

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 second 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 Second Request for Information (“2 PSC __”).
2. Commission Staff’s Second Request for Information No. 8 sought any estimates Bluegrass Water had prepared for Delaplain Disposal Company (“Delaplain”). This information is included in the 2 PSC 8 attachment which contains a third-party property appraisal, bates stamped KY2020-00297 2JA 000002.
3. Confidential treatment is being sought for the information contained in the Delaplain property appraisal. The appraisal 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. This appraisal contains confidential and propriety information regarding the Delaplain system and the assets to be acquired.

4. The information in the Delaplain property appraisal for which Bluegrass Water seeks confidential treatment is not publicly disseminated and public disclosure of this information would harm Bluegrass Water. The appraisal is proprietary and reveals information regarding the internal ability and workings of Bluegrass Water and its affiliates; specifically, how Bluegrass Water evaluates potential systems for acquisition, for pre-closing costs and otherwise. Furthermore, Bluegrass Water expended funds with a third party as part of its due diligence in investigating Delaplain, and should not be forced to share this information publicly to its possible detriment.

5. Bluegrass Water therefore should not be forced to share this information from the property appraisal 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 Delaplain system discussed in the appraisal and lessen competition in a subsequent bidding process. Such disclosure would also be costly in the future when attempts to acquire similar systems are made and Bluegrass Water’s ability to negotiate terms specific to a particular utility and its circumstances has been compromised.

6. The risk of harm for business injury to Bluegrass Water, CSWR and its affiliates would be unnecessarily increased if the appraisal is disclosed. Disclosure of such information reveals Bluegrass’s business practices and may affect its affiliates’ ability to negotiate economically in future. The information about Bluegrass Water and the Delaplain 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 and their potential.

7. 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 appraisal 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.

8. 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.

9. In compliance with 807 KAR 5:001, Section 8(3) and 13(2)(3), Bluegrass Water is filing with the Commission one copy of the appraisal identified in this Motion, entirely unredacted and with highlighting of the material for which confidential treatment is sought. The unredacted copy is filed under seal pursuant to the instructions regarding confidential filings in the 3/24/20 Order issued in Ky. PSC Case No. 2020-00085; a redacted copy of the appraisal is being publicly filed with the electronic copy of this Motion.

10. 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 appraisal to be treated as confidential in light of the 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 Delaplain appraisal provided with the publicly-filed response to the Second Request for Information.

Respectfully submitted,

/s/ Kathryn A. Eckert

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Attorneys for Movant

MOTION ATTACHMENT

(redacted version is filed herewith; unredacted, highlighted version is filed under seal)

KY2020-00297 2JA 000002



Valbridge
PROPERTY ADVISORS

Appraisal Report

Delaplain Disposal Company
W Yusen Way
Georgetown, Scott County, Kentucky 40324

Report Date: 08-12-2019



FOR:

Central States Water Resource
Ms. Sandy Neal
Regional Director of Utility Acquisitions
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St. Ann, Missouri 63074

Valbridge Property Advisors

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Valbridge File Number:
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08-12-2019



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RE: Appraisal Report
Delaplain Disposal Company
W Yusen Way
Georgetown, Scott County, Kentucky 40324

Dear Ms. Neal:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.





The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:



Hypothetical Conditions:

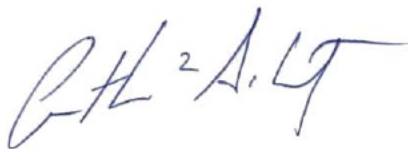


Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusions

Component	As Is	As Is

Respectfully submitted,
Valbridge Property Advisors



Arthur L. Schwertz, MAI
Senior Managing Director
Kentucky Certified General
Real Property Appraiser #5470

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Summary of Salient Facts

Property Identification



Site



Valuation Opinions



Value Indications

Approach to Value	As Is	As Is
[Redacted]		

Value Conclusions

Component	As Is	As Is
[Redacted]		

Aerial and Front Views

AERIAL VIEW



FRONT VIEW



Location Map



Introduction

Client and Intended Users of the Appraisal

[Redacted content]

Intended Use of the Appraisal

[Redacted content]

Real Estate Identification

[Redacted content]

Legal Description

[Redacted content]

Use of Real Estate as of the Effective Date of Value

[Redacted content]

Use of Real Estate as Reflected in this Appraisal

[Redacted content]

Ownership of the Property

[Redacted content]

History of the Property

[Redacted]

Listings/Offers/Contracts

[Redacted]

Type and Definition of Value

[Redacted]

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

[Redacted]

Valuation Scenario

Effective Date of Value

[Redacted]

[Redacted]

Date of Report

[Redacted]

¹ Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

List of Items Requested but Not Provided

[Redacted]

Assumptions and Conditions of the Appraisal

[Redacted]

Extraordinary Assumptions

[Redacted]

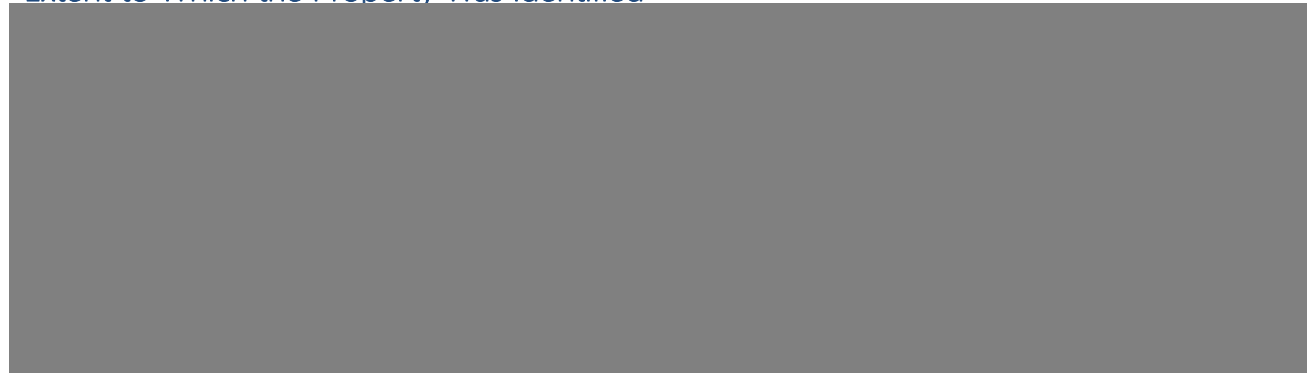
Hypothetical Conditions

[Redacted]

