BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

Electronic Proposed Acquisition of)	
Wastewater System Facilities by)	
Bluegrass Water Utility Operating)	No. 2020-00028
Company, LLC and Subsequent)	
Tariffed Service to Users Presently)	
Served by those Facilities)	

Bluegrass Water's Motion for Confidential Treatment of Information

Bluegrass Water Utility Operating Company, LLC ("Bluegrass Water") respectfully submits this Motion pursuant to 807 KAR 5:001, § 13, for confidential treatment of certain information relating to the Application in this case. In support of this Motion, Bluegrass Water states as follows:

- 1. On this date, Bluegrass Water filed with the Commission its Application for any approvals necessary (a) to acquire the facilities of certain wastewater systems which are not subject to the Commission's jurisdiction and (b) to thereafter provide service to those systems' present users.
- 2. The proposed acquisitions will occur under the terms of Sale Agreements between Bluegrass Water and the four selling systems. A redacted copy of each Agreement is an exhibit to the Application as follows:

Seller	<u>Date</u>	
Arcadia Pines/Heartland	6/11/19	A-3
Carriage Park	5/3/19	B-3
Marshall Ridge	5/3/19	C-3
Randview	6/14/19	D-3

Confidential treatment is sought for certain material in these Agreements — specifically the dollar amounts contained therein. The dollar amounts in each Agreement have been redacted in the publicly-filed copies and are highlighted in the unredacted paper copy filed under seal.

- 3. Bluegrass Water is also seeking confidential treatment for the engineering reports for each system, attached to the Application as Exhibits A-4, B-4, C-4, and D-4. These reports have been redacted in the publicly-filed Application; the material for which confidential treatment is sought has been highlighted in the unredacted copy filed under seal. These reports contain confidential and propriety information regarding the systems and the assets to be acquired.
- 4. The information in these Exhibits for which Applicant seeks confidential treatment is not publicly disseminated, and public disclosure of this information would harm Bluegrass Water and also the selling systems. The subject systems are not regulated by the Commission or the Division of Water, and the redacted information in these Exhibits would not be disclosed to a regulatory body in the usual course of business.
- 5. There is a risk of harm if the sale amounts contained in Exhibits A-3, B-3, C-3, and D-3 are disclosed. Such disclosure could create incentives for other potential purchasers to undercut efforts by Bluegrass Water to successfully close this acquisition. In the event that the Commission does not approve the Application, or in the event that a proposed transaction otherwise does not close, Bluegrass Water and the selling system(s) would suffer harm if this information were made publicly accessible by other potential purchasers, as it could distort competition in a subsequent bidding process. Such disclosure would also be costly in the future when attempts to acquire other Kentucky systems are made and Bluegrass Water's (or its affiliate's) ability to negotiate terms specific to a system and its circumstances has been compromised.

- 6. The information in the engineering reports contained in Exhibits A-4, B-4, C-4, and D-4 for which Applicant seeks confidential treatment is not publicly disseminated and public disclosure of this information would harm Bluegrass Water. The reports reveal information regarding the internal ability and workings of Bluegrass Water and its affiliates in particular, how they evaluate potential acquisitions and respond to various issues that arise in wastewater systems. These documents also demonstrate innovative and proprietary technology and processes developed through experience and used by Central States Water Resources, Inc. ("Central States") and affiliates like Bluegrass Water to renovate small wastewater systems. Such processes are "trade secrets" as defined by KRS 365.880(4) and fall within the scope of the KRS 61.878(1)(c)(1) exemption from disclosure. If the trade secrets contained within the engineering reports do not receive confidential treatment, the risk of harm would be unnecessarily increased that Bluegrass Water and its affiliates would suffer a serious business injury and these trade secrets would be misappropriated by competitors in the wastewater industry.
- 7. In addition, Applicant seeks confidential treatment for the engineering reports in Exhibits A-4, B-4, C-4, and D-4 because they are proprietary. Directly or indirectly (through Central States), Bluegrass Water expended funds with a third party as part of the due diligence in investigating these systems. Bluegrass Water should not be forced to share this information publicly to its possible detriment. Especially in the event that the Application is denied, public accessibility would cause Bluegrass Water harm because disclosure would give other potential purchasers and competitors a "leg-up" regarding the systems discussed in the reports and lessen competition in a subsequent bidding process. Such disclosure would also be costly in the future when attempts to acquire other systems are made and Bluegrass Water's ability to negotiate terms specific to a particular system and its circumstances has been compromised.

