

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ACQUISITION OF)	
WASTEWATER SYSTEM FACILITIES BY)	CASE NO.
BLUEGRASS WATER UTILITY OPERATING)	2021-00265
COMPANY, LLC)	

ORDER

On October 27, 2021, Bluegrass Water Utility Operating Company, LLC (Bluegrass Water) filed an application for any approvals necessary for the transfer of a wastewater system operated by Darlington Creek Homeowner’s Association, Inc. (Darlington Creek HOA) and to establish an initial rate for the system. Bluegrass Water responded to a Request for Information from Commission Staff and requested that the Commission take this matter under submission on the written record. This matter is now before the Commission for a decision on the merits.

BACKGROUND

Bluegrass Water Entities

Bluegrass Water is a limited liability company with its principal place of business at 1650 Des Peres Road, Suite 303, St. Louis, Missouri 63131.¹ Bluegrass Water Utility Holding Company, LLC (Holding Company) is Bluegrass Water’s sole member and is organized in the Commonwealth of Kentucky.² Bluegrass Water’s ultimate parent is

¹ Application at 2.

² *Id.* at 2.

CSWR, LLC (CSWR).³ CSWR is managed by its affiliate, Central States Water Resources, Inc. (Central States).⁴

Bluegrass Water currently owns, controls, operates, and manages sewer facilities in Bullitt, Franklin, Garrard, Graves, Hardin, Jessamine, Madison, Marshall, McCracken, Oldham, Scott, and Shelby counties, Kentucky, and provides collection, transmission, and treatment of wastewater through those facilities.⁵ Bluegrass Water also currently owns, controls, operates, and manages a water system in Calloway County, Kentucky.⁶ Bluegrass Water provides service to more than 2,500 customers in Kentucky.⁷

³ Case No. 2020-00297 *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by: Delaplain Disposal Company; Herrington Haven Wastewater Company, Inc.; Springcrest Sewer Company, Inc; and Woodland Acres Utilities, LLC* (Ky. PSC Jan. 14, 2021), Order at 5, 9-10.

⁴ Application at 2.

⁵ Bluegrass Water acquired these sewer system facilities in accordance with the following final Orders: (1) Case No. 2019-00104 *Electronic Proposed Acquisition By Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by P.R. Wastewater Management, Inc., Marshall County Environmental Services, LLC, LH Treatment Company, LLC, Kingswood Development, Inc., Airview Utilities, LLC, Brocklyn Utilities, LLC, Fox Run Utilities, LLC, and Lake Columbia Utilities, Inc.* (Ky. PSC Aug. 14, 2019), Order; (2) Case No. 2019-00360 *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Center Ridge Water District, Inc.; Joann Estates Utilities, Inc.; and River Bluffs, Inc.* (Ky. PSC Feb. 17, 2020), Order; (3) Case No. 2020-00028 *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC of Wastewater System Facilities and Subsequent Tariffed Service to Users Presently Served by Those Facilities* (Ky. PSC June 19, 2020), Order; and (4) Case No. 2020-00297 *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by: Delaplain Disposal Company; Herrington Haven Wastewater Company, Inc.; Springcrest Sewer Company, Inc; and Woodland Acres Utilities, LLC* (Ky. PSC Jan. 14, 2021), Order.

⁶ Case No. 2019-00360, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Center Ridge Water District, Inc.; Joann Estates Utilities, Inc.; and River Bluffs, Inc.* (Ky. PSC Feb. 17, 2020), Order.

⁷ Application at 3.

System to be Acquired

Darlington Creek HOA is a nonstock, nonprofit corporation organized in the Commonwealth of Kentucky.⁸ Darlington Creek HOA was formed to provide for the maintenance, preservation, and control of the Darlington Creek Subdivision in Campbell County, Kentucky.⁹ Those functions include the operation, maintenance, and billing for a wastewater disposal system to serve lots in the subdivision. Darlington Creek HOA holds the title to the treatment plant and other facilities that Bluegrass Water is seeking approval to acquire (Darlington Creek System).

The Darlington Creek Subdivision is subdivided and approved for a total of 117 lots.¹⁰ There are currently 89 residences served by the Darlington Creek System.¹¹ The remaining 28 lots have been sold and, as of the end of September 2021, the residences for 24 of those lots were under construction.¹² Each of the residences pays a \$45.00 a month sewer fee in addition to an annual \$269.50 HOA fee.¹³ Darlington Creek HOA does not require a deposit for the provision of sewer service.¹⁴

Darlington Creek HOA has no employees; it contracts with Crone Environmental Solutions (Crone) for the operation and maintenance of the Darlington Creek System.¹⁵

⁸ *Id.* at 3.