Scope of Work



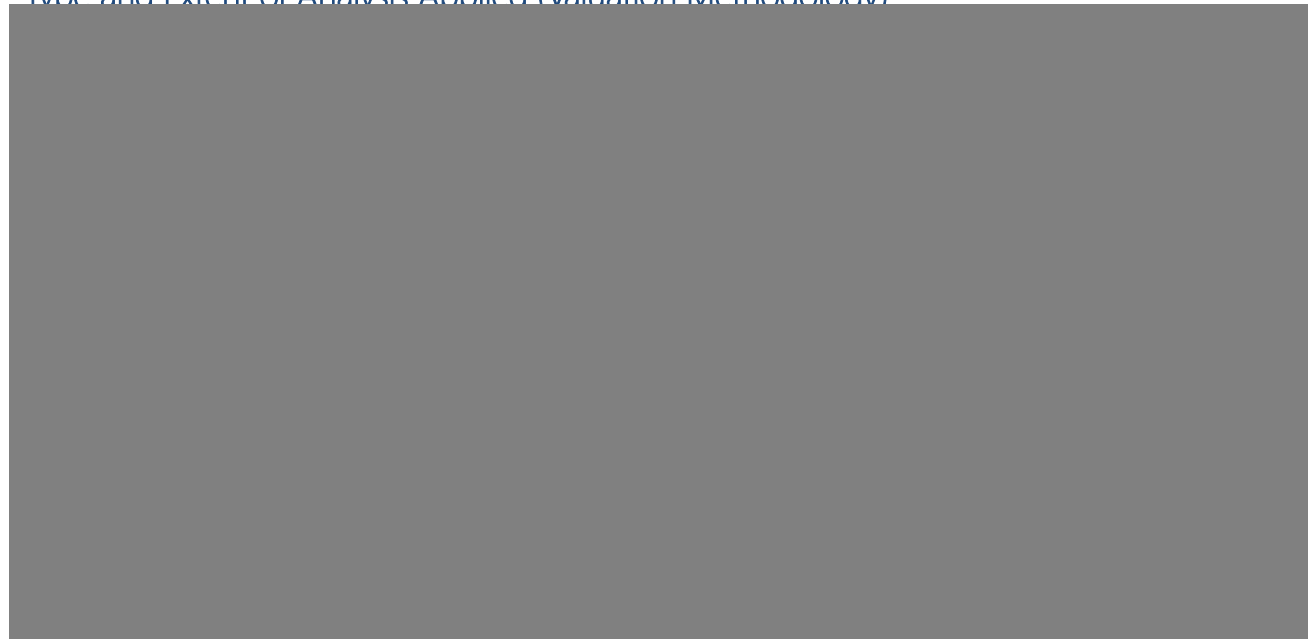
Extent to Which the Property Was Identified



Extent to Which the Property Was Inspected

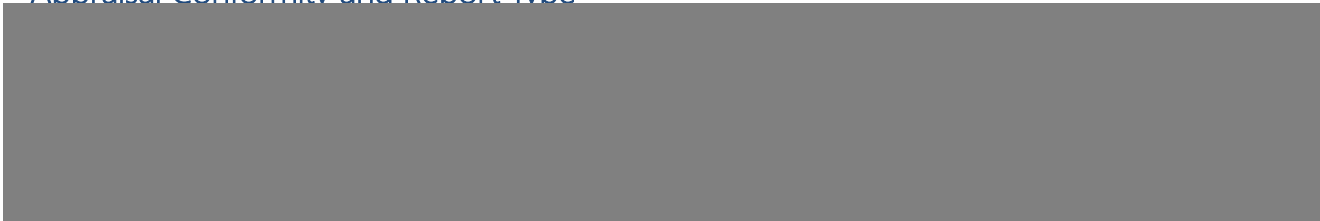


Type and Extent of Analysis Applied (Valuation Methodology)





Appraisal Conformity and Report Type



Personal Property/FF&E



Regional and Market Area Analysis



Overview





Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
[Redacted]						

Source: Site-to-Do-Business (STDB Online)



Employment



Employment by Industry - Lexington-Fayette, KY MSA

Industry	2019 Estimate	Percent of Employment
[Redacted]		

Source: Site-to-Do-Business (STDB Online)

Unemployment



Unemployment Rates

Area	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	YE 2018	YTD 2019
[Redacted Data]								

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

Median Household Income

[Redacted Data]			
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Median Household Income

Area	Estimated 2019	Projected 2024	Annual % Change 2019 - 24
[Redacted Data]			

Source: Site-to-Do-Business (STDB Online)

Site Description

[Redacted]

Site Characteristics

[Redacted]

Street Frontage / Access

Frontage Road	Primary
[Redacted]	[Redacted]

Additional Access

[Redacted]

Flood Zone Data

[Redacted]

Other Site Conditions

[Redacted]

Site Ratings



Zoning Designation









Subject Photos





Highest and Best Use

[Redacted]

Analysis of Highest and Best Use As If Vacant

[Redacted]

Legally Permissible

[Redacted]

