Amounts Section 4.18 – Indebtedness Section 4.21 – Dividends and Distributions Section 10 – Permitted Lien Amounts</p>	<p>§367.156(3)(e): Disclosure of the terms of the acquisition are intended by the parties thereto and the company to remain strictly confidential in order to protect their respective competitive interests and prevent competitors and prospective counterparties in future transactions from information which could be used in future negotiations to the disadvantage of the Utility or the parties to the Purchase and Sale Agreement.</p>



Colour Codes
US Companies
Canadian Companies

Includes only active operating companies and holding companies.



Colour Codes
US Companies
Canadian Companies

Includes only active operating companies and holding companies.

**REDACTED**

**CONSOLIDATED FINANCIAL STATEMENTS OF  
CORIX INFRASTRUCTURE INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

DOCUMENT NUMBER-DATE  
04694 JUL 16 2011  
FPSC-COMMISSION CLERK

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Corix Infrastructure Inc.**

We have audited the accompanying consolidated financial statements of **Corix Infrastructure Inc.** [the "Company"], which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of operations, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,  
March 29, 2012.

*Ernst & Young LLP*

Chartered Accountants

# CORIX INFRASTRUCTURE INC.

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(expressed in thousands)

## CONSOLIDATED STATEMENTS OF OPERATIONS

	2011	2010
		(Notes 3 and 6)
Revenues	\$	\$
Cost of revenues		
Gross margin		
Selling, general and administration		
Amortization		
Stock-based compensation (Note 17)		
Earnings before undemoted		
Foreign exchange loss (gain)		
Interest expense, net (Note 13)		
Earnings before income taxes and discontinued operations		
Income taxes (Note 15)		
Earnings (loss) from continuing operations		
Loss from discontinued operations, net of tax (Note 3)		
Net earnings (loss)	\$	\$

The accompanying notes are an integral part of these consolidated financial statements.

# CORIX INFRASTRUCTURE INC.

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	2011		2010	
			(Notes 3 and 6)	
Retained earnings, beginning of the year	\$		\$	
Reorganization costs (Note 1)				
Net earnings (loss)				
Retained earnings, end of the year	\$		\$	

The accompanying notes are an integral part of these consolidated financial statements.

# CORIX INFRASTRUCTURE INC.

AS AT DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## CONSOLIDATED BALANCE SHEETS

	2011	2010
		(Notes 3 and 6)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$	\$
Accounts receivable and unbilled revenues		
Assets held for sale (Note 3)		
Inventories (Note 5)		
Income taxes recoverable		
Prepaid expenses and deposits		
Current portion of restricted cash (Note 9)		
<b>Total current assets</b>		
Property, plant and equipment (Note 6)		
Intangible assets (Note 7)		
Goodwill (Note 8)		
Other assets (Note 9)		
	\$	\$
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$	\$
Accounts payable and accrued liabilities		
Deferred revenues		
Liabilities held for sale (Note 3)		
Current portion of long term debt (Note 13)		
Current portion of other debts and obligations (Note 10)		
<b>Total current liabilities</b>		
Capital lease obligation (Note 11)		
Contracts payable (Note 12)		
Long term debt (Note 13)		
Convertible debentures (Note 14)		
Future income tax liabilities (Note 15)		
Other liabilities (Note 16)		
<b>Total liabilities</b>		
<b>Shareholders' equity</b>		
Share capital (Note 17)		
Other equity (Note 18)		
Retained earnings		
<b>Total shareholders' equity</b>		
	\$	\$
<b>Commitments and contingencies (Notes 24 and 25)</b>		

ON BEHALF OF THE BOARD:

 Director

 Director

The accompanying notes are an integral part of these consolidated financial statements.

# CORIX INFRASTRUCTURE INC.

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	2011	2010
		(Notes 3 and 6)
<b>Operating activities</b>		
Net earnings (loss)	\$	\$
Add: Loss from discontinued operations, net of tax		
Net earnings (loss) from continuing operations		
Items not affecting cash:		
Amortization		
Accretion of convertible debentures		
Accretion of capital lease obligation		
Stock-based compensation		
Change in fair value of interest rate swaps		
Other non-cash items		
Change in regulatory assets and liabilities		
Change in non-cash operating items (Note 19)		
Cash flows from continuing operating activities		
Cash flows used in discontinued operating activities		
Cash flows from operating activities		
<b>Investing activities</b>		
Property, plant, equipment and franchise concession expenditures		
Contributions in aid of construction and to the franchise concession		
Payment under capital lease obligation		
Other cash flows related to continuing investing activities		
Cash flows used in continuing investing activities		
Cash flows from (used in) discontinued investing activities		
Cash flows used in investing activities		
<b>Financing activities</b>		
Proceeds from long term debt, net of financing costs		
Repayment of long term debt		
Proceeds from convertible debentures		
Repayment of contracts payable		
Repurchase of shares and stock options		
Issuance of share capital		
Cash flows from financing activities		
Foreign exchange gain (loss) on cash held in foreign currency		
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning of the year		
Cash and cash equivalents, end of the year	\$	\$
Composed of:		
Cash and cash equivalents	\$	\$
Bank indebtedness	\$	\$

Supplementary cash flow information (Note 20)

The accompanying notes are an integral part of these consolidated financial statements.

# CORIX INFRASTRUCTURE INC.

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Corix Infrastructure Inc. (the "Company") provides sustainable water, wastewater, and energy infrastructure solutions for small to mid-sized communities in North America.

These consolidated financial statements include the accounts of the Company, its subsidiaries, and on a proportionate basis, the accounts of its joint ventures. All significant transactions and balances between these entities have been eliminated.

The Company operates in three primary business segments and has the following principal operating entities:

(a) The utilities division designs, builds, owns and operates utility assets across North America. The operations are primarily conducted through Corix Utilities Inc. ("CUI"), Corix Multi-Utility Services Inc. ("CMUS"), Corix Utilities (Oklahoma) Inc. ("CU OK"), Fairbanks Sewer and Water, Inc. ("FSW"), the indirect 50% joint venture interest in Doyon Utilities LLC ("Doyon") and Corix Water Systems Inc. ("CWS").

(b) The utility services division provides measurement and metering services and other specialized utility field services for clients across North America. The operations are primarily conducted through Corix Utilities (US) Inc. ("CU (US)").

(c) The utility products division sells a diverse range of water, wastewater and industrial utility related products in Canada and the western United States. The operations are conducted primarily through Corix Water Products Limited Partnership ("CWP LP"), Corix Water Products (East) Inc. ("CWP East"), Corix Water Products (US) Inc. ("CWP (US)"), and Corix Control Solutions Inc. ("CCSI").

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In the opinion of management, these consolidated financial statements have been prepared within reasonable limits of materiality.

The comparative information in these consolidated financial statements has been restated to conform to the current year's presentation.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### CASH, CASH EQUIVALENTS AND BANK INDEBTEDNESS

Cash balances which the Company has the ability and intent to offset are used to reduce reported bank indebtedness. Cash equivalents are highly liquid investments with original maturities of three months or less.

# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **ACCOUNTS RECEIVABLE AND UNBILLED REVENUES**

Accounts receivable and unbilled revenues are net of allowance for doubtful accounts. The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances for doubtful accounts are maintained for potential credit losses based on the aging of accounts receivable, historical bad debts experience, and changes in customer payment patterns.

#### **INVENTORIES**

Inventories are stated at the lower of cost (determined on a weighted average cost) and net realizable value.

The Company enters into arrangements with certain vendors providing for inventory purchase rebates. These purchase rebates are accrued as earned and are recorded as a reduction of cost of revenues or inventory with a subsequent reduction in cost of revenues when the product is sold.

#### **INVESTMENTS**

The Company accounts for its investments in entities subject to significant influence under the equity method whereby the investments are initially recorded at cost and subsequently adjusted for the Company's share of net earnings or net loss of the investee entity.

The Company accounts for its investments in entities not subject to significant influence under the cost method whereby the investments are recorded at cost and earnings are recognized to the extent received or receivable.

#### **INTERESTS IN JOINT VENTURES**

The Company's interests in joint ventures which are subject to joint control are accounted for using the proportionate consolidation method whereby the Company records its proportionate share of the assets, liabilities, revenues, expenses and cash flows.

#### **DISCONTINUED OPERATIONS**

Assets and liabilities that meet certain criteria with respect to the Company's plans for their sale or abandonment are included in assets and liabilities held for sale and in discontinued operations. Amortization ceases when the assets meet the criteria to be classified as held for sale. Results from discontinued operations are recognized in the period in which they occur. Assets and liabilities classified as held for sale are measured at the lower of carrying amount or fair value, less cost to sell.

#### **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment not subject to rate regulation are recorded at cost less accumulated amortization and unamortized contributions in aid of construction. Cost includes all direct expenditures for system expansions, betterments and replacements. Contributions in aid of construction are amounts paid by certain customers towards the cost of property, plant and equipment required for the extension of services.

# CORIX INFRASTRUCTURE INC.

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment subject to rate regulation are recorded in the same manner as noted above, except that cost includes an allocation of overhead costs and an allowance for funds used during construction. The cost of regulated depreciable property retired, together with removal costs less salvage, is charged to accumulated amortization, as is any gain or loss incurred on disposal.

Amortization of assets is recorded on a straight-line basis from the month the asset is put in use, as approved by the respective regulators for assets subject to rate regulation, over the estimated useful lives of the assets at the following rates:

Water and utility plant and distribution systems	25 to 40 years
Water and utility plant and distribution systems subject to rate regulation	5 to 105 years
Utility plant and distribution systems under capital lease	1 to 50 years
Equipment	3 to 15 years
Building and leasehold improvements	5 to 25 years

Costs of construction of the Company's water and utility plant and distribution systems are classified as construction in progress. During the construction period, the Company capitalizes all construction and overhead costs directly attributable to the construction project. When the property or portion thereof is substantially complete and ready for use, the costs are amortized over the asset's estimated useful life.