⁹ *Id.*

¹⁰ *Id.* at 4.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* 3–4, footnote 3.

¹⁴ *Id.* at 3–4.

¹⁵ *Id.* at 5.

Darlington Creek HOA's Kentucky Department of Environmental Protection permit is valid through June 30, 2024.¹⁶

The Transaction

On October 7, 2020, Central States entered into an "Agreement for Sale of Utility System" with Darlington Creek HOA designating the buyer as CSWR, or its designee (Agreement).¹⁷ The sale includes all assets used or useful to operate the system, including real property interests, service machinery and equipment, other tangible fixtures or personalty, franchises, contract rights, accounts receivable, and other intangibles.¹⁸ Assets accrued in accounts receivable prior to closing are expressly excluded from the Agreement.¹⁹ The Agreement prohibits the buyer from collecting tap fees for the remaining 28 lots.²⁰ Upon the closing of the transaction, the Agreement provides for Bluegrass Water to become responsible for all assets from that point forward.²¹

Buyer's Financial and Technical Resources

Bluegrass Water's ultimate parent, CSWR, owns and operates subsidiaries in several surrounding states that provide water and wastewater service. CSWR, including Bluegrass Water, is managed by Central States, which, in turn, manages the systems in other states.²² Bluegrass Water noted that Central States has experience through

¹⁶ *Id.*

¹⁷ *Id.* at 5, Exhibit F.

¹⁸ *Id.*

¹⁹ *Id.* at 6.

²⁰ *Id.*

²¹ *Id.* at 5.

²² Case No. 2020-00297, *Bluegrass Water Utility* (Ky. PSC Jan. 14, 2021), Order at 5, 9–10.

Bluegrass Water and other affiliates managing small sewage systems like the Darlington Creek System.²³

Bluegrass Water will fund the acquisition of Darlington Creek System using equity capital from CSWR.²⁴ Bluegrass Water has a global, long-term plan to fund the work to repair, replace, and improve its systems with debt financing, and indicated that it anticipated filing for approval to obtain debt financing in the first quarter of 2022.²⁵ For now, Bluegrass Water has secured the commitment of equity capital through CSWR to fund any projects identified by its engineering contractor for the Darlington Creek System in the report filed with the application.²⁶ After closing, Bluegrass Water will also provide service in accordance with the general rules and regulations for residential sewer customers in its current sewer tariff on file with the Commission, with initial rates requested to be those currently charged by the Darlington Creek HOA.²⁷

The day-to-day operations, billing, and customer service functions are to be provided by third-party contractors for Bluegrass Water's systems. Bluegrass Water will solicit bids to obtain a competitive and experienced operations and management third-party firm. In addition to the service obligations during normal business hours, the third-party contractor will be required to have a 24-hour emergency service line on which

²³ Application at 10.

²⁴ *Id.* at 6.

²⁵ Bluegrass Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 6, 2021), Items 9 and 11.

²⁶ Bluegrass Water's Response to Staff's First Request, Item 9.

²⁷ Application at 6.

customers may report any service disruption with notice of service disruption calls to be forwarded to Josiah Cox, the president of Central States.²⁸

A third-party firm engaged by Bluegrass Water will send out bills and handle service-related billing questions for the acquired systems. For Bluegrass Water's other Kentucky systems, that firm is Nitor Billing Services, LLC (Nitor Billing Services).²⁹ Nitor Billing Services has an online billing system in place to receive credit cards and e-checks from customers and a Bluegrass Water specific customer service email account to handle customer inquiries and other interactions. The customer service representatives are available during normal business hours and to take messages 24 hours a day. Bluegrass Water maintains a toll-free number and a website that contains a summary of customers' rights, tariffs, or links to the tariffs for each system; contact information for emergencies during regular hours and after-hours to report service issues; links to any tariffs filed in the future with the Commission; and links to Bluegrass Water's systems' maps on the Kentucky Infrastructure Authority Wastewater Mapping website.³⁰

Bluegrass Water asserted that its arrangements will ensure continuity of service to current customers and that future customers are provided with a quality of service equal to or better than that currently being provided. These arrangements include implementation of computerized maintenance management system for utility facilities,

²⁸ *Id.*

²⁹ *Id.* at 7.