Physically Possible

[Redacted]

Financially Feasible

[Redacted]

Maximally Productive

[Redacted]

Conclusion of Highest and Best Use As If Vacant

[Redacted]

Most Probable Buyer

[Redacted]

Land Valuation

Methodology



Unit of Comparison



Elements of Comparison



Comparable Sales Data



Land Sales Summary

Subject	Sale # 1	Sale # 2	Sale # 3
[Redacted Content]			

Sales Data

[Redacted Content]			
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Physical Characteristics

[Redacted Content]			
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Land Sales Comparison Analysis



Transaction Adjustments



Real Property Rights Conveyed



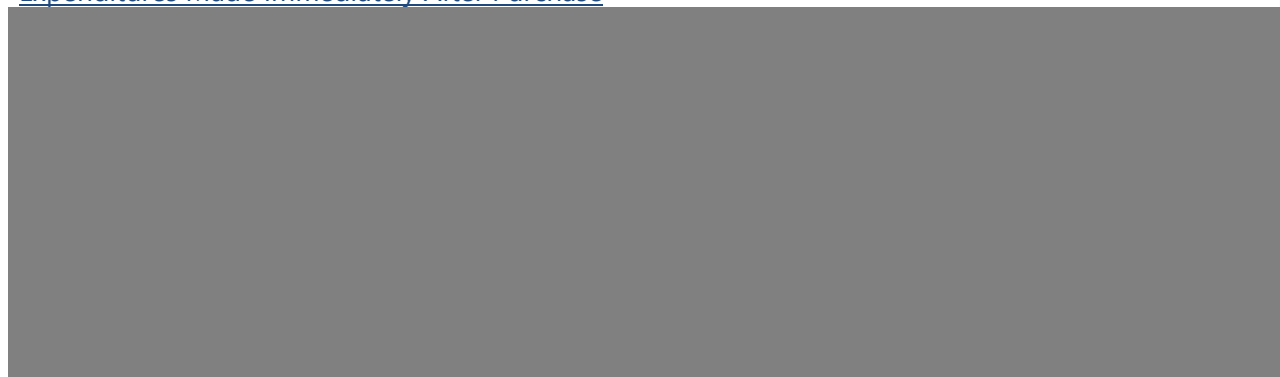
Financing Terms



Conditions of Sale



Expenditures Made Immediately After Purchase



Market Conditions Adjustment



Property Adjustments



Location



Size



Summary of Adjustments



LAND SALES ADJUSTMENT GRID

Subject	Sale # 1	Sale # 2	Sale # 3
[Redacted Content]			

Conclusion - Sewer Plant Site



Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
[Redacted]			

Conclusion - Market Value of the Easements



Valuation of the Servitude



Calculation of Easement Value

Site Area	Unit Value	Market Value of Fee	Easement Use	Value of
[Redacted]				

Valuation Summary



Value Indications

Approach to Value	As Is	As Is
[Redacted]		

Value Conclusions

Component	As Is	As Is
[Redacted]		



Extraordinary Assumptions:



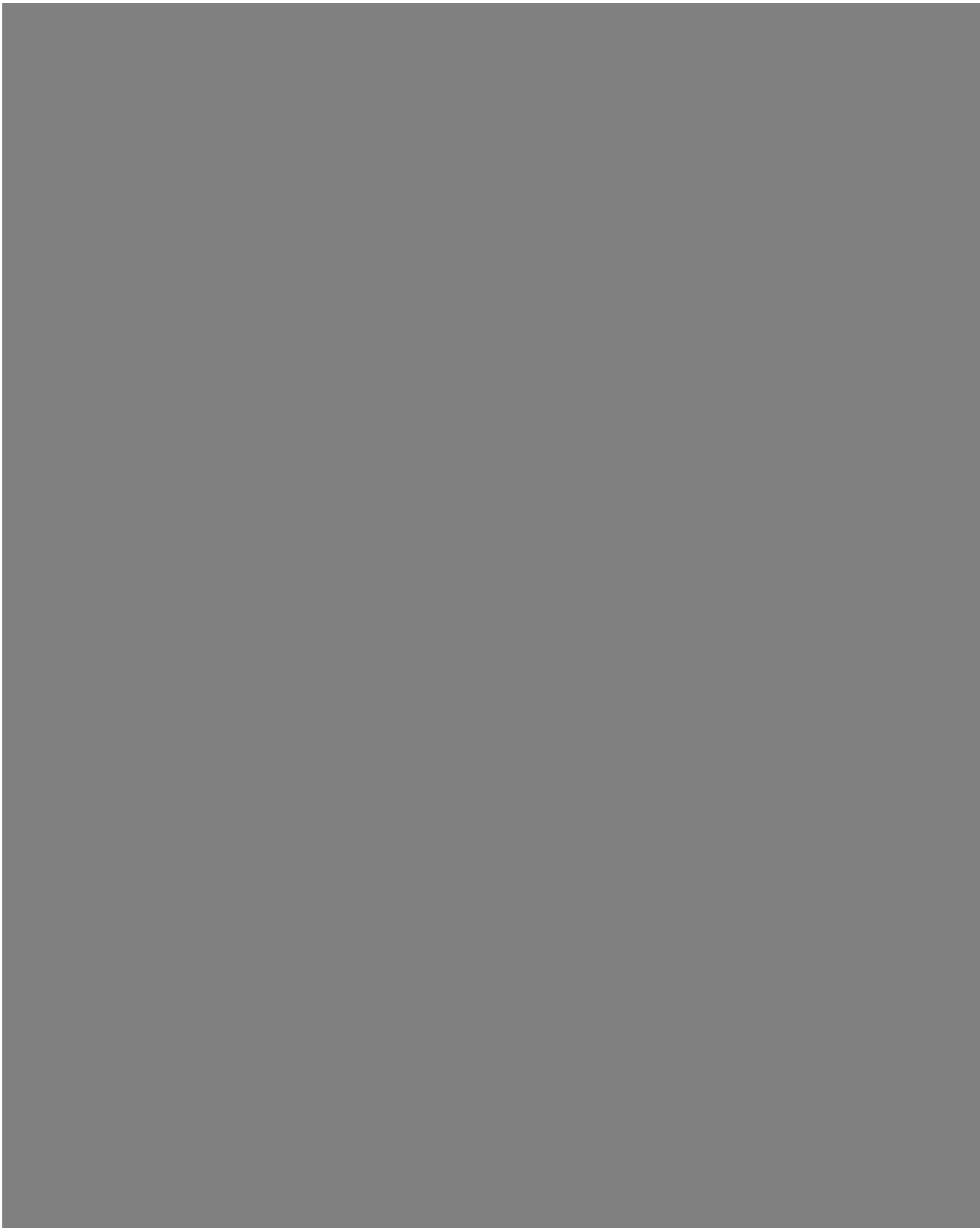
Hypothetical Conditions:

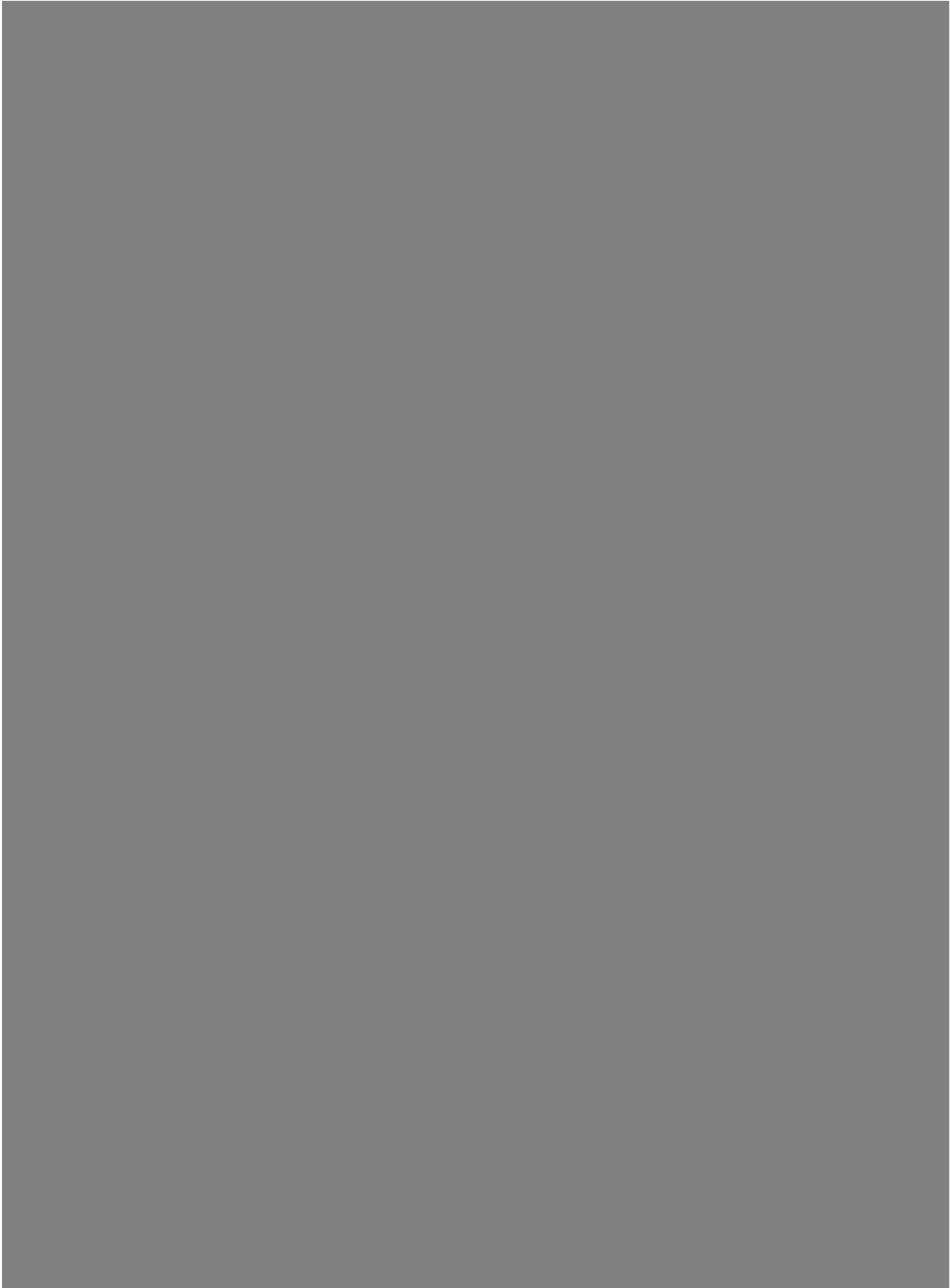


Exposure Time and Marketing Periods

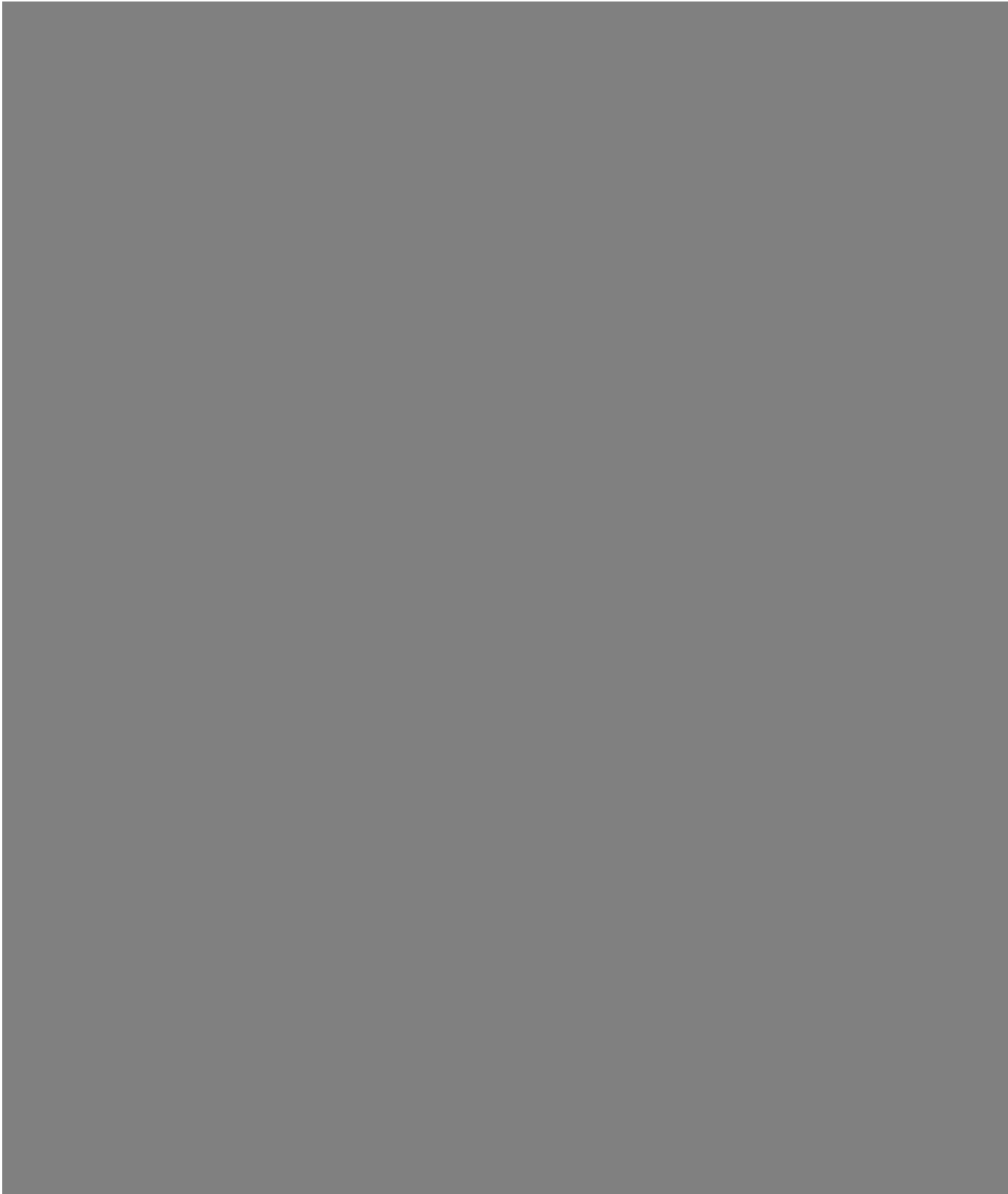


General Assumptions and Limiting Conditions



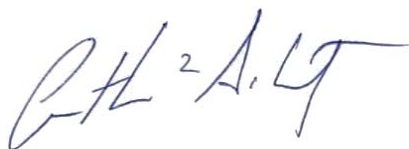








Certification – Arthur L. Schwertz



Arthur L. Schwertz, MAI
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Addenda