- 8. The dollar amounts in the Agreements and the information in the engineering reports could be used by competitors to the business injury of Bluegrass Water and its affiliates, including Central States, in other ways as well. For example, if disclosed, the purchase prices and plans for the future would give competitors sensitive information about, *e.g.*, (a) acquisition strategy and capability and (b) valuation of systems, their problems, and potential.
- 9. Under KRS 61.878(1)(c)(1), commercial information generally recognized as confidential is protected if disclosure would cause competitive injury and permit competitors an unfair commercial advantage. Public disclosure of the information in the identified Application Exhibits may cause competitive harm to Bluegrass Water and its affiliates as well as the selling systems and could cause a reduction in competition relating to acquisition of Kentucky wastewater systems.
- 10. The information redacted from these Exhibits is treated as confidential by Bluegrass Water and its affiliates; even among employees it is not disseminated to those who do not have a business reason to use the information.
- 11. If the Commission's tentative assessment is that the identified redacted Exhibits are <u>not</u> exempt from disclosure as confidential commercial information, it must hold an evidentiary hearing to protect Bluegrass Water's due process rights and permit an opportunity to supply the Commission with a complete record to enable it to reach a decision with regard to this confidentiality request.
- 12. In compliance with 807 KAR 5:001, §§ 8(3) and 13(2)(a)(3), Bluegrass Water is filing with the Commission one paper copy of the identified Exhibits, entirely unredacted and with highlighting of the material for which confidential treatment is sought. The unredacted

paper copy is filed under seal; redacted pages of the subject Exhibits are being publicly filed with the electronic copy of this Motion.

13. Section 13(2)(a)(2) of 807 KAR 5:001 provides that a motion for confidential treatment shall state the time period in which the material should be treated as confidential and the reasons for this time period. Movant respectfully submits that five (5) years from the date of the filing of the Application is a reasonable period of time for the material in these Exhibits to be treated as confidential in the light of competitive conditions in the wastewater industry.

WHEREFORE, Bluegrass Water respectfully requests that the Commission grant confidential treatment of the information described herein and shown as redacted on the attached publicly-filed Motion Exhibits.

Respectfully submitted,

/s/ Katherine K. Yunker

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859-231-8780

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Attorneys for Movant

MOTION EXHIBITS

(excerpts from the Application Exhibits, showing all redactions)

A-3 Agreement for Sale of Utility System (Arcadia Pines)
 A-4 Engineering Report for Arcadia Pines
 B-3 Agreement for Sale of Utility System (Carriage Park)
 B-4 Engineering Report for Carriage Park
 C-3 Agreement for Sale of Utility System (Marshall Ridge)
 C-4 Engineering Report for Marshall Ridge
 D-3 Agreement for Sale of Utility System (Randview)

Engineering Report for Randview

D-4

- 6 -

AGREEMENT FOR SALE OF UTILITY SYSTEM

THIS AGREEMENT ("Agreement"), is made and entered into this _______day of _______, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and HEARTLAND MANUFACTURED HOMES, LLC ("Seller"), collectively ("Parties").

WITNESSETH:

WHEREAS, Seller has developed and operates as a regulated sewer corporation sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in McCracken County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a limited liability company, organized and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

SALE OF ASSETS.

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in McCracken County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit "A"* and/or generally described in

and defined in the American Land Title Association ("ALTA") title examination standards ("Title Standards"). After delivery of said title insurance commitment and Buyer's completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer's option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. REGULATORY APPROVAL.