³⁰ *Id.*

online bill-pay options, up-to-date website bulletins about current service status, and service initiation/discontinuance procedures.³¹

Central States will be responsible for all management, financial reporting, underground facility safety and locations services, Commission and environmental regulatory reporting and management, record keeping, and final customer disputes.³²

Alternative Operators

Bluegrass Water indicated that the nearest wastewater treatment facilities to Darlington Creek System are the Campbell County MHP, Schaefer-Mudd-Steffen Residence, and Greystone Acres Subdivision systems. It stated that those facilities do not have the capacity to serve the Darlington Creek Subdivision and that it would be necessary to construct a new lift station and additional sewer mains of between 0.75 and 1.5 miles to connect the Darlington Creek System to those systems. Bluegrass Water argued that the improvements necessary to expand and connect those systems would be significantly more than improvements Bluegrass Water contends would currently be necessary for it to operate the Darlington Creek System.³³

DISCUSSION

Certificate of Public Convenience and Necessity (CPCN)

KRS 278.020(6) and 278.020(7) require prior Commission approval of the transfer or control of any “utility.” Darlington Creek HOA is not and has not been registered with the Commission as a wastewater utility. The record also supports a finding that Darlington

³¹ *Id.* at 8.

³² *Id.* at 7.

³³ Bluegrass Water’s Response to Staff’s First Request, Item 15.

Creek HOA is not a “utility” subject to the Commission’s jurisdiction as that term is defined in KRS 278.010(3) because it is a neighborhood association formed to provide for the maintenance, preservation, and control of the Darlington Creek Subdivision and is only providing service in that subdivision. Thus, neither KRS 278.020(6) nor KRS 278.020(7) are applicable to the proposed transaction.

Because KRS 278.020(6) and (7) apply only to the transfer of jurisdictional utilities, the Commission has previously held that the acquisition of a non-jurisdiction utility by a jurisdictional utility did not require any prior approval pursuant to KRS 278.020. However, in Case No. 2020-00028,³⁴ the Commission held that a utility purchasing a non-jurisdictional system must obtain a CPCN pursuant to KRS 278.010(1)(a) before it commences operating the non-jurisdictional utility.

KRS 278.020(1)(a) states, in relevant part, that

[n]o person . . . shall commence providing utility service to or for the public or begin the construction of any plant . . . until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

To establish that public convenience and necessity require the service or construction, a utility is generally required to demonstrate a need and an absence of wasteful duplication.³⁵ When reviewing whether to grant a CPCN authorizing a utility to purchase a non-jurisdictional system, the Commission also looks at whether the acquisition will

³⁴ Case No. 2020-00028, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC of Wastewater System Facilities and Subsequent Tariffed Service to Users Presently Served by Those Facilities* (Ky. PSC June 19, 2020), Order.

impair the utility's ability to provide reasonable and adequate service to the utility's existing customers or the customers of the system the utility is acquiring.³⁶

Here, the Darlington Creek System currently provides sewer service to residents of the Darlington Creek Subdivision and such service is necessary for the homes in that subdivision. The evidence in the record indicates that there is no county or city system nearby that could feasibly serve the Darlington Creek Subdivision at this time,³⁷ and there has been no evidence that any person or entity other than Bluegrass Water is interested in operating the system. Bluegrass Water also presented evidence that it will be able to provide reasonable and adequate service to its existing customers and the customers of the Darlington Creek System following the acquisition.

Bluegrass Water is currently operating 17 sewage systems and a single water utility in Kentucky.³⁸ Bluegrass Water's parent, CSWR, which will manage Bluegrass Water through its affiliate Central States, also operates numerous similar small sewage treatment facilities in other states. Further, like most other utilities and non-utility owners that control small sewage systems, Bluegrass Water currently contracts with a third-party operator, qualified pursuant to standards established by the Energy and Environment Cabinet, Division of Water.³⁹ Bluegrass Water also anticipates using the contractor that

³⁶ See Case No. 2020-00028, *Bluegrass Water Utility* (Ky. PSC June 19, 2020), Order at 16.

³⁷ See Bluegrass Water's Response to Staff's First Request, Item 15 (discussing the nearby systems and their capacity or lack thereof).

³⁸ See Case No. 2020-00290, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Rates and Approval of Construction* (Ky. PSC Aug. 2, 2021), Order at 2-4 (discussing systems Bluegrass Water operates).

