

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: P.R. Wastewater Management, Inc.;)
Marshall County Environmental Services LLC;) No. 2019-00104
LH Treatment Company, LLC; Kingswood)
Development, Inc.; Airview Utilities, LLC;)
Brocklyn Utilities, LLC; Fox Run Utilities,)
LLC; and, Lake Columbia Utilities, Inc.)

**Response to
Attorney General's Initial Data Requests**

Bluegrass Water Utility Operating Company, LLC (“Bluegrass”) on behalf of the Applicants herewith submits responses to the Attorney General’s Initial Data Requests, in accordance with the Commission’s scheduling Order issued May 9, 2019 (the “5/9/19 Order”). A signed, notarized verification for this Response appears on the following page. The undersigned counsel is responsible for any objection noted for a particular response.

Respectfully submitted,

/s/ Kathryn A. Eckert

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Attorneys for Applicants

VERIFICATION

on behalf of


Applicant Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

I, Mike Duncan, Director of Business Operations of Central States Water Resources, Inc., the manager of Bluegrass Water Utility Operating Company, LLC being duly sworn, state that I prepared or supervised the preparation of the following responses and that the matters and things set forth in each such response are true and correct to the best of my knowledge, information, and belief formed after reasonable inquiry.


Mike Duncan

Subscribed and sworn to this 31st day of May, 2019, before me, a Notary Public in and before said County and State.


Notary Public

(SEAL)

My Commission expires: Dec 28th, 2022

Patricia G. Baucom
Notary Public - Notary Seal
State of Missouri
St. Louis County
My Commission Expires: December 28, 2022
Commission # 15430619

Request

1. Provide the most-recent engineering studies regarding the underlying assets for each transaction.
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Response

Please see the engineering reports produced in response to 1 PSC 13 as JA_00163-197.

The publicly filed documents have been redacted. Unredacted versions will be filed under seal with a contemporaneously filed Motion for Confidential Treatment.

Request

2. Provide and explain the post-closing accounting entries for each of the Joint Applicants upon completion of the proposed transactions.
-

Response

For Bluegrass Water at closing, the appropriate amount of cash would be transferred from Kentucky CSWR to Bluegrass UHC, LLC and journaled as a debit to cash and a credit to equity. This cash would be used to close the purchases of the individual systems and each of those transactions would be journaled as a debit to the Utility Plant Purchased account and credit to cash. Upon confirmation of depreciated net book values of assets, asset values would be debited to the appropriate Plant in Service accounts with credits to the Utility Plant Purchased account.

Request

3. Provide the capitalization of Kentucky CSWR and Bluegrass Water UOC, LLC.
-

Response

KY-CSWR and Bluegrass

Subsidiary Pro Forma Capitalization

State	Entity	Debt	Equity	Total Capitalization	Debt/Equity Ratio
Kentucky	KY-CSWR				
Kentucky	Bluegrass				

— redacted —

Request

4. Provide all agreements between Bluegrass UOC, LLC and Bluegrass UCH, LLC, Kentucky CSWR, First Round CSWR, LLC or Central States Water Resources, Inc. regarding capitalization.

Response

First Round CSWR is the only member of Bluegrass Water, and is the entity listed that will be funding (equity) capitalization. No agreement exists obligating First Round to provide equity or debt to Bluegrass Water, and no agreements between the listed entities regarding capitalization for Bluegrass Water have been entered into.

Request

- Provide the capitalization costs, both debt and equity, for Missouri UOCs and Arkansas UOCs.

Response

Central States Water Resources					
Subsidiary Capitalization					
April 30, 2019					
State	UOC	Debt	Equity	Total Capitalization	Debt/Equity Ratio
Missouri	Hillcrest	[REDACTED]			
Missouri	Raccoon Creek				
Missouri	Indian Hills				
Missouri	Elm Hills				
Arkansas	Hayden's Place				
Arkansas	St Joseph's Glen				
Arkansas	Sebastian Lake				
Arkansas	Eagle Ridge				
Arkansas	Oak Hill				

Request

6. Provide the capitalization policies, including the disposition of retained earnings and dividends for Missouri UOCs, Arkansas UOCs, and the proposed policies regarding same for Bluegrass Water UOC, LLC.

Response

Capitalization policies, including the distribution of retained earnings and dividends have not been codified.

Request

7. Provide support for and explain the amounts listed for each acquired system in row “Total Plant in Service” in JA Exhibit N, page 1.
-

Response

The amounts provided in the Total Plant in Service for each acquired system is equal to the purchase price of each system which is approximately equivalent to the depreciated net book value of each acquired system at the time of acquisition.

Request

8. Provide support for and explain the amounts listed for each acquired system in row "Construction Work in Progress" in JA Exhibit N, page 1.
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Response

The amounts listed in "Construction Work in Progress" are the sum of construction, engineering and surveying estimates provided in engineering memos and estimates of legal fees and other acquisition costs that will be incurred during acquisition process.

Request

9. Provide support for and explain the amounts listed for each acquired system in rows: 1) “Operating and Maintenance Expenses” 2) “Depreciation and Amortization Expense,” and 3) “Taxes, Other than Income Taxes” in JA Exhibit N, page 2.
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Response

Please see the responses to 1 PSC 2 and 1 PSC 3.

Request

10. For each purchase price of an acquired system that is equal to net book value, provide support for the net book value amount.
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Response

Applicants will file a motion for extension of time to file the response to this request.

Request

11. For each purchase price of an acquired system that is other than the net book value, state so.
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Response

Applicants will file a motion for extension of time to file the response to this request.

Request

12. Provide any current notice of violations issued by the Energy and Environment Cabinet or the Kentucky Division of Water to any of the Joint Applicants. Provide copies of each outstanding violation and state how the violations will be resolved.
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Response

Applicants will file a motion for extension of time to file the response to this request.

Request

13. State how the Joint Applicants will provide notice of the transfer of customers to Bluegrass UOC.
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Response

Applicants will file a motion for extension of time to file the response to this request.

Request

14. Provide any current notice of violations issued by the States of Missouri and Arkansas to Missouri UOCs and Arkansas UOCs, respectively.
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Response

There are no current violations in any of the Missouri and Arkansas UOCs.

Request

15. Provide a copy of each of the Joint Applicant's whose system is to be acquired, most current balance sheet for a period ending not more than 90 days prior to the application date. The response(s) provided to DR 2, above, should be made to the balance sheet(s) provided in this response.
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Response

Applicants will file a motion for extension of time to file the response to this request.

Request

16. Provide an analysis of each of the Joint Applicant's whose system is to be acquired, current and long-term debts, including the lender's name, the date the debt was incurred, the original amount of the indebtedness, and the amount outstanding as of the date of the balance sheet provided in response to item 15.
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Response

Applicants will file a motion for extension of time to file the response to this request.