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission ("PSC"), Kentucky Pollutant Discharge Elimination System ("KPDES"), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller's permits, if any.

4. **PURCHASE PRICE**. Buyer agrees to pay to Seller at the Closing for purchase of the Assets ("Purchase Price").

5. <u>CLOSING</u>.

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller's Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer's sole discretion, or at such other time as the parties hereto may mutually agree (the "Closing"). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets to be sold as provided in this Agreement and as set forth in Section 6.D, and Buyer will deliver to



Civil Site Design

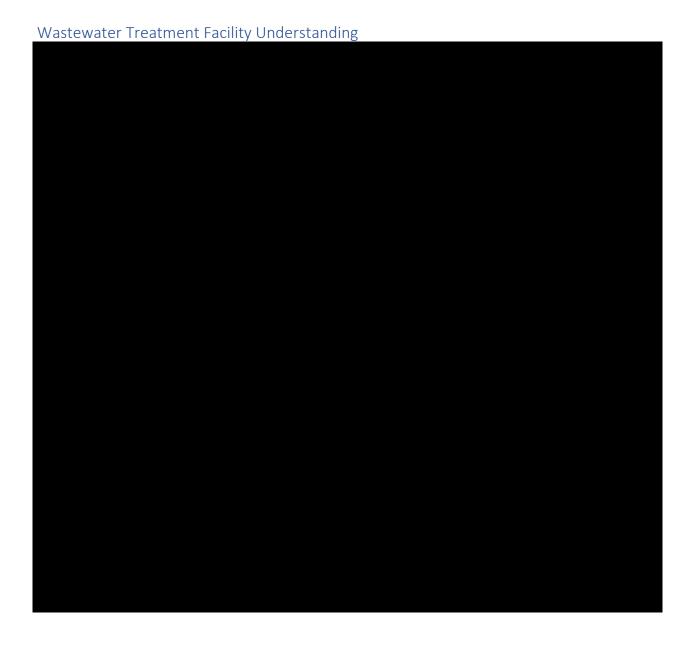
Construction Support

Transportation

Wastewater Collection

Arcadia Pines (Wastewater) – No discharge/No permit Engineering Memorandum

Date: October 5, 2019





Civil Site Design

Construction Support

Transportation

Wastewater Collection

Wastewater Collection System Understanding

AGREEMENT FOR SALE OF UTILITY SYSTEM

WITNESSETH:

WHEREAS, Seller has developed and operates as an unregulated sewer corporation sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in McCracken County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a non-profit corporation, incorporated and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

1. <u>SALE OF ASSETS</u>.

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in McCracken County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit "A"* and/or generally described in *Exhibit*

of Kentucky, which policy shall insure the owner's title to be marketable as the same is described and defined in the American Land Title Association ("ALTA") title examination standards ("Title Standards"). After delivery of said title insurance commitment and Buyer's completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer's option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. **REGULATORY APPROVAL**.

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission ("PSC"), Kentucky Pollutant Discharge Elimination System ("KPDES"), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller's permits, if any.

4. **PURCHASE PRICE**. Buyer agrees to pay to Seller at the Closing

for purchase of the Assets ("Purchase Price").

5. **CLOSING**.

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller's Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer's sole discretion, or at such other time as the parties hereto may mutually agree (the "Closing"). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets



Civil Site Design

Construction Support

Transportation

Wastewater Collection

Carriage Park (Wastewater) – No discharge/No permit Engineering Memorandum Date: October 5, 2019