#### ASSETS UNDER CAPITAL LEASE

Leases which transfer substantially all of the benefits and risks of ownership to the Company are accounted for as capital leases. Assets recorded under capital leases are at the lower of the net present value of the minimum lease payments or the fair value of the leased assets at the inception of the lease and amortized on a straight-line basis over the estimated useful lives of the asset.

#### INTANGIBLE ASSETS

Intangible assets with a finite life consist of a franchise concession, customer relationships, supplier relationships, engineering design databases, distribution agreements, licences, a non-competition agreement, computer software and brand and trade names. These intangible assets are amortized over their estimated useful lives ranging from two to forty-two years and are tested for impairment consistent with the method described for long lived assets below.

The water and wastewater operating licence has an indefinite life and is tested for impairment on an annual basis, or earlier if events or circumstances indicate an impairment may exist, by comparing its carrying value to its fair value.

# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### GOODWILL

Goodwill represents the excess of the purchase price over the estimated fair value of the tangible and intangible net assets acquired and is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination. Goodwill is tested for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit, including goodwill, is compared with its fair value. When the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is determined in the same manner as the value of goodwill is determined in a business combination, and is compared with its carrying amount to measure the amount of the impairment loss, if any.

#### IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by that asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

#### FOREIGN CURRENCY TRANSLATION

The Company's consolidated financial statements are presented in Canadian dollars. The Company translates its self-sustaining US dollar denominated subsidiaries' financial statements into Canadian dollars using the current rate method of foreign currency translation. Under this method, assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, revenue and expense items are translated at average rates of exchange for the period, and the exchange gains and losses arising on the translation of the financial statements are recorded in the foreign currency translation adjustment account in shareholders' equity.

#### RATE REGULATION

Certain of the Company's operations are subject to rate regulation by independent regulatory agencies. These regulatory authorities exercise statutory authority over such matters as rates of return, construction and operation of facilities, accounting practices, rates and tolls, and contractual agreements with customers.

FSW and its 50% joint venture interest in Doyon are regulated by the Regulatory Commission of Alaska ("RCA"). FSW and Doyon have a cost-of-service based agreement with allowed rates of return set by the RCA through a review and approval process. FSW has three rate case proceedings before the RCA upon which were settled subsequent to the year end (Note 25).

# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **RATE REGULATION (Continued)**

FSW and Doyon have regulatory assets and liabilities which arise as a result of the rate-setting process. Regulatory assets represent future revenues and/or receivables associated with certain costs incurred that will be, or expected to be, recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenue associated with amounts that will be, or expected to be, refunded to customers through the rate-setting process.

The assets and liabilities arising from rate regulation that do not have specific guidance under a primary source of Canadian GAAP directs the Company to adopt accounting policies that are developed through the exercise of professional judgment and the application of concepts described in CICA Handbook Section 1000 "Financial Statement Concepts". In developing these accounting policies, the Company may consult other sources, including pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions. As a result, the Company adopted accounting policies consistent with the United States Financial Accounting Standards Board's Accounting Standard Codification 980 "Regulated Operations" which allows assets and liabilities to arise from rate regulation.

The impact of rate regulation on the Company's operations for the year ended and as at December 31, 2011 is described in these Significant Accounting Policies and in Note 9 "Other Assets" and Note 16 "Other Liabilities".

#### **REVENUE RECOGNITION**

The Company recognizes revenues when products have been delivered or services have been performed.

Utility product revenues and industrial product revenues are recognized when the risks and rewards of ownership of goods have been transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to, or are picked up by, the customer, the amounts to be recognized are fixed or determinable, and collectibility is reasonably assured.

Franchise concession arrangements whereby the Company constructs, operates and maintains infrastructure for public services under an operating agreement are accounted for as multiple-element arrangements. Revenues are allocated to the various elements of the arrangements based upon the relative fair value of each component.

Construction service contract revenues are recognized using the percentage of completion method, with the percentage complete being determined by comparing the percentage of costs incurred to date with the estimated total costs of the contract. Installation of meters that are under long term contracts are also recognized using the percentage of completion method, with the percentage complete being determined by comparing the percentage of meters installed to date with the estimated total meters to be installed under the contract. Losses on these contracts, if any, are recognized in the period when such losses become probable and can be reasonably estimated.

# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### REVENUE RECOGNITION (Continued)

Water, wastewater and energy distribution revenues are recognized on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the period or based on the specific terms of the contract.

Capital cost recovery fees under franchise concession arrangements are recognized as revenues when the Company has earned the right to charge users of the public service, the amounts to be recognized are fixed or determinable, and collectibility is reasonably assured.

#### INCOME TAXES

The Company follows the liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes. Future income tax assets and liabilities are measured at the tax rate that is expected to apply when the temporary differences reverse. If realization of future income tax assets is considered not "more likely than not" a valuation allowance is provided.

#### STOCK-BASED COMPENSATION

The Company applies the fair value method of accounting for all stock option awards. Under this method, the Company recognizes compensation expense for stock options awarded based on the fair value of the options at the later of the date of grant or the date of board approval of the grant using the Black-Scholes model. The fair value of the options is expensed over the vesting period of the options.

#### FINANCIAL INSTRUMENTS

The Company applies the financial instruments standards under the previous version of the CICA Handbook (the 'XFI' version).

The Company applies hedge accounting to arrangements that qualify for hedge accounting treatment. The Company entered into interest rate swaps to manage its interest rate risks which did not qualify for hedge accounting. These freestanding derivative instruments are recorded at fair value on each reporting date in other assets or other liabilities within the consolidated balance sheet with the change in the fair value recognized in the consolidated statement of operations under interest expense, net in the period in which they occur.

The Company does not hold or use any derivative instruments for trading purposes.

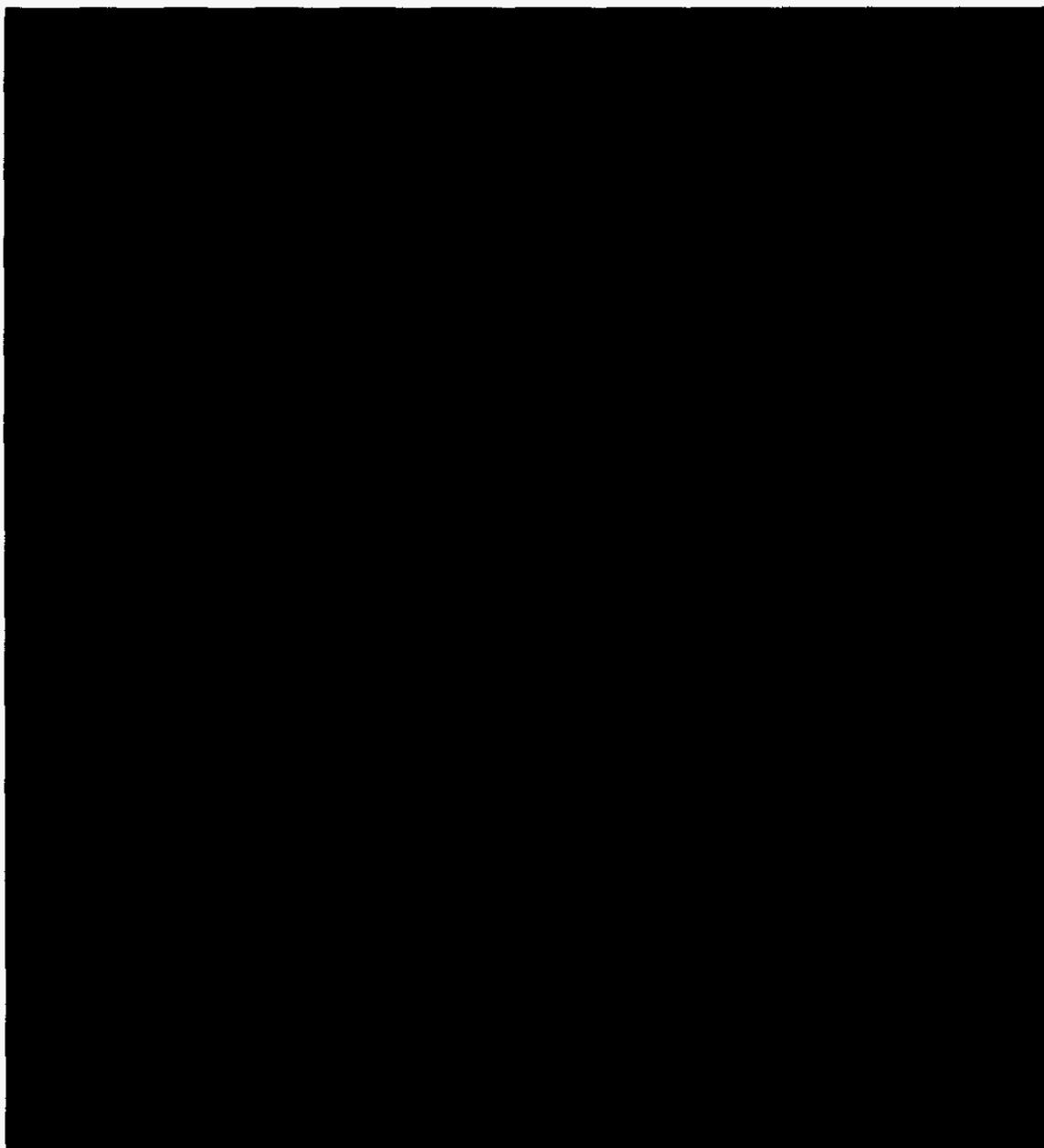
# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **3. DISCONTINUED OPERATIONS**



