

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

Electronic Application of Bluegrass Water Utility)
Operating Company, LLC for Certificates of) Case No. 2022-00104
Convenience and Necessity for Projects at the)
Delaplain Site)

Application for Certificates of Convenience and Necessity

Bluegrass Water Utility Operating Company, LLC (“Bluegrass”) files this application, requesting certificates of convenience and necessity pursuant to KRS 278.020(1) for three (3) projects at its Delaplain service site in Scott County. Public convenience and necessity require the proposed improvement projects. To assist the Commission and its staff in locating information required by various regulations, Bluegrass attaches hereto an Index listing the requirements and the principal place(s) in this Application where it is addressed. The facts on which the Application is based are contained in the exhibits, and other information accompanying this Application and in the following statements:

I. Applicant

1. Bluegrass Water Utility Operating Company, LLC is the full name of the applicant. Bluegrass is a limited liability company, organized on March 21, 2019, under the laws of Kentucky. It is in good standing with the Kentucky Secretary of State.

2. Bluegrass’s mailing address is 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131, and the electronic mail addresses to be used for Bluegrass for purposes of this proceeding are regulatory@cswrgroup.com and rmitten@cswrgroup.com.

3. Bluegrass is a manager-managed limited liability company. Its manager is Central States Water Resources, Inc (“Central States”), which is a corporation organized and existing under the laws of the State of Missouri. The member-parent of Bluegrass and of utility operating and holding LLCs in other states is CSWR, LLC. A two-page organization chart for CSWR as of January 1, 2022, showing its affiliations and relationships, including to Bluegrass and Central States, is submitted herewith as Exhibit A.

4. The financial exhibit described in 807 KAR 5:001 § 12 and required by 807 KAR 5:071 § 3(1)(e) is submitted herewith as redacted Exhibit B.¹

5. In fulfillment of conditions in the final orders in Case Nos. 2019-00104, 2019-00360, and 2020-00297 to ensure continuity of sewer service, Bluegrass has obtained and filed with the Commission an Amended and Restated Guaranty from CSWR, LLC in favor of the Commission and providing for two months of Bluegrass’s obligation to its third-party contractors for services to all the sites of its sewer system, including for the Delaplain service area. A copy of the Amended and Restated Guaranty is submitted herewith as Exhibit C.

6. Among the areas of the Commonwealth provided sewer service by Bluegrass is Delaplain in Scott County. An aerial view of the service area and location of the site facilities is submitted herewith as Exhibit D. Delaplain’s existing facility is authorized to treat up to 240,000 gallons per day, and includes two influent lines and an aeration tank with two centrifugal blowers to aerate the tank. The facility also has a circular clarifier with scum collection and air lift of scum to digester. There is also a comminutor which is no longer utilized. A survey of the existing treatment facilities is submitted herewith as Exhibit E.

¹ The redacted exhibit is publicly filed herewith; an unredacted and highlighted version has been provided under seal with a Motion for Confidential Treatment.

II. Projects Proposed for the Delaplain Site

7. Bluegrass proposes two (2) projects for the Delaplain site: installing an MBBR treatment system and solids handling improvements. The two projects are interrelated and it would be more efficient and effective to do all of them at or around the same time. However, if the Commission approves a certificate as to only one of the projects, it is Bluegrass's intent to proceed with the project(s) certificated. The overall estimated direct cost of the projects is attached hereto as Exhibit F.

8. Bluegrass is in the process of applying to the Kentucky Department for Natural Resources and Environmental Protection, Division of Water Quality ("DoW"), for a construction permit encompassing the proposed projects. Bluegrass anticipates this filing will be within the next thirty days; Bluegrass will submit a copy of the DoW application once filed.

9. As shown on the ALTA Kentucky Infrastructure Authority map submitted herewith as Exhibit G, the City of Georgetown sewer system has mains which run to the property of the plant. The main located on the site is already receiving enough flow that it could not handle flow from the Delaplain facility, and therefore to connect, Bluegrass would have to install a new pumping station and approximately two miles of new mains. Therefore the cost to connect to the City system would cost several times the total proposed cost of the Delaplain plant rehabilitation.

A. Project 1: MMBR Treatment

10. The first project for which Bluegrass seeks a certificate is the installation of a moving bed biofilm reactor ("MBBR") treatment system. An MBBR treatment system will enhance the facility's ability to remove nutrients and lower ammonia levels. MBBRs dramatically improve aeration treatment by providing significantly more surface area for biofilm

to form on, thereby concentrating the amount of biological treatment that can occur. This proposed improvement is required for public convenience and necessity because the wastewater treatment facility is not currently capable of consistently complying with permitted limits.