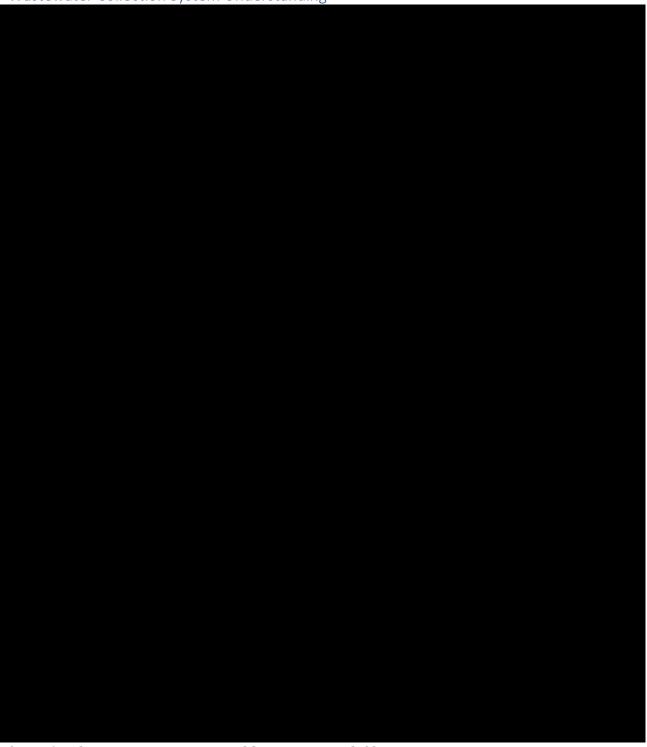
Civil Site Design

Construction Support

Transportation

Wastewater Collection

Wastewater Collection System Understanding



AGREEMENT FOR SALE OF UTILITY SYSTEM

THIS AGREEMENT ("Agreement"), is made and entered into this 3 day of _______, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and MARSHALL RIDGE SEWER ASSOCIATION, INC. ("Seller"), collectively ("Parties").

WITNESSETH:

WHEREAS, Seller has developed and operates as an unregulated sewer corporation sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in McCracken County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a non-profit corporation, incorporated and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

1. **SALE OF ASSETS**.

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in McCracken County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit* "A" and/or generally described in *Exhibit*

of Kentucky, which policy shall insure the owner's title to be marketable as the same is described and defined in the American Land Title Association ("ALTA") title examination standards ("Title Standards"). After delivery of said title insurance commitment and Buyer's completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer's option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. REGULATORY APPROVAL.

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission ("PSC"), Kentucky Pollutant Discharge Elimination System ("KPDES"), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller's permits, if any.

4. **PURCHASE PRICE**. Buyer agrees to pay to Seller at the Closing , for purchase of the Assets ("Purchase Price").

5. <u>CLOSING</u>.

The Closing of the sale shall take place at a mutually agreeable location no later than forty-five (45) days after the effective date of any necessary regulatory authority approval, satisfaction of Seller's Representations and Warranties and Conditions Precedent set forth herein, and Buyer having obtained financing under terms acceptable to Buyer in Buyer's sole discretion, or at such other time as the parties hereto may mutually agree (the "Closing"). At the Closing, Seller shall have delivered to Buyer such deeds, bills of sale, endorsements, assignments and other sufficient instruments of transfer and conveyance as shall be effective to vest in Buyer such title to the Assets



Civil Site Design

Construction Support

Transportation

Wastewater Collection

Marshall Ridge (Wastewater) – No discharge/No permit Engineering Memorandum Date: October 5, 2019

Wastewater Treatment Facility Understanding



Civil Site Design

Construction Support

Transportation

Wastewater Collection

Wastewater Collection System Understanding



Civil Site Design

Construction Support

Transportation

Wastewater Collection



AGREEMENT FOR SALE OF UTILITY SYSTEM

THIS AGREEMENT ("Agreement"), is made and entered into this ______ day of _______, 2019, by and between CENTRAL STATES WATER RESOURCES, INC., a Missouri corporation, or its affiliate ("Buyer"), and RANDVIEW SEPTIC CORPORATION ("Seller"), collectively ("Parties").