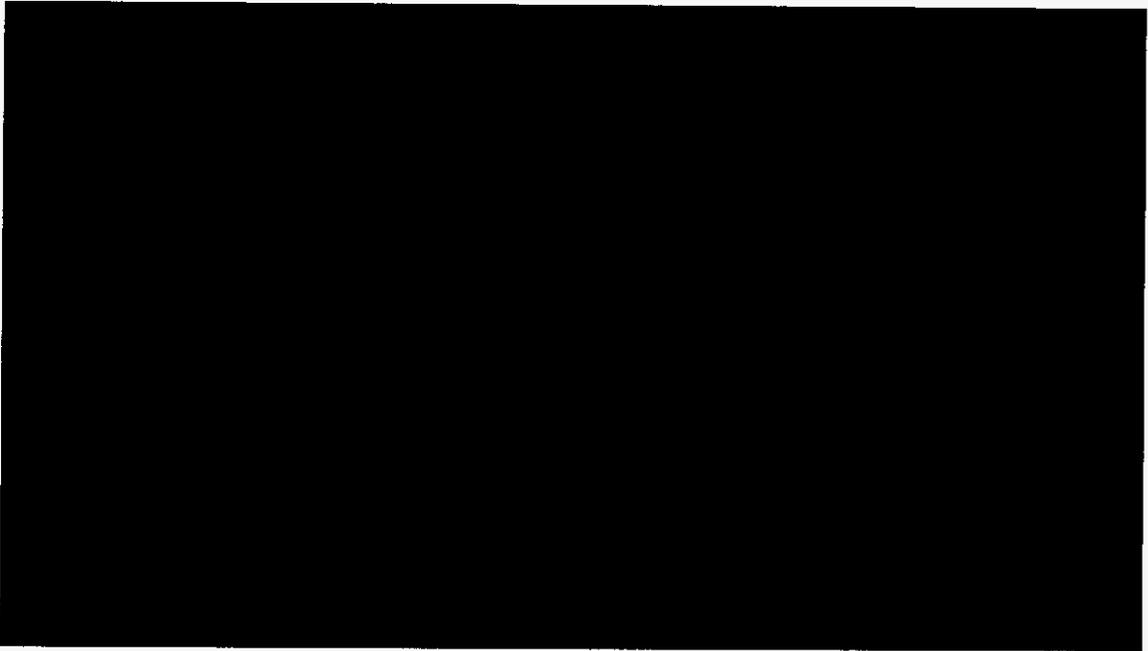
# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **4. NEW ACCOUNTING PRONOUNCEMENTS**



### **5. INVENTORIES**



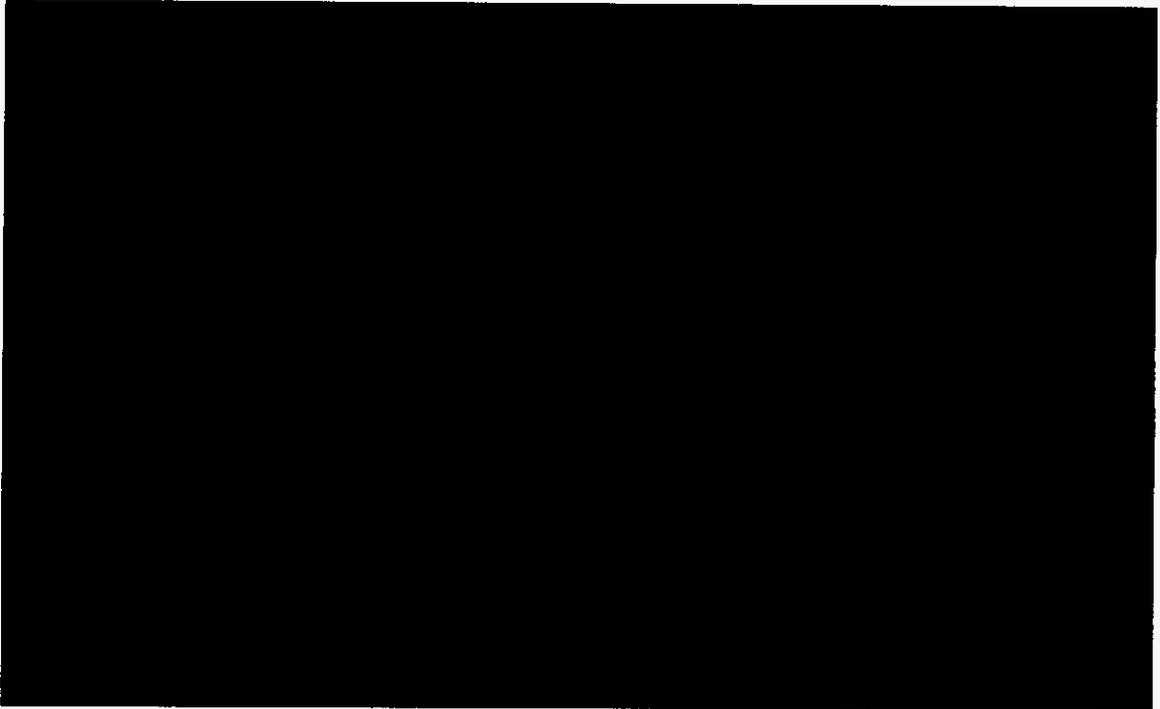
# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **6. PROPERTY, PLANT and EQUIPMENT**



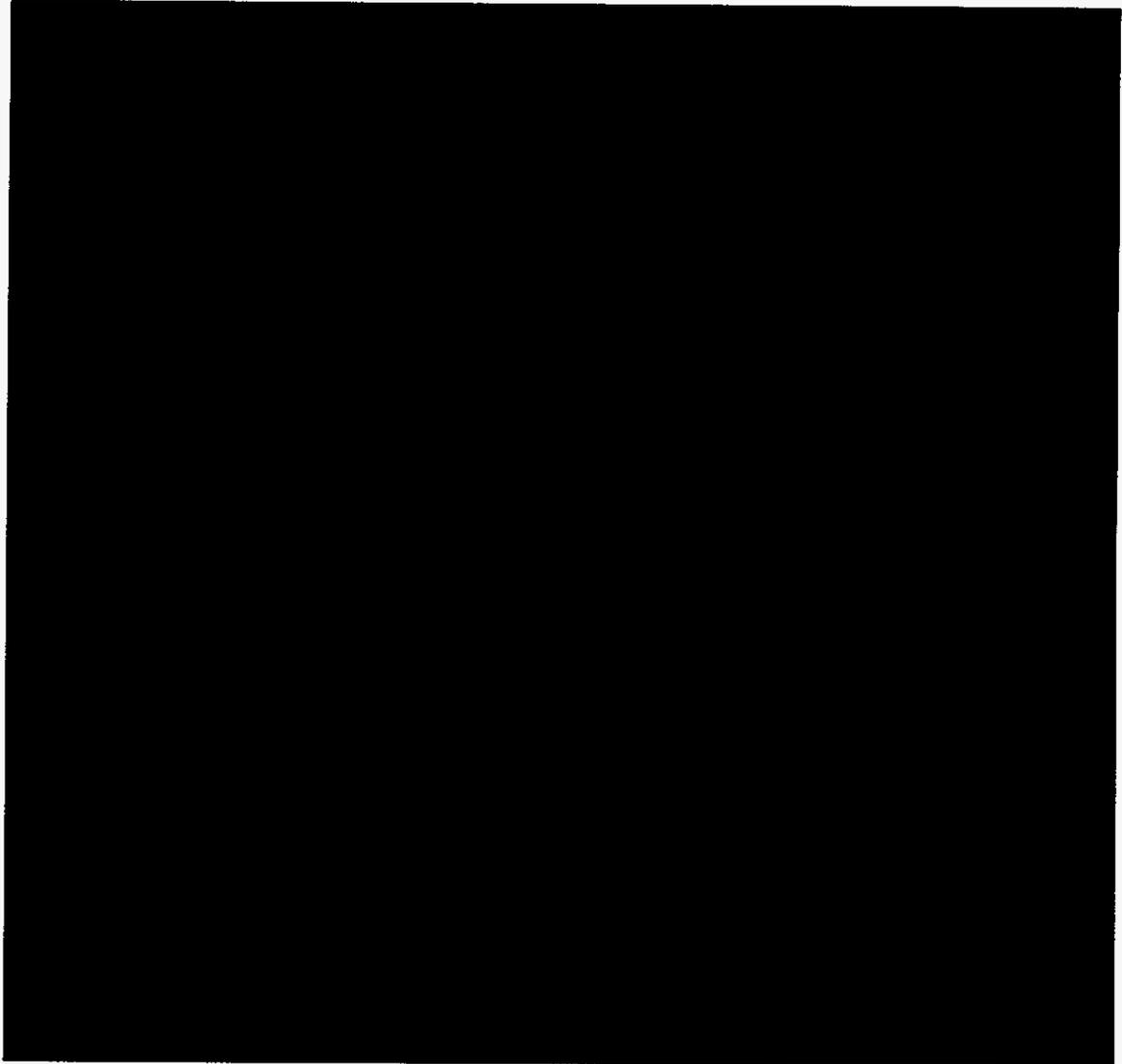
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**6. PROPERTY, PLANT and EQUIPMENT (Continued)**



# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

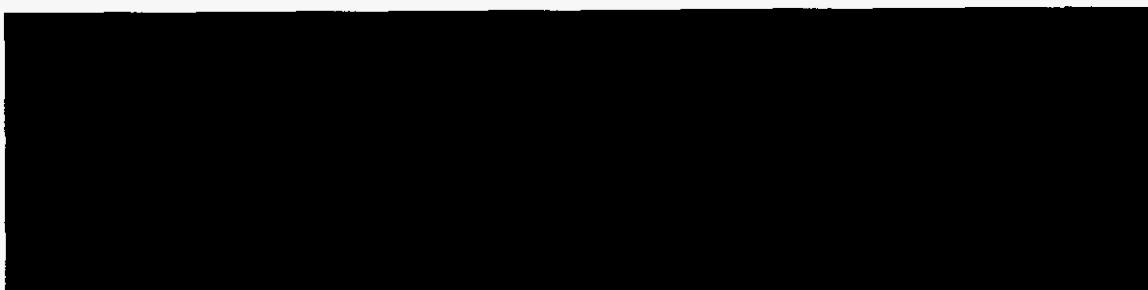
## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **7. INTANGIBLE ASSETS**



### **8. GOODWILL**



# **CORIX INFRASTRUCTURE INC.**

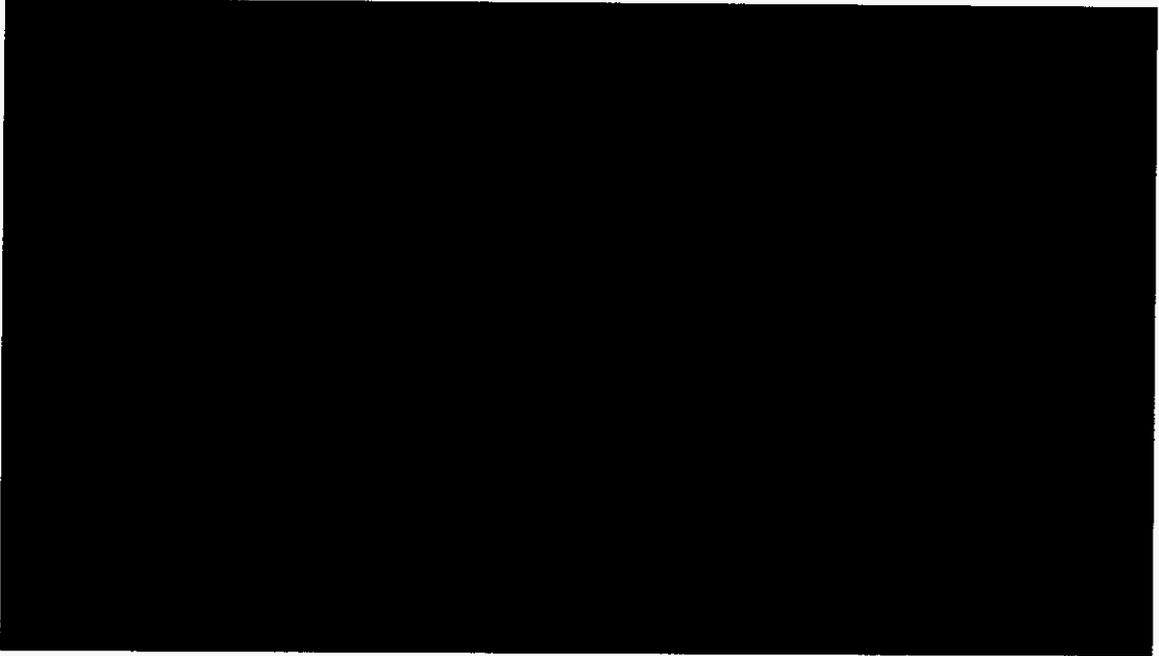
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

*(expressed in thousands)*

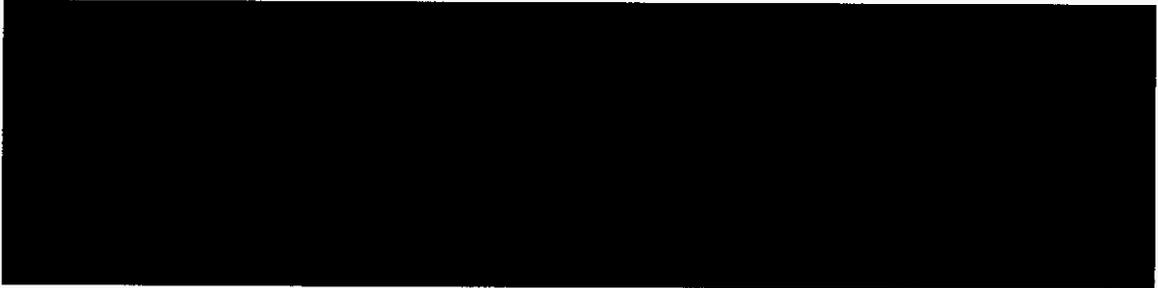
## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **9. OTHER ASSETS**



### **10. CURRENT PORTION OF OTHER DEBTS AND OBLIGATIONS**



### **11. CAPITAL LEASE OBLIGATION**



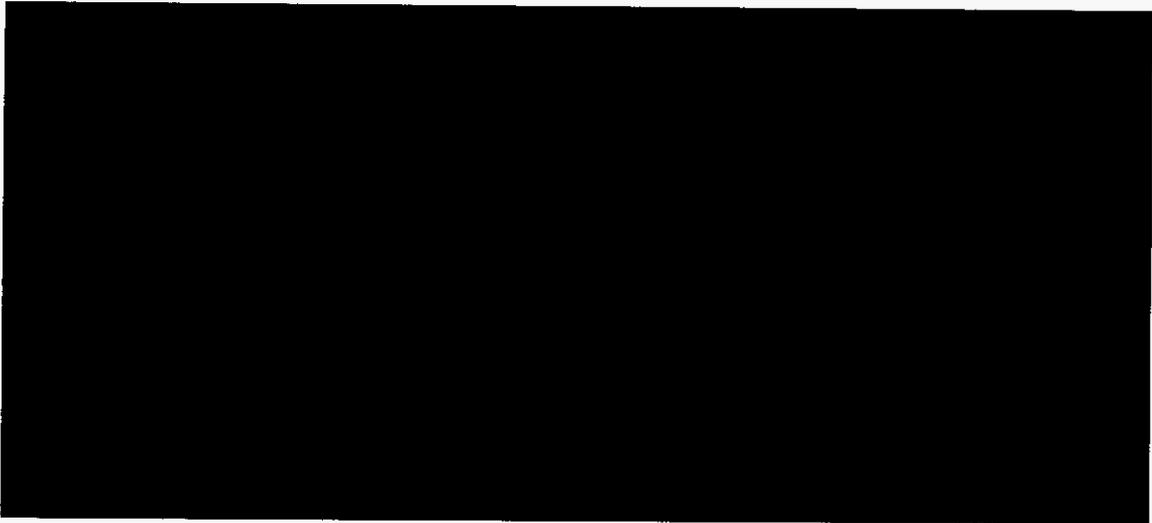
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**11. CAPITAL LEASE OBLIGATION (Continued)**



**12. CONTRACTS PAYABLE**



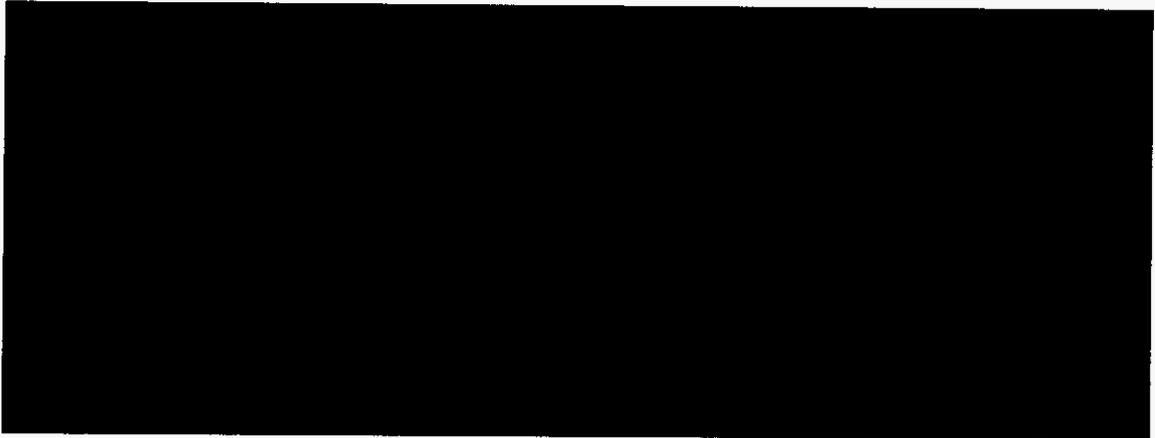
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