11. Costs of construction for the proposed MBBR treatment system are as estimated to be as follows:

Construction Project	Estimate	Subtotal
KPDES Permit Compliance Upgrades		
<u>MBBR Treatment System</u>		\$311,500
Blowers and Controls for New MBBR Assemblies (2 each)	\$87,800	
Blower Pad	\$1,500	
Blower Discharge Header Piping, Valves, Appurtenances	\$12,000	
MBBR Assemblies Complete (3 each)	\$187,200	
Electrical Distribution for MBBR Treatment System	\$23,000	

B. Project 2: Solids Handling Improvements

12. The second project for which Bluegrass seeks a certificate for is solids handling enhancements, including the installation of a polymer feed and a tertiary filter. This will significantly improve the plant’s ability to settle out fine solids. Historically, this plant regularly violated limits for ammonia, BOD, TSS, and occasionally E.coli. Delaplain is still struggling to meet the limits partially due to surge flows during rain events. The proposed improvements are required for public convenience and necessity because the wastewater treatment facility is not currently capable of consistently complying with permitted limits.

13. Costs of construction for the proposed solids handling enhancements are estimated to be as follows:

Construction Project	Estimate	Subtotal
<u>Solids Handling Enhancements</u>		\$283,200
Polymer Feed Treatment System	\$20,000	

Filter Building and Foundation	\$58,000	
Filter Equipment	\$165,200	
Filter Backwash Piping	\$10,000	
Filter Building Pump and Sump	\$2,500	
Sodium Bisulfite Feed Location Relocated to Filter Building	\$2,500	
Electrical Distribution for Filter System	\$25,000	

III. Financing and Effects of the Projects

14. These projects will be financed with equity financing provided by Bluegrass’s parent company, CSWR, LLC. Bluegrass anticipates that it will submit an application for debt financing to the Commission in the second quarter of 2022, which — if approved — would provide an alternative source of funds for these projects.

15. Bluegrass maintains that the above-listed projects are each required for public convenience and necessity, and that the implementation of each avoids wasteful duplication in making improvements necessary to keep the Delaplain service area in compliance with environmental regulations. The projects would not constitute a new extension, facility, or equipment in any additional area beyond the existing plant; therefore, the survey map and service area map attached as Exhibits D and E adequately represent the boundaries of the project. Furthermore the proposed improvements do not compete with any other utilities, corporations, or persons, as no other sewer providers provide this service in the Delaplain service area other than the City of Georgetown; and the City has indicated that it does not currently have interest in connecting with Delaplain. *See Exhibit G.*

16. Bluegrass anticipates no change to current operating costs due to proposed improvements. However, these proposed improvements could support a reduction in per-plant third-party charges over time. Bluegrass also does not anticipate any change to number or class

of customers served due to proposed improvements at this time. A redacted copy of Bluegrass's 2020 tax returns was attached to the Application in Ky. PSC Case No. 2022-00015 as Exhibit H.

17. Any one of the projects would require upgrading and/or installing an all-weather gravel access road and security fencing to the Delaplain facility site. However, if none of the projects is certificated, it would still be Bluegrass's intent to upgrade the existing road to install an all-weather gravel road for site access and new security fencing as an extension in the ordinary course of business. While not directly part of this proposed group of improvements, the all-weather access to the site will be improved at the time of these projects to allow project equipment to be safely delivered to the site. This improved road would have been installed in the regular course of business sometime in the next one to three years to allow sludge hauling equipment to safely access the facility, but has been included in the estimate for the group of projects as it will be installed during the project to facilitate access for construction equipment.

IV. Conclusion

WHEREFORE, Applicant Bluegrass Water Utility Operating Company, LLC respectfully requests that the Commission issue a final order regarding this Application, granting:

- (1) a KRS 278.020(1) certificate of convenience and necessity for the MBBR Treatment project;
- (2) a KRS 278.020(1) certificate of convenience and necessity for the Solids Handling Enhancements; and,
- (3) all other relief to which Applicant may be entitled.