Glossary

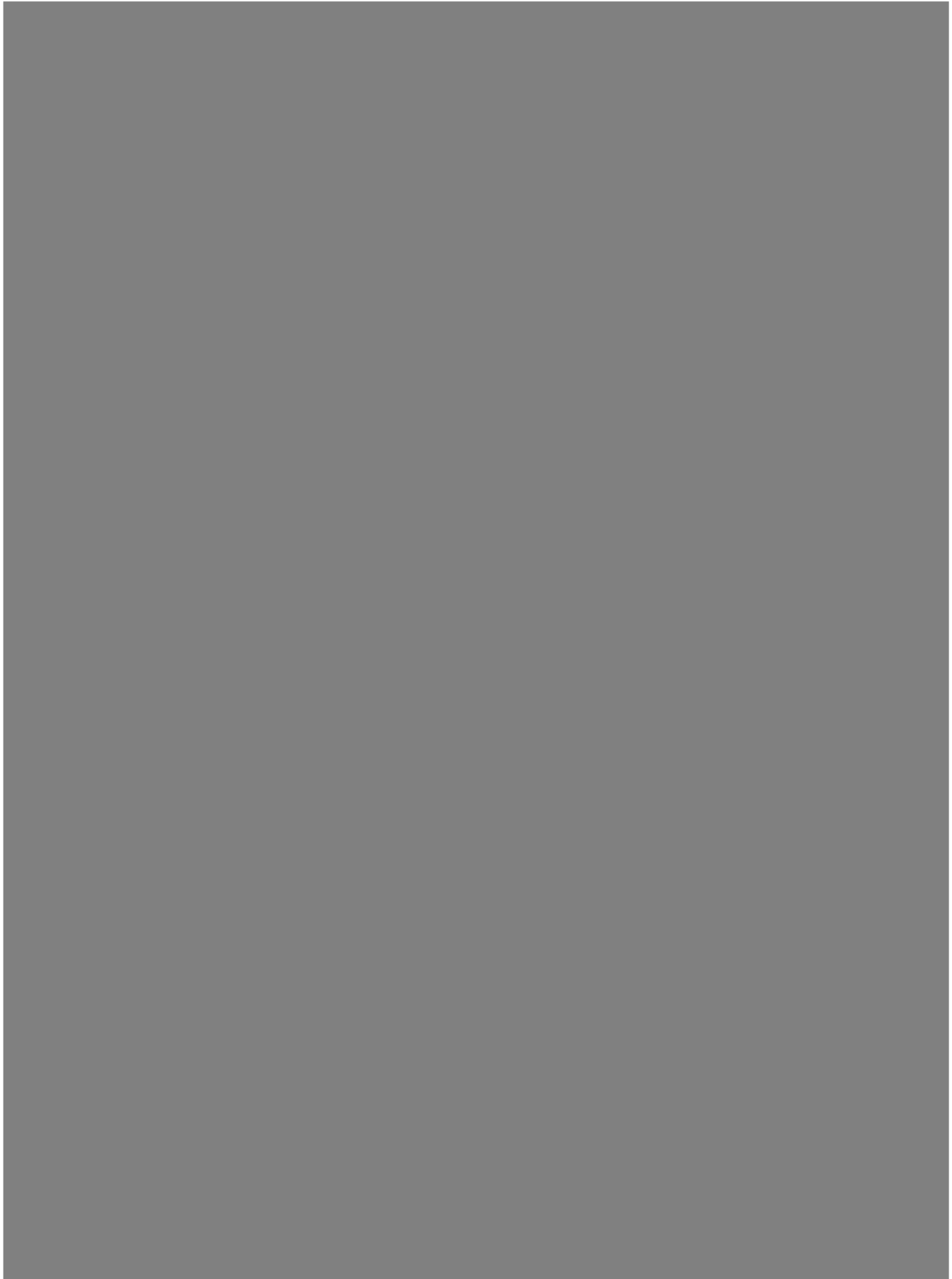
Qualifications

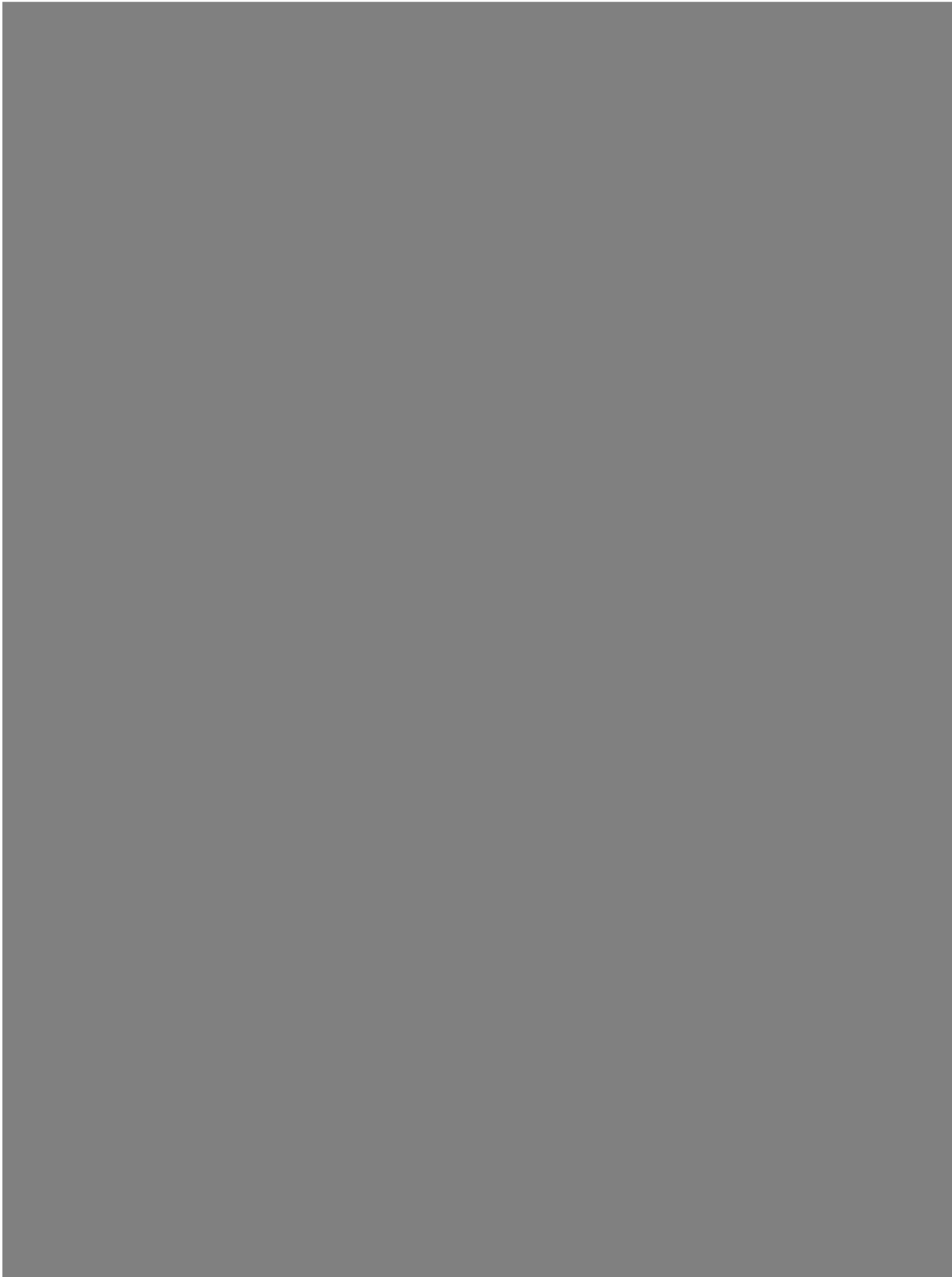
- Arthur L. Schwertz, MAI - Senior Managing Director