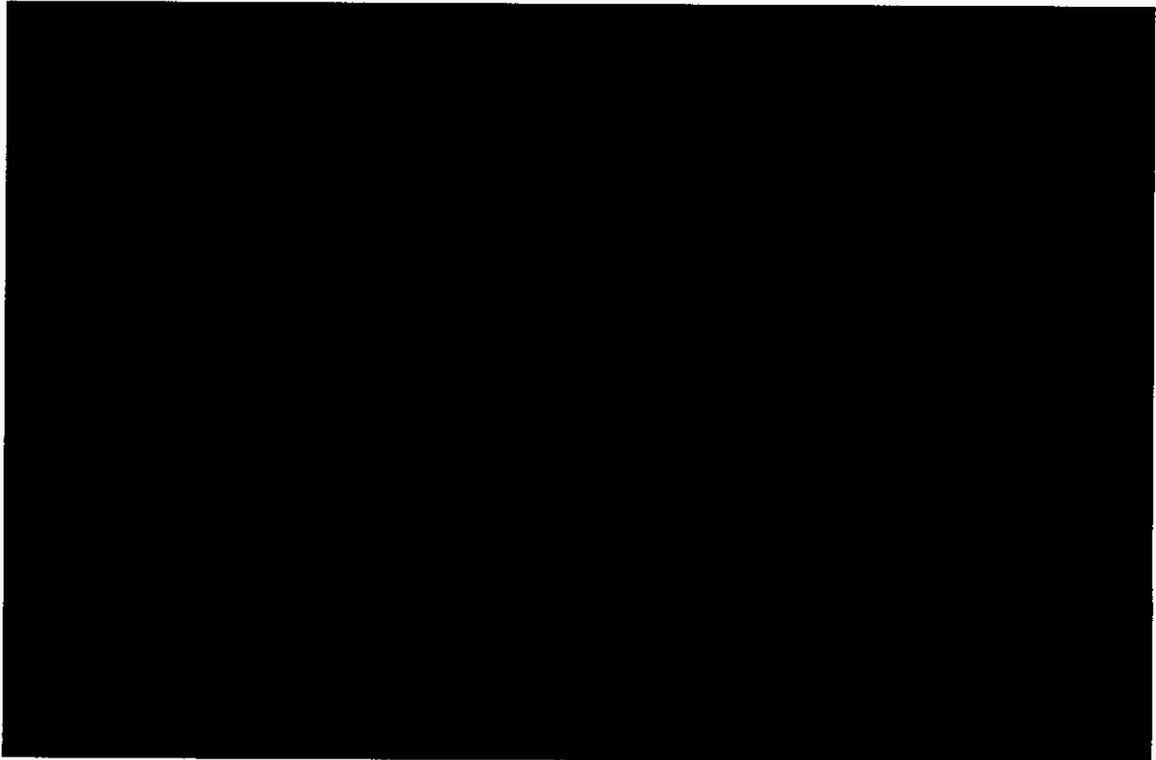
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**12. CONTRACTS PAYABLE (Continued)**



**13. LONG TERM DEBT**



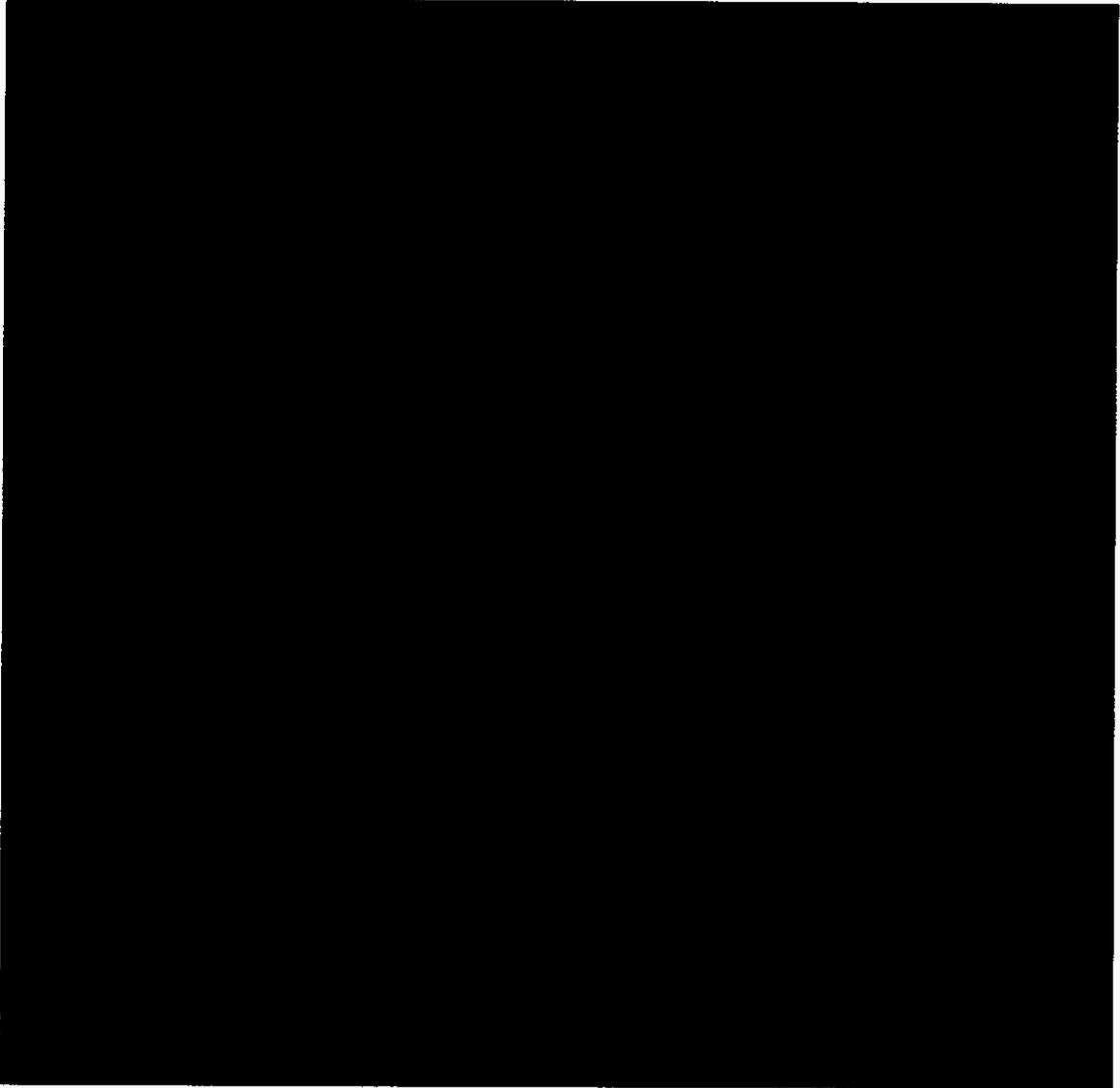
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**13. LONG TERM DEBT (Continued)**



**CORIX INFRASTRUCTURE INC.**

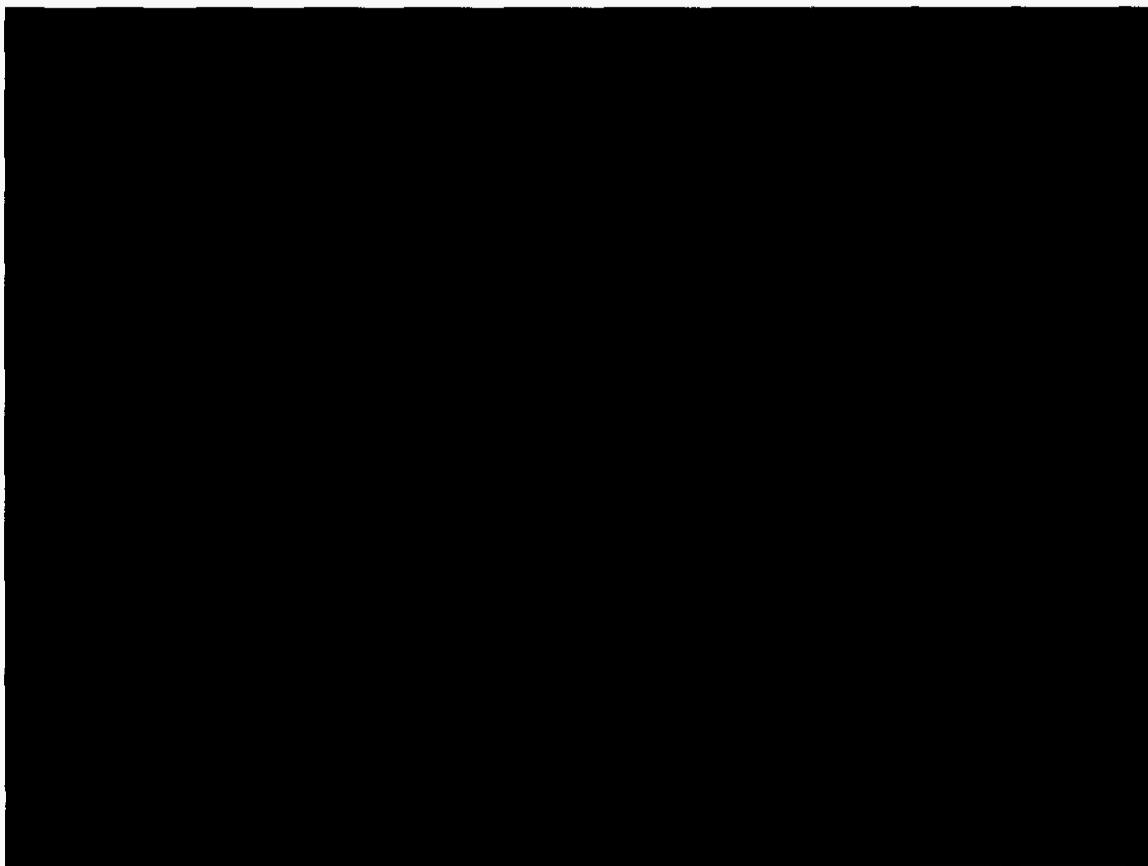
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**13. LONG TERM DEBT (Continued)**



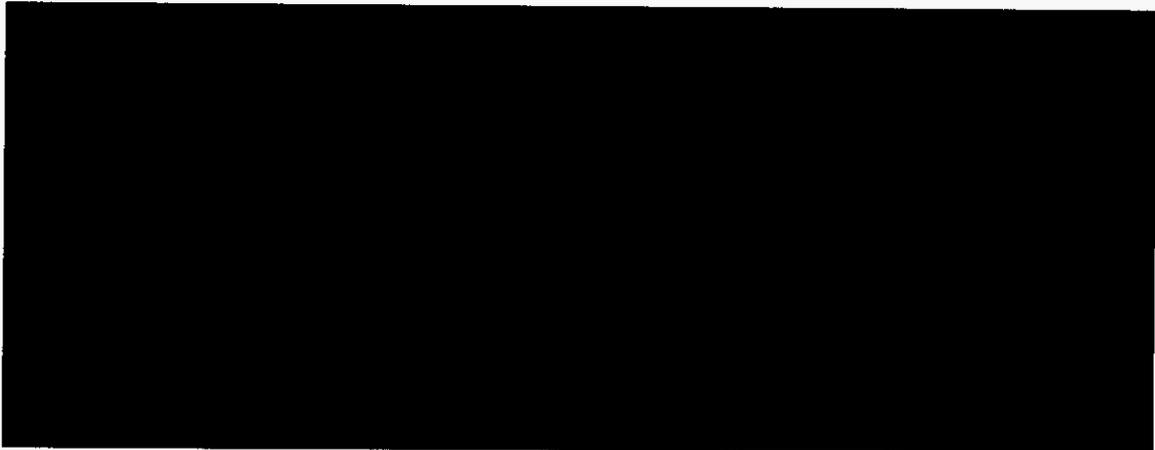
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**13. LONG TERM DEBT (Continued)**



