

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: Delaplain Disposal Company; ) Case No. 2020-00297  
Herrington Haven Wastewater Company, Inc.; )  
Springcrest Sewer Company, Inc.; and )  
Woodland Acres Utilities, LLC. )  
)

---

**Bluegrass Water’s Motion for Confidential Treatment of Information**

---

Applicant Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water”), respectfully submits this Motion pursuant to 807 KAR 5:001, Section 13, for confidential treatment of certain information responsive to the initial requests for information in this case. In support of this Motion, Bluegrass Water state as follows:

1. On this date, Applicants filed with the Commission their Responses to Commission Staff’s First Request for Information (“1 PSC \_\_”).
2. Commission Staff’s First Request for Information No. 2 sought an itemized breakdown of costs incurred to date and expected to incur up to Closing on the transferring utilities. This information is included in the 1 PSC 2 attachment, bates numbered KYPSC 2020-297JA 00001. Commission Staff’s Request for Information No. 8 requested information containing an itemized breakdown of the annual operation and maintenance expenses Bluegrass Water expects to incur for each transferring system. Commission Staff’s Request for Information Nos. 16 and 17 seek information regarding the current capital structure in dollars and percentages of Bluegrass Water, and Central States and CSWR, LLC, respectively. Finally,

Commission Staff's Request for Information No. 23 seeks the most recent balance sheets for Bluegrass Water UOC, LLC; Bluegrass Water UHC, LLC; and Kentucky CSWR, LLC.

3. Confidential treatment is being sought for the information contained in KYPSC 2020-297JA 00001. This has been redacted in the publicly-filed copies and the material for which confidential treatment is sought has been highlighted in the unredacted copy filed under seal. A redacted copy has also been attached to this Motion.

4. Confidential treatment is also sought for the information contained in the responses to 1 PSC 8, 1 PSC 16, and 1 PSC 17. These responses have been redacted in the publicly-filed copies; the material for which confidential treatment is sought has been highlighted in the unredacted copy filed under seal. A redacted copy of these responses is also attached to this Motion.

5. Bluegrass Water is also seeking confidential treatment for the balance sheets produced in response to 1 PSC 23, which are bates numbered KYPSC 2020-297JA 00005 and KYPSC 2020-297JA 00006. These balance sheets have been redacted in the publicly-filed copies; the material for which confidential treatment is sought has been highlighted in the unredacted copy filed under seal. A redacted copy is also attached to this Motion.

6. The information contained in 1 PSC 2 and KYPSC 2020-297JA 00001 is not publicly disseminated and public disclosure of this information would harm Bluegrass Water and its affiliates. The attachment reveals information regarding the internal financial ability and workings of Bluegrass Water and its affiliates. The sensitive, commercially-valuable, and financial information contained in KYPSC 2020-297JA 00001 is not publicly distributed or disseminated outside of the CSWR Group.

7. The information in 1 PSC 2 and 8 for which Bluegrass Water seeks confidential treatment is not publicly disseminated and public disclosure of this information would harm Bluegrass Water. The Responses reveal information regarding the internal ability and workings of Bluegrass Water and its affiliates; specifically, how Bluegrass Water evaluate potential systems for acquisition and the internal processes by which they respond to various issues that arise in similar water and wastewater systems, for pre-closing costs and otherwise. The information about Bluegrass Water and the utility facilities to be acquired as identified above could be used by competitors to the business injury of Bluegrass Water in other ways as well. An example of potential harm if not kept confidential is that it would give sensitive information about Bluegrass Water and CSWR Group's acquisition strategy and capability and its valuation of systems, their problems, and potential. Bluegrass Water expended funds with a third party as part of its due diligence in investigating these systems for pre-closing costs.

8. Bluegrass Water therefore should not be forced to share this information from 1 PSC 2 and 1 PSC 8 publicly to its possible detriment. If this information were shared publicly, and especially in the event that the Application is denied, Bluegrass Water would suffer harm because it would give other potential purchasers and competitors a "leg-up" with the systems discussed in the report and lessen competition in a subsequent bidding process. Such disclosure would also be costly in the future when attempts to acquire similarly distressed systems are made and Bluegrass Water's ability to negotiate terms specific to a particular utility and its circumstances has been compromised.

9. Bluegrass Water further seeks confidential treatment for the information provided in responses to 1 PSC 16 and 1 PSC 17 and the balance sheets produced in response to 1 PSC 23 because this information is also proprietary. Information regarding the current capital structure in

dollars and percentages of Bluegrass Water, and Central States and CSWR, LLC, respectively, as well as the balance sheets for Bluegrass Water UOC and Kentucky CSWR, are not publicly distributed or disseminated outside of the CSWR Group, and are not widely disseminated even among the employees of these companies. Only personnel with a business reason to use it are permitted to view this business information. Furthermore, Central States, CSWR, LLC, and Kentucky CSWR are not utilities and would not otherwise be subject to disclosure to a regulatory body in the usual course of business. This sensitive, commercially-valuable and financial information regarding the capital structure in percentages and dollar amounts has been provided to show Bluegrass Water's financial ability and to give the Commission a fuller picture and background of finances within CSWR and its affiliates, so that it may be confident that financial ability exists for renovating and improving the system assets and for ongoing operations.