³⁹ Case No. 2020-00297 *Bluegrass Water Utility* (Ky. PSC January 14, 2021), Order at 10.

currently does the billing for its existing systems. Thus, the Commission finds that Bluegrass Water, its parent, and affiliates have the technical and managerial ability to provide reasonable and adequate service to the customers of the Darlington Creek System without impairing the service it provides to its current customers.

Bluegrass Water also presented evidence that it has access to financial resources through its parent, CSWR, necessary to provide reasonable and adequate service. It stated that its parent will provide the equity capital necessary to purchase the Darlington Creek System, and [REDACTED], the evidence supports a finding that Bluegrass Water will be able to raise the capital. Bluegrass Water indicated that it is working to obtain debt financing,⁴⁰ and that its “global and long-term plan is to fund the work to repair, replace and improve the acquired systems with debt financing.”⁴¹ In the meantime, Bluegrass Water indicated that its parent company has committed equity capital to fund projects identified in the engineering report produced as part of the application in this matter.⁴² Thus, the Commission finds that Bluegrass Water has the financial ability to provide reasonable service and the financial integrity to ensure the continuity of sewer service without impairing the service it provides to its current customers.

For the reasons discussed above, among others, the Commission finds that the acquisition shall be approved. However, while it is approving the acquisition, the Commission does have some concern regarding Bluegrass Water’s commitment to obtain

⁴⁰ Application at 10.

⁴¹ Bluegrass Water’s Response to Staff’s First Request, Item 9.

⁴² *Id.*

debt financing for acquisitions and plant additions. In Case No. 2019-00104, in which Bluegrass Water was first authorized to acquire systems in Kentucky, Bluegrass Water supported its request by indicating its intent to maintain a capital structure with at least 50 percent debt financing. Based on that commitment, the Commission then indicated that Bluegrass Water's equity-to-capitalization percentage should not exceed 50 percent, and that if it did exceed 50 percent, Bluegrass Water must file a plan with the Commission within 30 days indicating "how it will revise its capital structure to achieve its approved equity-to-capital ratio."⁴³ After closing on the systems it was approved to acquire in Case No. 2019-00104, Bluegrass Water filed a plan noting that it had used equity capital from its parent company to purchase the systems, but it would use a debt and equity mix to finance plant additions to achieve a capital structure financed with at least 50 percent debt.⁴⁴ Further, in subsequent cases in which it obtained approval to acquire systems in Kentucky, Bluegrass Water similarly indicated it would fund plant additions with debt financing to achieve and maintain a capital structure with at least 50 percent debt financing. The Commission approved Bluegrass Water's acquisitions in those cases based on those commitments,⁴⁵ which were consistent with the condition imposed in Case No. 2019-00104.

⁴³ Case No. 2019-00104, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by P.R. Wastewater Management, Inc., Marshall County Environmental Services, LLC, LH Treatment Company, LLC, Kingswood Development, Inc., Airview Utilities, LLC, Brocklyn Utilities, LLC, Fox Run Utilities, LLC, Brocklyn Utilities, LLC, and Lake Columbia Utilities, Inc.* (Ky. PSC. Aug. 14, 2019), Order at 18.

⁴⁴ Case No. 2019-00104, *Bluegrass Water Utility* (filed Oct. 31, 2019), Notice and Plan Re: Capital Structure.

⁴⁵ See Case No. 2020-00297 *Bluegrass Water Utility* (Ky. PSC Jan. 14, 2021), Order at 10; Case No. 2019-00360 *Bluegrass Water Utility* (Ky. PSC Feb. 17, 2020), Order at 12.

Bluegrass Water indicated, in this matter, that it expected to request Commission approval for debt financing by the end of the first quarter of 2022.⁴⁶ However, Bluegrass Water has not obtained any debt financing for capital expenditures to date and indicated in this matter that while it intends to obtain debt financing for plant additions that its parent company has committed to contribute equity capital necessary for certain projects for the Darlington Creek System. Thus, to ensure that this Order is not construed as eliminating the condition established in Case No. 2019-00104 and prior cases, the Commission, in authorizing Bluegrass Water's acquisition in this matter, reiterates its expectation that Bluegrass Water obtain debt financing sufficient to maintain a capital structure with at least 50 percent debt.