WITNESSETH:

WHEREAS, Seller has developed and operates, as a regulated sewer corporation, sewer facilities, in the area more particularly described and depicted in the documents attached hereto as *Exhibit "A"*, situated in Graves County, Kentucky (hereinafter the "System"); and

WHEREAS, Buyer is a corporation, organized and existing under the constitution and the laws of the State of Missouri, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller is a corporation organized and existing under the constitution and the laws of the Commonwealth of Kentucky, with all the requisite power necessary to enter into the transaction described hereinafter; and

WHEREAS, Seller desires to sell, and Buyer desires to purchase, all the assets, property and real estate connected with the System including, but not limited to, all associated improvements for the conveyance of sewer to each of the customers connected to the service area (defined further below as "Assets"); and

WHEREAS, the parties have reached an understanding with respect to the sale by Seller and the purchase by Buyer of all of the Assets (as hereinafter defined) of the System.

NOW, THEREFORE, it is mutually agreed that:

SALE OF ASSETS.

For and in consideration of the receipt of the Purchase Price, as set forth below, and the covenants and promises hereinafter set forth, Seller agrees that on the date of the Closing (as hereinafter defined), Seller shall sell, transfer, assign and deliver to Buyer, or Buyer's designated affiliate, all of Seller's then existing assets pertaining to the provision of sewer service in the System located in Graves County, in the Commonwealth of Kentucky, and related properties, including, without limitation, the following:

A. The land, improvements thereon, easements, rights of way, permits and leases related to the System area depicted in *Exhibit "A"* and/or generally described in *Exhibit*

PSC Case No. 2020-00028 redacted App. Exhibit **D-3**

and defined in the American Land Title Association ("ALTA") title examination standards ("Title Standards"). After delivery of said title insurance commitment and Buyer's completion of the examination and/or review of the commitment and other relevant title information, Buyer shall notify Seller, in writing, of any objections thereto (the Parties agreeing that any objection falling within the said Title Standards shall not constitute a valid objection so long as Seller furnishes affidavits or other papers as described in such standards in order for the title company to delete the same). If there shall be no such notice of objection, then any exceptions in such Commitment or deficiencies in the title to the property noted on such Commitment shall be deemed waived and delivery of a deed in compliance with the terms of the Commitment shall be deemed compliance with the terms of this Agreement. If notice of any objections to defects in the title, as defined above, shall be delivered to Seller, then Seller shall have five (5) business days to correct the title and the Closing shall be postponed until such time, if necessary. If Seller elects not to, or cannot, correct such defects, then Buyer, at Buyer's option, may waive such defects and proceed to close or may cancel the contract and all obligations hereunder shall be null and void.

3. REGULATORY APPROVAL.

Buyer and Seller shall act diligently and cooperate with each other to obtain any regulatory approvals required from the Kentucky Public Service Commission ("PSC"), Kentucky Pollutant Discharge Elimination System ("KPDES"), or any other regulatory agency in the State of Kentucky, as determined by Buyer in its sole discretion, and to obtain transfer of Seller's permits, if any.

which is the estimate of the net book value of the Assets which may be adjusted as set forth below, for purchase of the Assets ("Purchase Price"). The Purchase Price may be adjusted, with the agreement of the parties, an amount equal to the aggregate payments required to fully satisfy all outstanding liens against the Assets at the time of the Closing, including but not limited to real property tax liens, federal or state tax liens, judgment liens, utility liens, assessment liens, etc. The Parties hereby agree that the Purchase Price may increase or decrease depending upon such determination.

5. **CLOSING**.

The Closing of the sale shall take place at a mutually agreeable location no later than fortyfive (45) days after the effective date of any necessary regulatory authority approval, satisfaction



Civil Site Design

Construction Support

Transportation

Wastewater Collection

Randview (Wastewater) – No discharge/No permit Engineering Memorandum Date: October 7, 2019

Wastewater Treatment Facility Understanding





Civil Site Design

Construction Support

Transportation

Wastewater Collection

Wastewater Collection System Understanding