**14. CONVERTIBLE DEBENTURES**



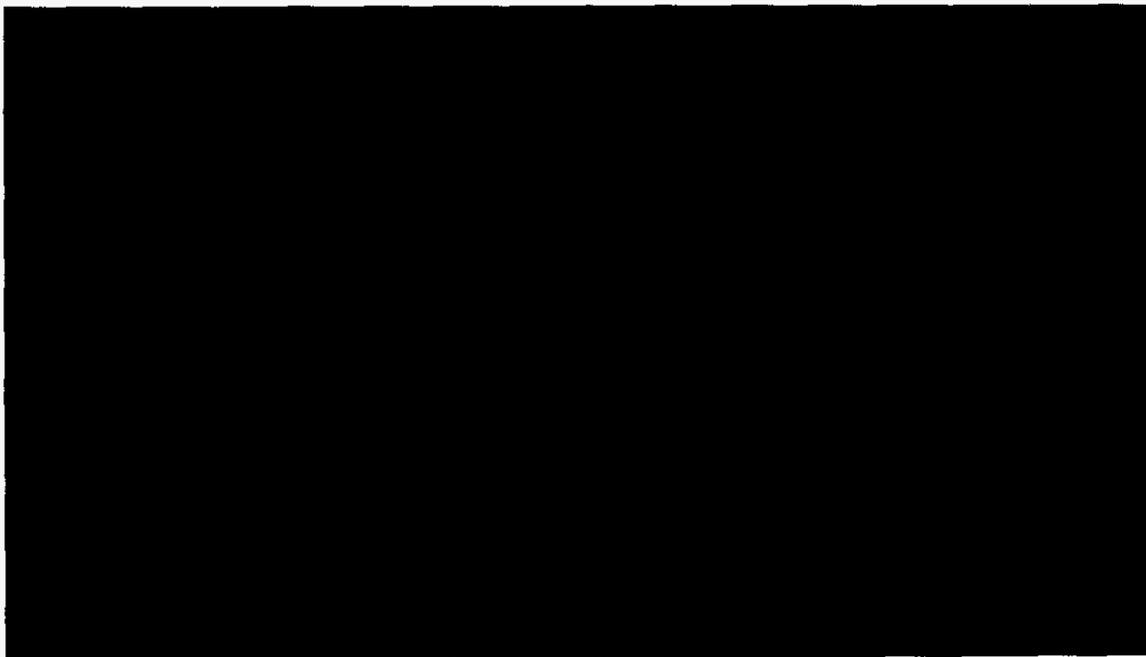
# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

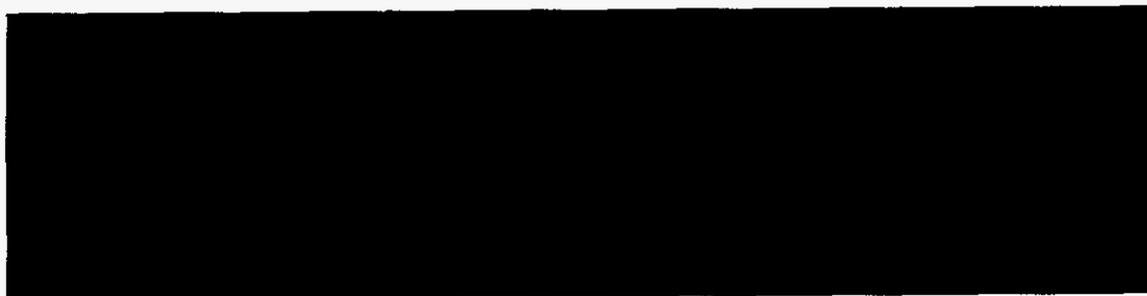
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **14. CONVERTIBLE DEBENTURES (Continued)**



### **15. INCOME TAXES**



**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**15. INCOME TAXES (Continued)**



**16. OTHER LIABILITIES**



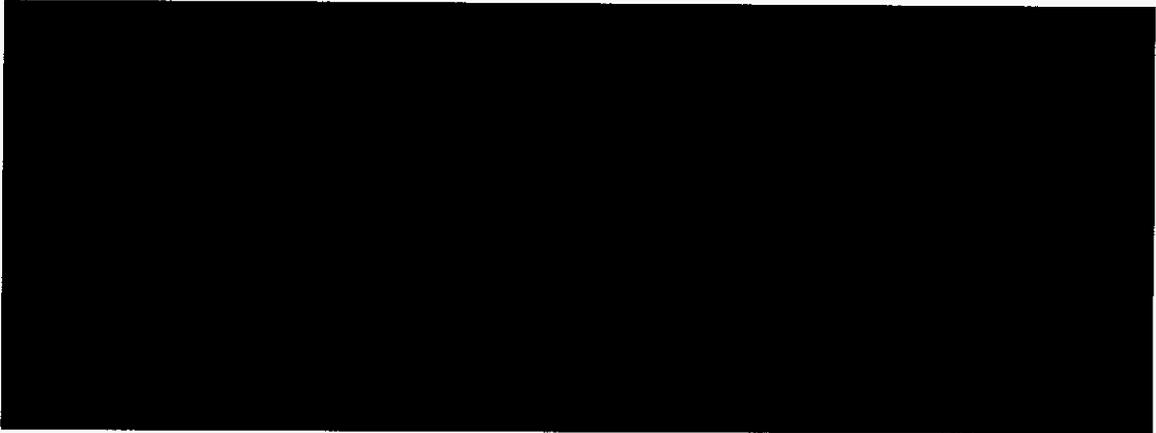
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

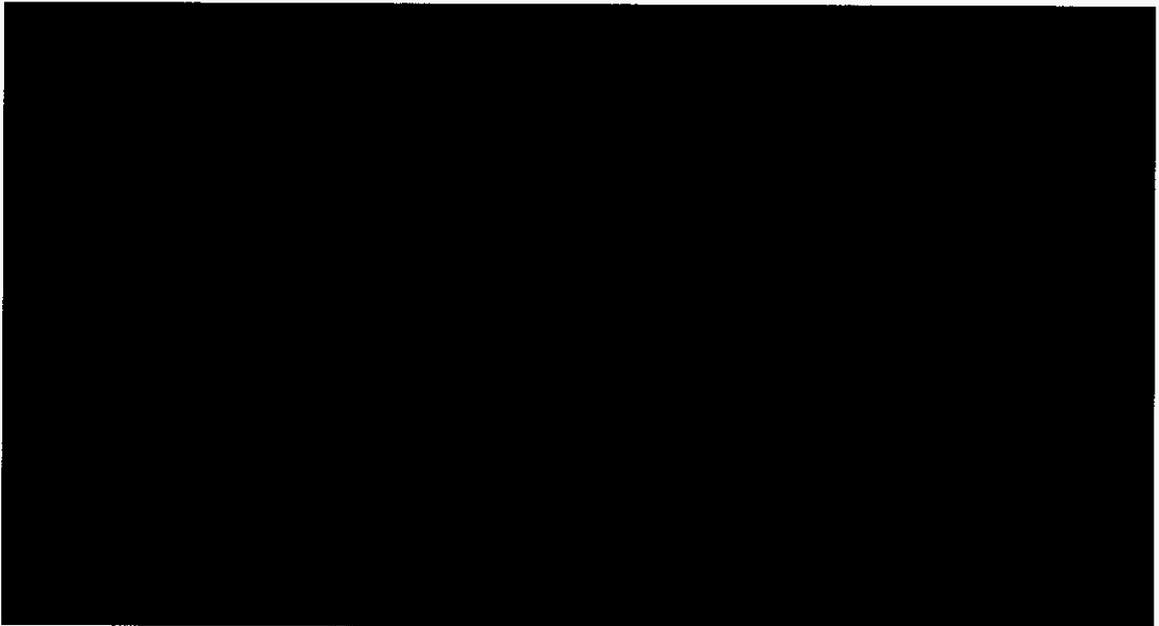
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**16. OTHER LIABILITIES (Continued)**