The Commission also notes that its finding with respect to Bluegrass Water's financial ability and integrity is based, in large part, on the financial resources of CSWR. For that reason, in Case No. 2019-00104, the Commission required Bluegrass Water to post a financial instrument equivalent to two-months of the cost of its third-party contractors, and the Commission indicated that condition would continue to apply in Case No. 2019-00360 and Case No. 2020-00297.⁴⁷ While it claims that its current financial instrument is sufficient to include two months of contractor costs for its existing systems and the Darlington Creek System, Bluegrass Water does not propose eliminating that condition at this time.⁴⁸ Further, given its continued reliance on capital from its parent company, there is no basis for eliminating the condition. Thus, as required by those

⁴⁶ Bluegrass Water's Response to Staff's First Request, Item 11.

⁴⁷ See Case No. 2020-00297 *Bluegrass Water Utility* (Ky. PSC Jan. 14, 2021), Order at 11; Case No. 2019-00360 *Bluegrass Water Utility* (Ky. PSC Feb. 17, 2020), Order at 13-14.

⁴⁸ Application at 11.

previous cases, Bluegrass Water shall continue to post a financial instrument equivalent to two-months of the cost of its third-party contractors for all Kentucky systems.

The Commission also finds that it shall impose the post-closing requirements as discussed below. The engineering report noted that certain improvements were necessary to the plant to be acquired. Accordingly, the Commission will require that, one month after the closing of the transactions, Bluegrass Water file a report listing discharge quality, number of service interruptions, employee or contractor response times, and Division of Water (DOW) or other applicable regulatory agencies violations or citations for the preceding month. This will serve as a baseline against which to judge improvements to the systems. Bluegrass Water shall also file, at six months and one year after the closing of the transaction, a report listing discharge quality, number of service interruptions, employee or contractor response times, and DOW or other violations or citations for the preceding year. This will allow the Commission to review the anticipated progress that Bluegrass Water has made in improving quality in the systems.

In addition to the reports above, the Commission will also require Bluegrass Water to maintain its records in such a way as to be able to readily distinguish between violations, repairs, and investments for the Darlington Creek System. This will allow review of Bluegrass Water's practices and will assist the Commission in determining how Bluegrass Water has used its resources in the operation and management of various systems as well as the reasonableness of the expenses and practices in any future ratemaking proceeding.

Further, pursuant to KRS 278.020, Bluegrass Water shall not begin the construction of any plant, equipment, property, or facility for furnishing water or

wastewater services to the public, except ordinary extensions of existing systems in the usual course of business, until Bluegrass Water has obtained a CPCN from the Commission. Pursuant to KRS 278.300, Bluegrass Water shall not issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person, until Bluegrass Water has been authorized to do so by an Order of the Commission.

Tariff

Pursuant to 807 KAR 5:011, Section 11, a person purchasing an existing utility is required to adopt the utility's existing tariffs on file with the Commission, including any rates and service requirements therein, before filing a new or revised tariff for the predecessor utility or incorporating the predecessor utility into the successor utility's existing tariff. However, because Darlington Creek HOA is not a utility as defined by KRS 278.010(3), there is not a tariff on file with the Commission for the Darlington Creek HOA that Bluegrass Water can adopt. Bluegrass Water instead proposes filing a tariff to establish an initial rate of \$45 per month for residential customers of the Darlington Creek System, consistent with the Darlington Creek HOA's current monthly rate, and amending its service territories in Sheet No. 1.2 of its existing tariff to make Bluegrass Water's general rules and regulations for residential service on file with the Commission applicable to customers of the Darlington Creek System, all to be effective at closing.

Bluegrass Water argued that a flat monthly rate for Darlington Creek System's customers is fair, just and reasonable in accordance with KRS 278.030 because it is the rate currently paid by the customers and is less than the current unified residential sewer rate in effect for Bluegrass Water following the recent final decision in Case No. 2020-

00290.⁴⁹ Bluegrass Water also argued the proposed rate is substantially lower than the tariffed rates for other systems with a small number of users and the rate approved in Case No. 2015-00306⁵⁰ in which the Commission established initial rates for a small wastewater utility.