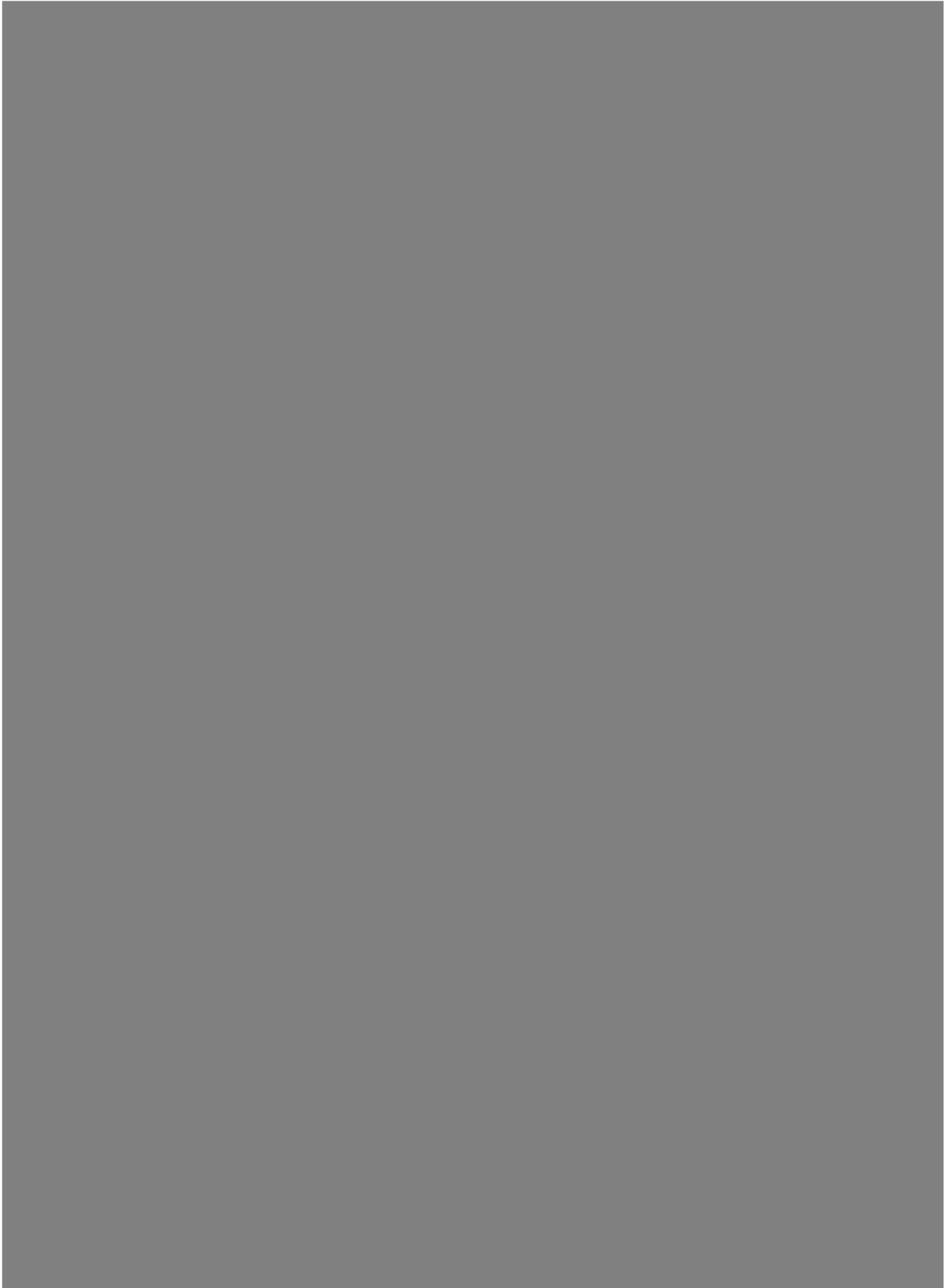
Information on Valbridge Property Advisors