10. The risk of harm for business injury to Bluegrass Water, CSWR and its affiliates would be unnecessarily increased if the above-identified information is disclosed. Disclosure of such information could create incentives for other potential purchasers to undercut efforts by the Applicants to successfully close these transactions. Furthermore, significant redactions are required for the financial information in the balance sheets and capital structure information because minimal redaction would allow competitively sensitive confidential information to be inferred from other information disclosed. Disclosure could lessen competition in a subsequent bidding process and would be costly in the future when attempts to acquire similarly distressed systems are made and CSWR's ability to negotiate terms specific to a particular utility and its circumstances has been compromised. All the information identified above contains plans for the future and financial information that would give competitors sensitive information about

CSWR's acquisition strategy and capability and its valuation of systems, their problems, and potential. Costs estimates in the balance sheets reflect innovate and proprietary technology and processes developed through experience and used by CSWR and its affiliates to renovate wastewater systems.

11. Under KRS 61.878(1)(c)(1), commercial information generally recognized as confidential is protected if disclosure would cause competitive injury and permits competitors an unfair commercial advantage. Public disclosure of the information in the identified responses may cause competitive harm to CSWR and its affiliates as well as the transferring utilities and could cause a lessening of competition in subsequent bidding processes in the event the Commission denies the Joint Application, or the proposed acquisition otherwise fails to close.

12. If the Commission disagrees with Bluegrass Water that the material for which this Motion seeks confidential treatment is exempt from disclosure, it must hold an evidentiary hearing to protect the due process rights of Bluegrass Water and permit the opportunity to supply the Commission with a complete record to enable it to reach a decision with regard to this confidentiality request.

13. In compliance with 807 KAR 5:001, Section 8(3) and 13(2)(3), Bluegrass Water is filing with the Commission one paper copy of the Responses and attachments identified in this Motion, entirely unredacted and with highlighting of the material for which confidential treatment is sought. The unredacted paper copy is filed under seal; redacted pages are being publicly filed with the electronic copy of this Motion.

14. 807 KAR 5:001, Section 13(2)(a)(2) 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 years from the date of the fil-

ing of the Joint Application is a reasonable period of time for the identified material to be treated as confidential in light of the competitive conditions in the water and wastewater industries.

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 responses to initial Requests for Information.

Respectfully submitted,

*/s/ Kathryn A. Eckert* \_\_\_\_\_

Katherine K. Yunker

[kyunker@mcbayerfirm.com](mailto:kyunker@mcbayerfirm.com)

Kathryn A. Eckert

[keckert@mcbayerfirm.com](mailto:keckert@mcbayerfirm.com)

MCBRAYER PLLC

201 East Main Street; Suite 900

Lexington, KY 40507-1310

859-231-8780

fax: 859-231-1175

*Attorneys for Movant*

#### MOTION ATTACHMENTS

*(redacted versions are filed herewith; unredacted, highlighted versions are filed under seal)*

1 PSC 2

KYPSC 2020-297JA 00001

1 PSC 8

1 PSC 16

1 PSC 17

KYPSC 2020-297JA 00005

KYPSC 2020-297JA 00006

**Request**

2. Refer to paragraph 24 of the Application. Provide an itemized breakdown of the costs that Central States Water Resources, Inc. (Central States) has incurred to date and is expected to incur until such time as the closings for each transferring utility occurs.
- 

**Response**

The pre-closing costs to be funded by Central States are expected to total [REDACTED] by the time of the respective Closing(s). The breakdown of that total is:

Delaplain	[REDACTED]
Herrington Haven	[REDACTED]
Springcrest Sewer	[REDACTED]
Woodland Acres	[REDACTED]
TOTAL	[REDACTED]

Attached as KY PSC 2020-297JA 00001 is a redacted copy of an itemized per-system breakdown of those anticipated costs. Confidential treatment for the redacted information is being sought in a concurrently-filed motion. As indicated by the column headings on the attached spreadsheet, components of these costs funded by Central States include professional services such as engineering design, surveying, and legal title work, as well as third-party costs (such as title insurance and recording fees) paid at closing. Most of the total costs are for due diligence work relating to transferring utilities' assets and compliance efforts. As of October 31, 2020, approximately 20% of the total expected costs have been paid or accrued. All of the costs incurred by this date were for professional services.