Because Darlington Creek HOA is not a utility regulated by the Commission, it does not report expense or revenue data to the Commission on a regular basis and is not required to keep its books in accordance with the Uniform System of Accounts applicable to public utilities. As a result, there is limited data available regarding the operation of the Darlington Creek System to set initial rates. However, the proposed rate of \$45 a month, with 89 customers, results in annual revenue of approximately \$48,060,⁵¹ and Bluegrass Water estimated its annual expenses for the Darlington Creek System as \$64,958,⁵² so even if Bluegrass Water's estimate is off by 26 percent, the proposed rate could still be supported by the estimated expenses for the Darlington Creek System before any general administrative expenses are allocated. Further, while it is not dispositive with respect to a rate for the Darlington Creek System, the Commission approved a consolidated rate for most of Bluegrass Water's other residential sewer customers of \$85.97 a month. Finally, a rate of \$45 per month per residential customer is consistent with the rate established by the homeowners association. For those reasons, among others, the Commission

⁴⁹ Case No. 2020-00290, *Bluegrass Water Utility* (Ky. PSC Aug. 2, 2021), Order.

⁵⁰ Case No. 2015-00306 *Application of Bush Gardens Enterprises, LLC for Approval of Initial Sewer Rates Pursuant to the Alternative Rate Filing Procedures for Small Utilities and Tariff* (Ky. PSC Mar. 24, 2016), Order at 2. The Commission approved an initial flat rate of \$123.65 per month for the eight-customer system, to generate the annual revenue requirement of \$11,870.

⁵¹ \$45.00 x 89 x 12 = \$48,060.

⁵² Bluegrass Water's Response to Staff's First Request, Item 3.

agrees that Bluegrass Water's proposed initial rate of \$45 per month for residential customers in the Darlington Creek Subdivision is reasonable under the circumstances.

The Commission also finds that it is reasonable for Bluegrass Water to amend its tariff to make its general rules and regulations, which currently begin on Bluegrass Water's Sheet No. 11, applicable to customers in the Darlington Creek Subdivision upon closing. Those general rules and regulations include general rules regarding substances that should not be discharged into the sewer; service pipe connections; protection by customers; notice of trouble; maintenance; connections; line relocation; easements; discontinuance of service; billing, collection, and penalties; and liability of the company. The general rules and regulations for residential service are currently applicable to all Bluegrass Water residential customers and govern how Bluegrass Water administers service, but they do not establish any late fees, tap fees, reconnection fees or other similar charges for specific service areas. Such general terms are necessary for utilities to provide service, and it is reasonable for Bluegrass Water to apply the same general terms to the Darlington Creek System as it does to other residential customers served by its systems. Thus, the Commission will approve Bluegrass Water's proposal to amend its tariff to apply the general conditions to the Darlington Creek Subdivision upon closing.

IT IS THEREFORE ORDERED that:

1. Pursuant to KRS 278.020(1)(a), Bluegrass Water is granted a Certificate of Public Convenience and Necessity to provide utility service to and for the public in the Darlington Creek Subdivision.
2. Bluegrass Water's application for Commission approval of its acquisition of the Darlington Creek System is granted.

3. The initial rates and terms of service proposed by Bluegrass Water for customers in the Darlington Creek Subdivision are approved, effective on the date of closing.

4. Within ten days of completion of the transfer of the Darlington Creek System to Bluegrass Water, Bluegrass Water shall notify the Commission in writing of the date that the transfer occurred.

5. One month after the closing of the transaction, Bluegrass Water shall file for the acquired system the following: a report listing discharge quality; number of service interruptions; employee or contractor response times; and any violations or citations for the preceding month.

6. Six months after the closing of the transaction, Bluegrass Water shall file for the acquired system a report listing the following: discharge quality; number of service interruptions; employee or contractor response times; and any violations or citations for the preceding month.

7. One year after the closing of the transaction, Bluegrass Water shall file for the acquired system a report listing the following: discharge quality; number of service interruptions; employee or contractor response times; and DOW violations or citations for the preceding month.

8. Bluegrass Water shall maintain its records in such a way to be able to readily distinguish between violations, repairs, and investments for the system.

9. Bluegrass Water shall not begin the construction of any plant, equipment, property, or facility for furnishing wastewater or water services to the public, except ordinary extensions of existing systems in the usual course of business, until Bluegrass

Water has obtained a Certificate of Public Convenience and Necessity from the Commission.

10. Pursuant to KRS 278.300, Bluegrass Water shall not issue any securities or evidences of indebtedness or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until Bluegrass Water has been authorized to do so by an Order of the Commission.

11. Within ten days of closing of the acquisition of the Darlington Creek System, Bluegrass Water shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates approved in this Order.

12. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED
FEB 24 2022 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2021-00265

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