**17. SHARE CAPITAL**



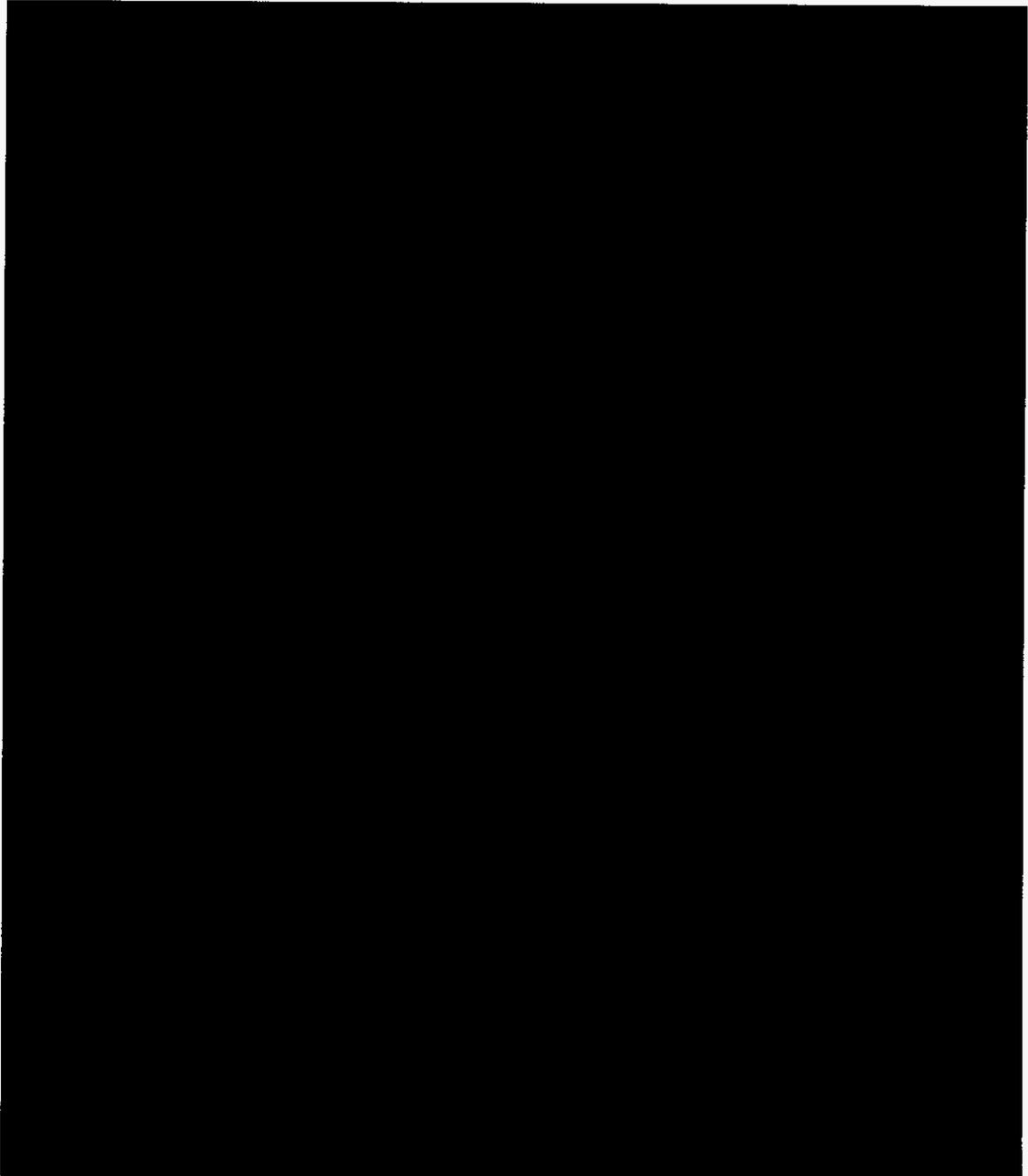
# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **17. SHARE CAPITAL (Continued)**



**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**17. SHARE CAPITAL (Continued)**



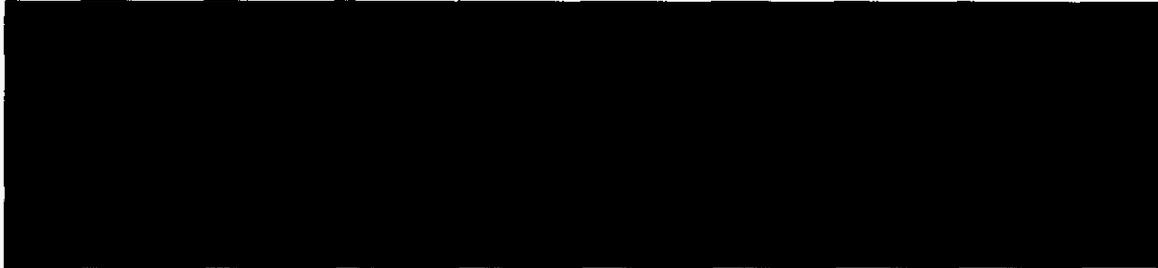
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

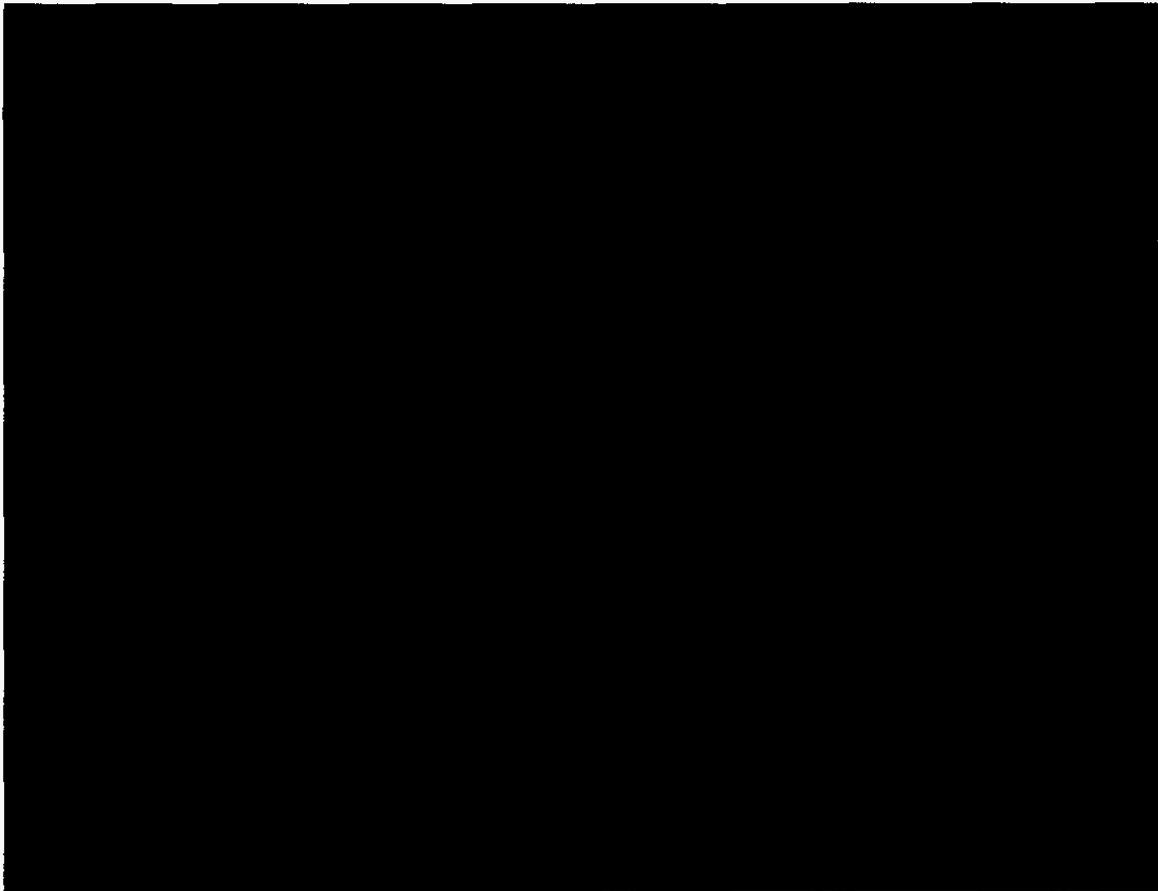
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**17. SHARE CAPITAL (Continued)**



**18. OTHER EQUITY**



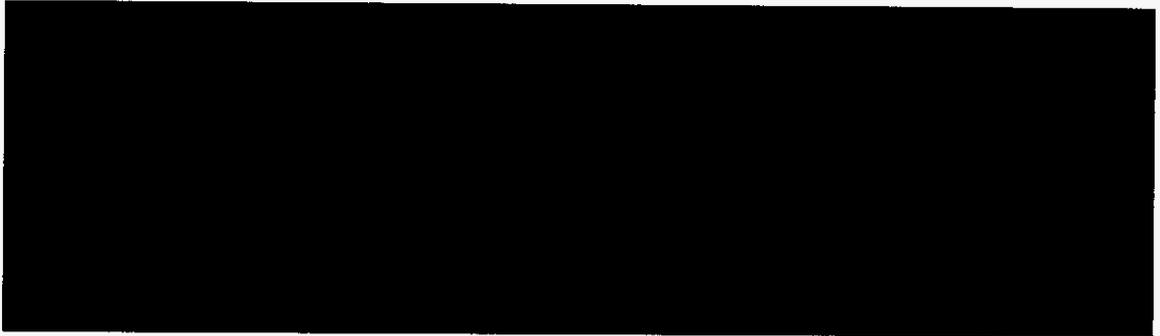
# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