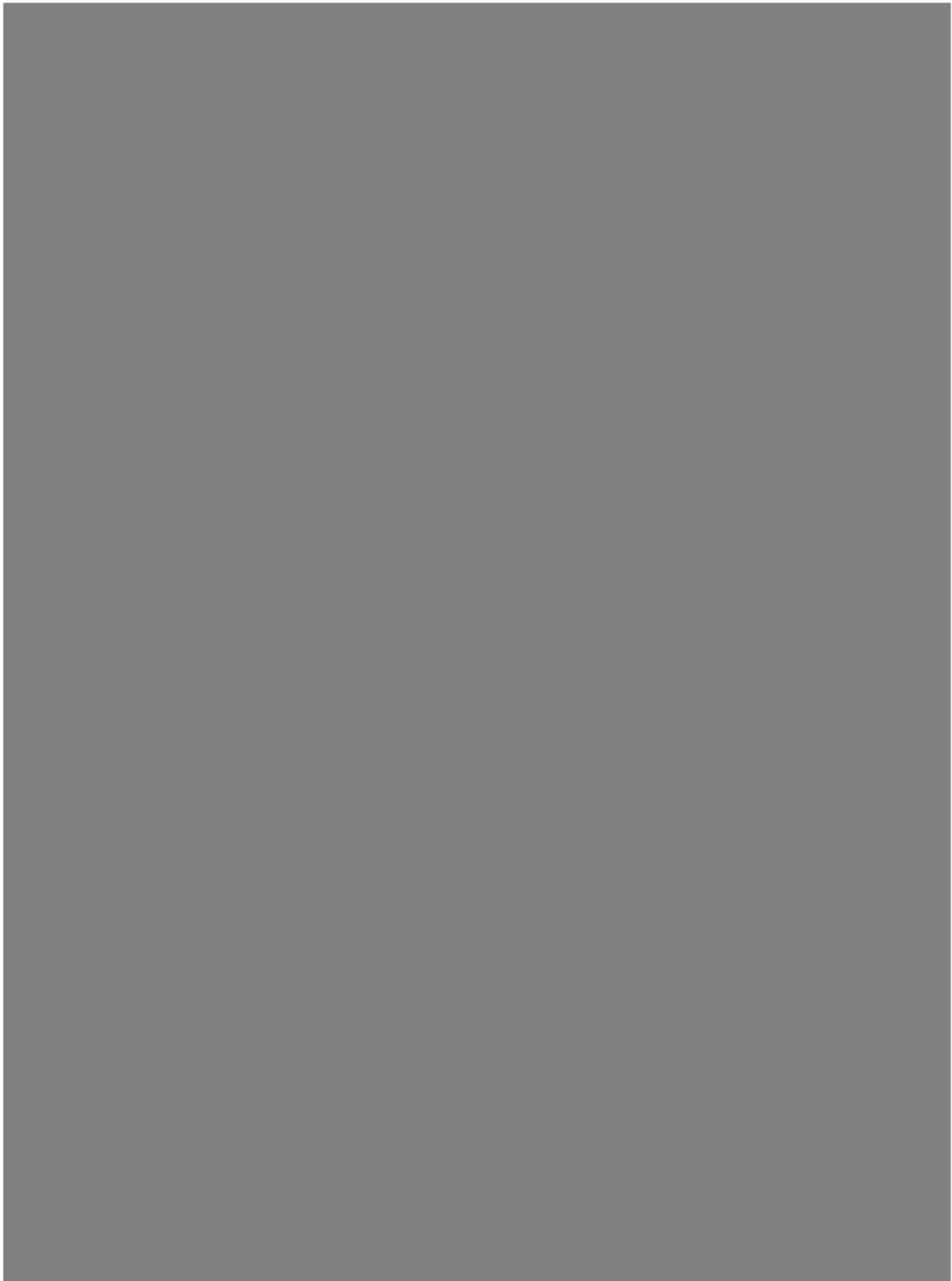
Office Locations













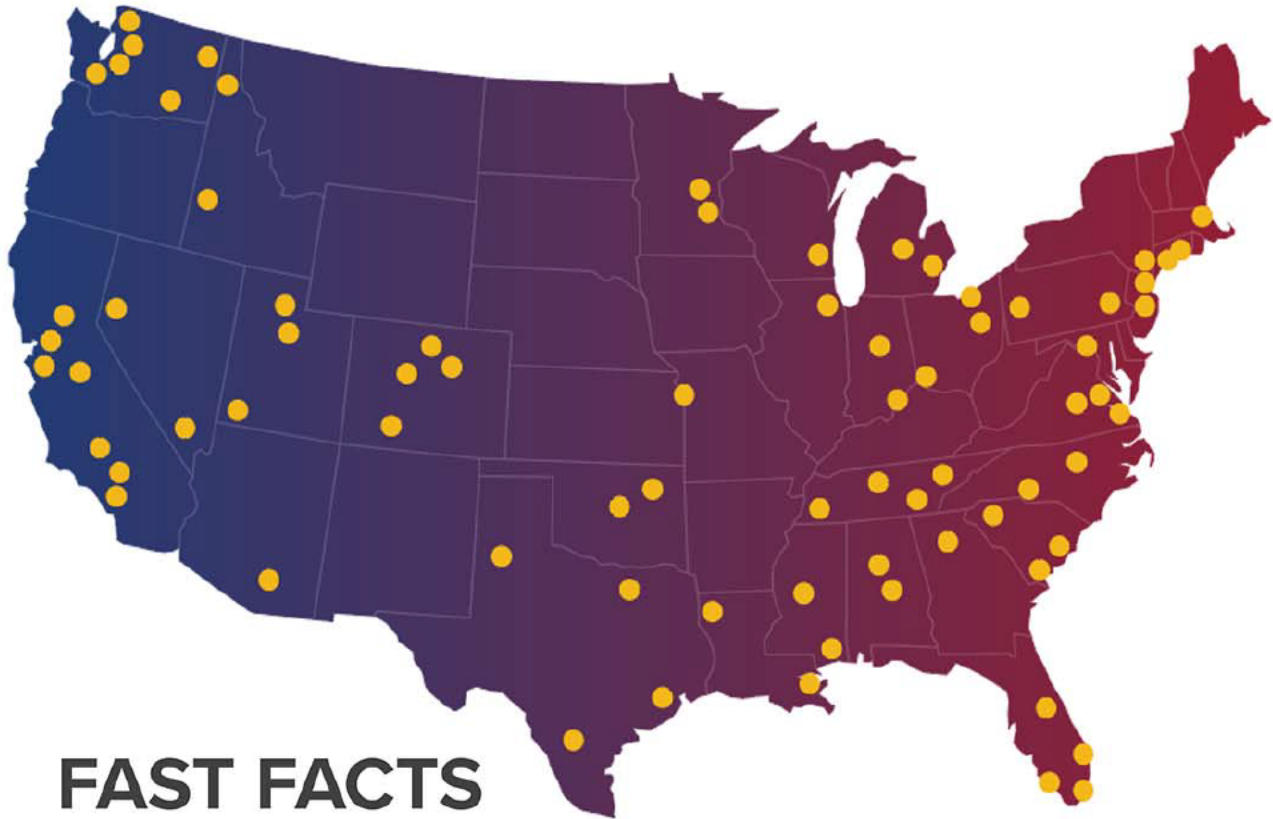








Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers (200+ on staff)
 - Total number of office locations (70+ across U.S.)
 - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties and residential.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

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Spring 2019

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