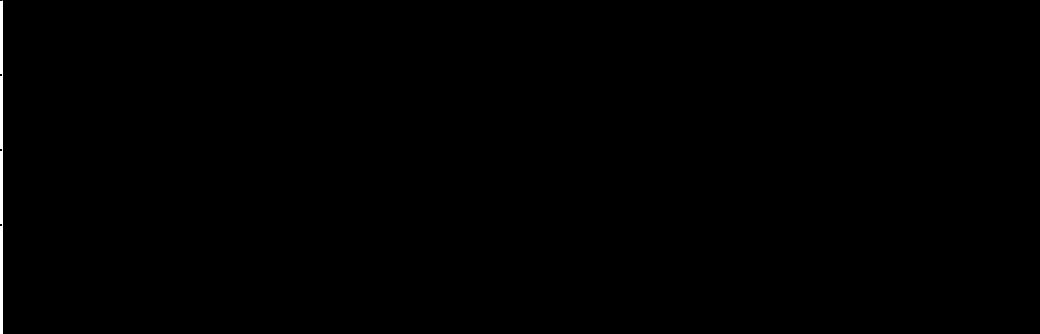
---

---

**Request**

8. Provide an itemized breakdown of the annual operation and maintenance expenses Bluegrass Water expects to incur for each system that is proposed to be acquired.
- 

**Response**

<b>System</b>	<b>O&amp;M</b>	<b>Repairs</b>	<b>Power</b>	<b>Chemicals</b>	<b>Purchased Water</b>
Delaplain Disposal Co.					
Herrington Haven					
Springcrest Sewer					
Woodland Acres Utilities					



**Request**

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

**Response**

The current capital structure of Bluegrass Water in both dollars and percentages as of September 30, 2020 is as shown below:

***Bluegrass Water***

	<b><i>Amount (\$)</i></b>	<b><i>Percentage (%)</i></b>
<b><i>Equity</i></b>	[REDACTED]	
<b><i>Debt</i></b>	[REDACTED]	

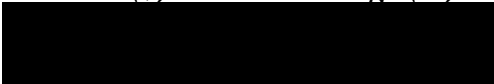
**Request**

17. Provide a schedule showing the current capital structure of Central States and CSWR, LLC's in both dollars and percentages.
- 

**Response**

The current capital structure of Central States and CSWR, LLC in both dollars and percentages as of September 30, 2020 is as shown below:

***CSWR***

	<i>Amount (\$)</i>	<i>Percentage (%)</i>
<i>Equity</i>		
<i>Debt</i>		

System	Engineering Design	Facility Report	Construction Services	Surveying Services	GIS database	Legal Fees	Closing Costs	Organizational Expenses	Total:
Delaplain	[REDACTED]								
Herrington Haven									
Springcrest Sewer									
Woodland Acres									
TOTAL									

## Bluegrass Water UOC Balance Sheet

9/30/2020

Current Assets	
Cash	\$
Accounts Receivable	\$
Other Current Assets	\$
Total Current Assets	\$
Property, Plant & Equipment, Net	\$
Misc Long-Term Assets	
Preliminary Survey & Investigation	\$
Investment in Associated Companies	\$
Unamortized Debt Expense	\$
Receivable from Associated Company	\$
Goodwill	\$
Intangible Assets	\$
Other Long-Term Assets	\$
Total Misc Long-Term Assets	\$
Deferred Income Tax Asset	\$
<b>Total Assets</b>	<b>\$</b>
Current Liabilities	
Accounts Payable	\$
Notes Payable-Current Portion	\$
Other Current Liabilities	\$
Total Current Liabilities	\$
Long-Term Liabilities	
Notes Payable	\$
Payable to Associated Companies	\$
Contributions in Aid of Construction	\$
Other Long-Term Liabilities	\$
Total Long-Term Liabilities	\$
Deferred Income Tax Liability	\$
Capitalization	
Paid-In Capital	\$
Retained Earnings	\$
Net Income	\$
Total Capitalization	\$
<b>Total Liabilities and Capitalization</b>	<b>\$</b>

Kentucky CSWR Balance Sheet

9/30/2020

Current Assets	
Cash	\$
Accounts Receivable	\$
Other Current Assets	\$
Total Current Assets	\$
Property, Plant & Equipment, Net	\$
Misc Long-Term Assets	
Preliminary Survey & Investigation	\$
Investment in Associated Companies	\$
Unamortized Debt Expense	\$
Receivable from Associated Company	\$
Goodwill	\$
Intangible Assets	\$
Other Long-Term Assets	\$
Total Misc Long-Term Assets	\$
Deferred Income Tax Asset	\$
<b>Total Assets</b>	<b>\$</b>
Current Liabilities	
Accounts Payable	\$
Notes Payable-Current Portion	\$
Other Current Liabilities	\$
Total Current Liabilities	\$
Long-Term Liabilities	
Notes Payable	\$
Payable to Associated Companies	\$
Contributions in Aid of Construction	\$
Other Long-Term Liabilities	\$
Total Long-Term Liabilities	\$
Deferred Income Tax Liability	\$
Capitalization	
Paid-In Capital	\$
Retained Earnings	\$
Net Income	\$
Total Capitalization	\$
<b>Total Liabilities and Capitalization</b>	<b>\$</b>