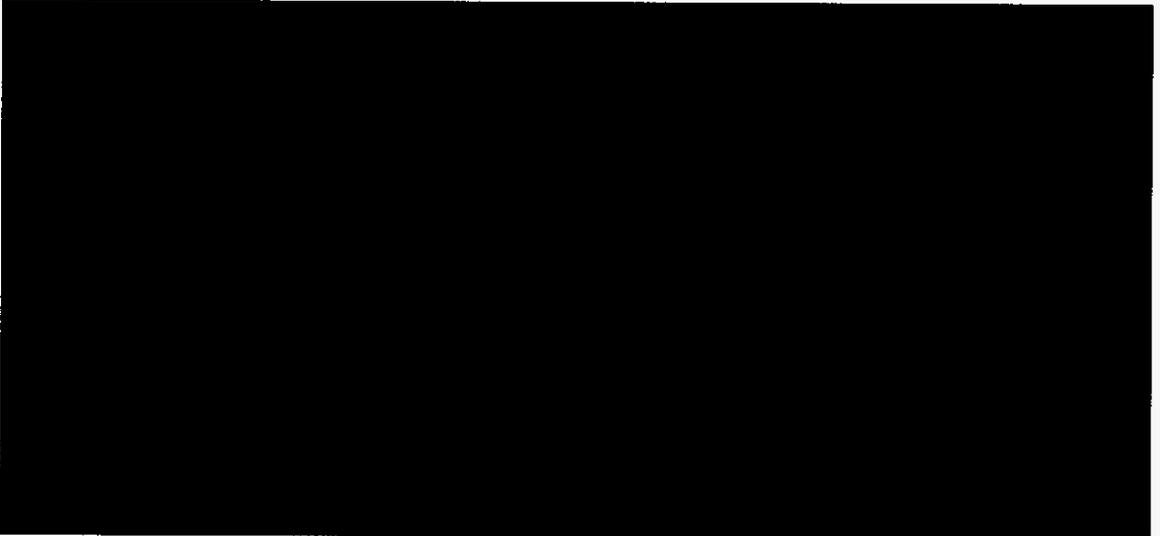
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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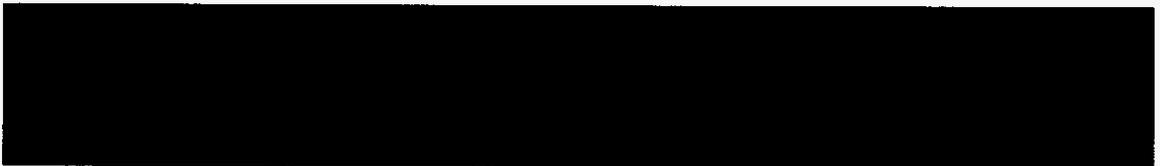
### **19. CHANGE IN NON-CASH OPERATING ITEMS**



### **20. SUPPLEMENTARY CASH FLOW INFORMATION**



### **21. EMPLOYEE FUTURE BENEFITS**



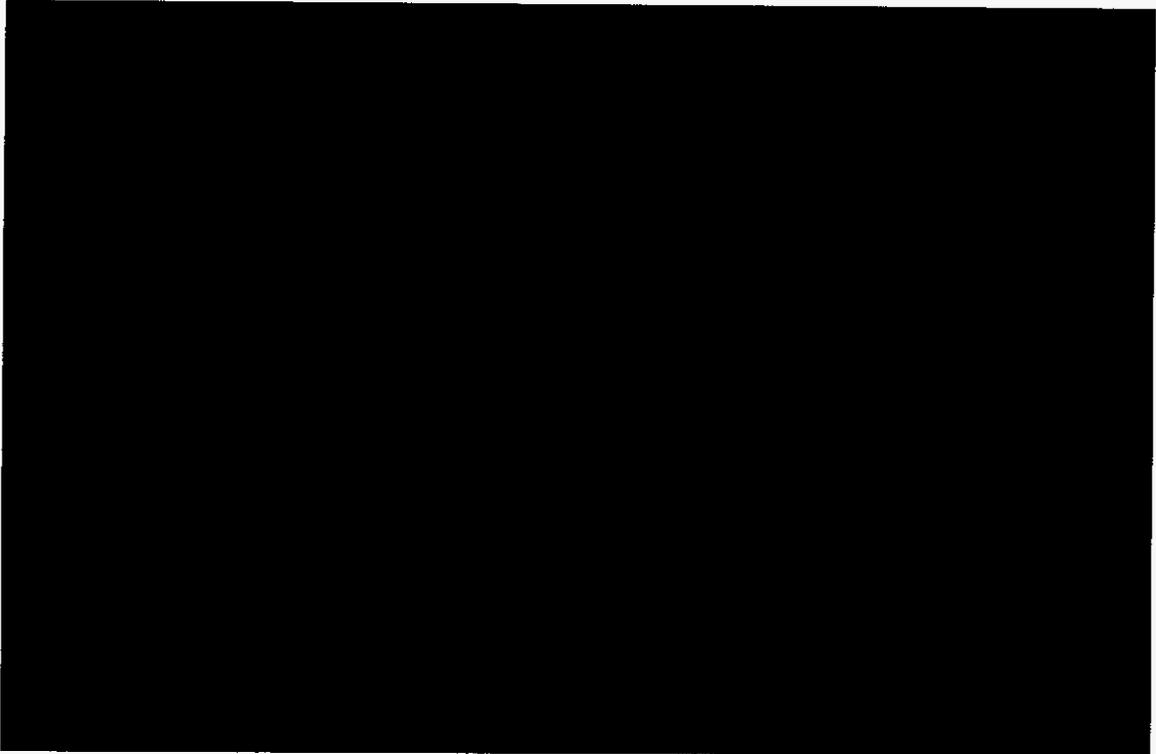
**CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
*(expressed in thousands)*

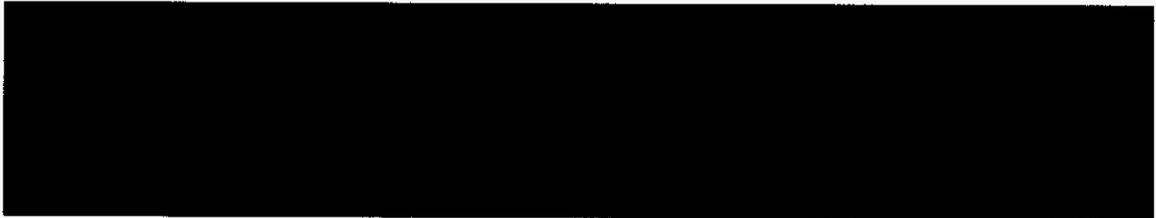
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**22. INTEREST IN JOINT VENTURES**



**23. RELATED PARTY TRANSACTIONS**



# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **24. COMMITMENTS**



### **25. CONTINGENCIES**

#### **FAIRBANKS RATE CASE PROCEEDINGS**

FSW has settled three rate case proceedings for the years 2004 through 2006 that have been filed with the RCA. FSW has agreed to pay refunds to its customers of USD\$4,471 in 2012, which is recorded as regulatory liabilities of USD\$4,250 (2010 - USD\$6,476) and accrued interest of USD\$221 (2010 - \$758). FSW will use monies on deposit to pay these refunds, which are recorded as current portion of restricted cash of USD\$4,177 in these consolidated financial statements.

FSW has a rate case proceeding for 2010 before the RCA. Since rates to be charged to customers have been established on an interim and refundable basis, there is potential refund related to this rate case. Management cannot make a reasonable estimate of its potential refund exposure at this time. FSW has restricted cash of USD\$797 for any potential refunds to customers for this rate case proceeding.

#### **OTHER**

A number of other claims and lawsuits seeking damages and other relief are pending against the Company. Management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial statements.

# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **26. FINANCIAL INSTRUMENTS**

#### **FAIR VALUE**

The fair value of cash, cash equivalents, accounts receivable, unbilled revenues, deposits, accounts payable and accrued liabilities approximates their carrying value due to the relatively short period to maturity of the instruments.

The fair value of long term receivables, long term debt, convertible debentures, contracts payable, and capital lease obligation with fixed interest rates are not readily available. The interest rates, terms of repayment, and maturity dates of these financial instruments are as disclosed in these consolidated financial statements.

The fair value of the investment in affiliates is not readily determinable. The investment is primarily in Chatham-Kent Energy, a rate regulated entity operating under a licence issued by the Ontario Energy Board.

The fair value of long term debt with variable interest rates approximate their carrying value as interest rates approximate current market rates for the same or similar instruments.

The interest rate swaps, included in other liabilities, are recorded at fair value with the change in the fair value recognized in the consolidated statement of operations. The fair value of the interest rate swaps is determined using the best available information regarding future interest rates. The interest rate swap contracts will mature on various dates between October 2012 and August 2020.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates cannot be determined with precision as they are subjective in nature and involve uncertainties and matters of judgment.

#### **CREDIT RISK**

The Company is exposed to credit risk with respect to its cash, cash equivalents, accounts receivable, unbilled revenues and long term receivables. The Company's exposure to credit risk with respect to these items is limited to the carrying value on the consolidated balance sheet. The Company grants credit to its customers in the normal course of business. Credit risk is minimized by the Company's large customer base, program of regular credit evaluations and limits of credit.

#### **CURRENCY RISK**

The Company is exposed to foreign currency fluctuations and manages this risk by occasionally entering into foreign currency contracts, primarily US dollars, to hedge future purchases of foreign currency denominated goods and services. At December 31, 2011, the Company has recorded the fair value of its foreign currency contracts for USD\$24,000 (2010 - USD\$12,000) in other assets of \$1,353 (2010 - in other liabilities of \$419). The gain or loss in these contracts is recorded in the statements of operations as foreign exchange. These contracts will expire by December 2012. The Company does not hold these contracts for trading.

# **CORIX INFRASTRUCTURE INC.**

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(expressed in thousands)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### **26. FINANCIAL INSTRUMENTS (Continued)**

#### INTEREST RATE RISK

The Company is exposed to interest rate risk on a portion of its long term debt which bears interest at floating rates and manages this risk by entering into interest rate swaps to fix the floating rates. Long term debt with interest rate swaps are disclosed in Note 13.

### **27. SUBSEQUENT EVENTS**

On February 20, 2012, the Company announced that it has entered into a definitive agreement to acquire 100% of the membership interests in Hydro Star, LLC from Highstar Capital Fund II, L.P. and certain of its affiliates and co-investors. Hydro Star, through its wholly owned subsidiary, Hydro Star Holdings Corporation, is the sole shareholder of Utilities Inc., a privately held regulated water and wastewater company headquartered in Northbrook, IL. Utilities Inc. is one of the largest privately owned U.S. water and wastewater companies, serving over 290 thousand customers across fifteen states.