

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ACQUISITION BY)	
BLUEGRASS WATER UTILITY OPERATING)	
COMPANY, LLC AND THE TRANSFER OF)	
OWNERSHIP AND CONTROL OF ASSETS BY)	CASE NO.
CENTER RIDGE WATER DISTRICT, INC.;)	2019-00360
JOANN ESTATES UTILITIES, INC.; AND)	
RIVER BLUFFS, INC.)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC, CENTER RIDGE
WATER DISTRICT, INC., JOANN ESTATES UTILITIES, INC.,
AND RIVER BLUFFS, INC.

Bluegrass Water Utility Operating Company, LLC (Bluegrass Water), Center Ridge Water District, Inc. (Center Ridge District), Joann Estates Utilities, Inc. (Joann Estates), and River Bluffs, Inc. (River Bluffs), (collectively, Joint Applicants), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested herein should be filed with the Commission within seven days of the date of this request. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the

preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry. Joint Applicants shall make timely amendment to any prior response if Joint Applicants obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fails or refuses to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. For each system that is proposed to be acquired, provide the following information:
 - a. The number of employees currently employed by each utility.
 - b. The number of employees to be retained by the new owners.
 - c. The number of employees to be employed at each utility.
 - d. A copy of the current permits.

e. If no current permits exist, a copy of the most recent expired permits and any applications to renew permits.

f. Customer deposits held, if any, and identify how those customer deposits will be credited to the customers.

g. The number of customers served and the rates charged.

h. For each system, provide the location of the nearest sewer regional facility.

i. For each system, state whether a study has been considered or completed to determine the cost of connecting to the nearest regional facility versus rebuilding or rehabilitating the current system. If so, provide the study. If not, explain why the study has not been conducted.

2. Refer to paragraph 9, wherein Joint Applicants refer to two prior cases, Case No. 2017-00359¹ and Case No. 2017-00164.² In Case No. 2017-00164, Center Ridge District was ordered to pay a \$36.80 refund to its customer, Peggy S. Rose. As a result of its failure to comply with the Commission's Order in Case No. 2017-00164, Center Ridge District was ordered to pay a \$2,500 penalty in Case No. 2017-00359.

a. Confirm whether Center Ridge District has paid the \$2,500 penalty. If not, identify which utility will be responsible for paying the penalty.

b. Confirm whether Center Ridge District has paid the \$36.80 refund to Peggy S. Rose. If not, identify which utility will be responsible for paying the refund.

¹ Case No. 2017-00359 *Center Ridge Water District No. 2 Alleged Failure to Comply with an Order by the Commission and 807 KAR 5:001, Section 20(6)* (Ky. PSC filed Nov. 2, 2017).

² Case No. 2017-00164 *Peggy S. Rose vs. Center Ridge Water District No. 2* (Ky. PSC Jan. 10, 2018).

3. Confirm the pro forma income statement uses the most recently filed annual report for each utility to estimate operating revenues and expenses.

4. Provide the anticipated effect on future rates of each utility in the application.

5. Describe the methodology that Central States Water Resources, Inc. (CSWR) will use to allocate costs to each utility for all management, financial reporting, underground utility safety and locations services, Commission and environmental regulatory reporting and management, record keeping, and other work performed by personnel at CSWR's corporate office. Also, state whether Bluegrass Water is considered one utility or more than one utility for purposes of allocating costs.

6. Refer to paragraph 24. Provide an itemized breakdown of the costs that CSWR has incurred to date and is expected to incur until such time as the Closings for each transferring utility occurs.

7. In addition to the persons identified in Joint Applicants' Exhibit H, state who will operate the facilities on a day-to-day basis. Provide names of certified operators, their classification, contact information, and the plant they will operate.

8. Explain if Bluegrass Water intends to record on its books or on the books of each utility acquired an acquisition adjustment to reflect the amount by which the purchase price of each utility exceeds the net book value of each utility acquired.

9. State whether CSWR or Bluegrass Water has reviewed the Commission's most recent inspection reports for each of the utilities to be acquired.

10. Explain how Bluegrass Water will resolve each of the outstanding violations cited by the Commission on all plants involved in the proposed transfer.

11. Refer to paragraph 26, in which Joint Applicants state that each transferring utility will work to bring the conduct of the utility system into full compliance with regulatory requirements. Refer to paragraph 27, in which Joint Applicants state that most of the identified diagnostic tests, repairs, and improvements will take place post-Closing.

a. For each transferring utility, explain what work needs to be completed to bring each system into full compliance. Also, explain what work each transferring utility has done to date to bring the respective utility system into full compliance and provide an itemized breakdown of costs incurred as a result.

b. Confirm whether or not the statement made in paragraph 26 is a contingency required to be met by the transferring utilities in the respective agreements reached by Joint Applicants. If so, state whether there is a date certain by which full compliance by each transferring utility needs to be completed.

12. Refer to paragraph 30, wherein Joint Applicants state that Midwest Water Operations, LLC (Midwest) “has knowledgeable and experienced personnel, who carry the necessary state licenses, and has insurance coverage necessary to manage the daily wastewater operations.”

a. Explain if Midwest has the personnel that has the knowledge and experience, who carry the state licenses, and has insurance coverage necessary to manage the daily water operations of Center Ridge District.

b. Explain if Midwest will need to hire additional water operations personnel to manage Center Ridge District’s assets.

13. Refer to paragraph 34, in which Joint Applicants state that Bluegrass Water has secured the necessary funding and plans to address each system's shortcomings to bring into compliance within the year following closing.

a. Explain how this statement does not contradict the statement made in paragraph 26 that each transferring utility will work to bring the conduct of the utility system into full compliance with regulatory requirements.

b. Provide the amount Bluegrass Water anticipates spending to bring each system into compliance. Provide the amount of funding that Bluegrass Water has secured in relation to these anticipated expenditures.

14. Refer to paragraph 37, in which Joint Applicants state that the three acquired systems will be integrated, and customers will be served under one tariff.

a. Explain if Bluegrass Water knows that water operations tariffs and wastewater operations tariffs are filed separately with the Commission.

b. If Bluegrass Water is aware that water operations tariffs and wastewater operations tariffs are filed separately, explain Joint Applicants' statement in paragraph 37 that customers will be served under one tariff.

15. Provide a copy of the current and long-term debts for each system proposed to be acquired, including lender's name, the date the debt was incurred, the original amount of the indebtedness, and the amount outstanding as of the date of Joint Applicants' Exhibit I, Pro-Forma Balance Sheet – Bluegrass Water Utility Operating Company, LLC.

16. Provide a schedule showing the current capital structure of Bluegrass Water in both dollars and percentages.

For Gwen R. Pinson

Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
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DATED NOV 22 2019

cc: Parties of Record

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