Respectfully submitted,

/s/ Kathryn A. Eckert

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EXHIBITS

- A Organization Chart of CSWR, LLC as of January 1, 2022
- B Financial Exhibit for 12-months ending January 31, 2022, per 807 KAR 5:001 § 12 (redacted)
- C Amended and Restated Guaranty, dated as of April 16, 2021
- D Delaplain Asset Map
- E ALTA/NSPS Land Title Survey for Delaplain
- F Delaplain Project Capital Estimates
- G Alta KY Infrastructure Authority Map

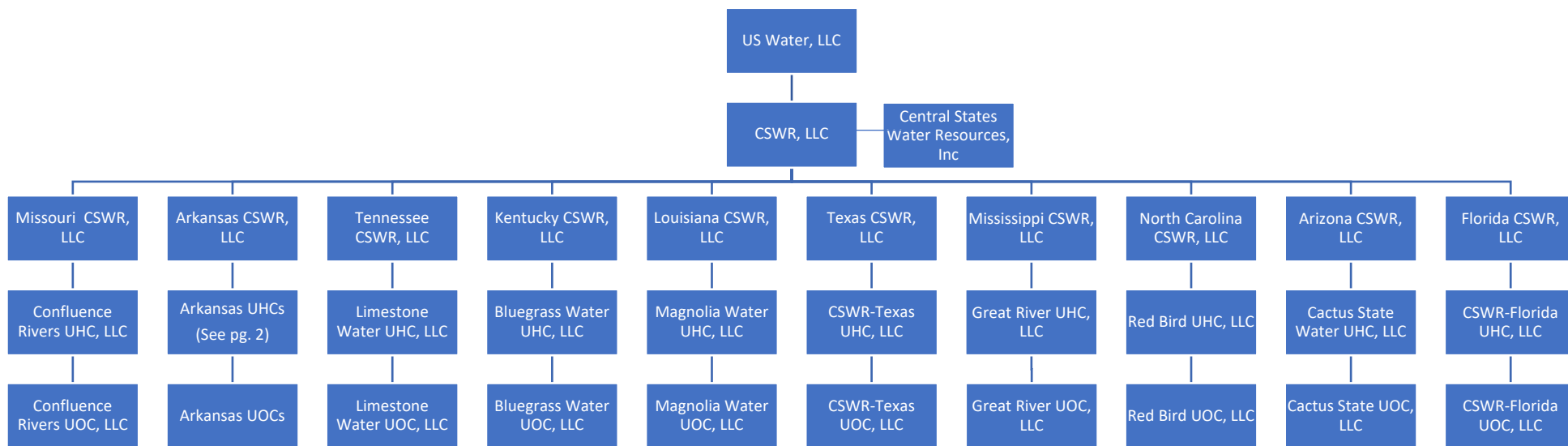
807 KAR 5:001	Description	Filing
§14 (1)	Full name, mailing address, and e-mail address of applicant. // Facts on which the application is based, with a request for the order, authorization, permission, or certificate desired and a reference to the particular law requiring or providing for the information.	Application ¶¶ 1-2 // Application <i>passim</i>
(2)	If applicant is a corporation, identify state in incorporated and date of incorporation, attest that currently in good standing in the state in which incorporated, and, if it is not a Kentucky corporation, state if authorized to transact business in Kentucky.	N/A
(3)	If applicant is a limited liability company, identify state where organized and date of organization, attest applicant is in good standing in state where organized, and, if not a Kentucky limited liability company, state if authorized to transact business in Kentucky.	Application ¶ 1
(4)	If applicant is a limited partnership, <ul style="list-style-type: none"> • annex certified copy of limited partnership agreement and all amendments, if any, or • make written statement attesting that partnership agreement and all amendments have been filed with PSC in a prior proceeding, with case number of prior proceeding. 	N/A
§12 (1) (a)	For a utility that had \$5,000,000 or more in gross annual revenue in the immediate past calendar year, cover operations for a twelve (12) month period ending not more than ninety (90) days prior to the date the application is filed; or	N/A
(b)	For a utility that had less than \$5,000,000 in gross annual revenue in the immediate past calendar year, the exhibit shall cover operations <u>either</u> for a twelve (12) month period, the period ending not more than ninety (90) days prior to the date the application is filed <u>or</u> for the twelve (12) month period contained in the utility's most recent annual report on file with the commission, and contain a statement that: <ol style="list-style-type: none"> 1. Material changes have not occurred since the end of that twelve (12) month period; or 2. Identifies all material changes that have occurred since the end of that twelve (12) month period. 	App. Exh. B
(2) (a)	The amount and kinds of stock authorized;	App. Exh. B
(b)	The amount and kinds of stock issued and outstanding;	App. Exh. B
(c)	Terms of preference of preferred stock, cumulative or participating, or on dividends or assets or otherwise;	App. Exh. B
(d)	A brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee or trustee, amount of indebtedness authorized to be secured, and the amount of indebtedness actually secured, together with sinking fund provisions, if applicable;	App. Exh. B
(e)	The amount of bonds authorized, and amount issued, giving the name of the public utility that issued the same, describing each class separately and giving the date of issue, face value, rate of interest, date of maturity, and how secured, together with amount of interest paid during the last fiscal year;	App. Exh. B

807 KAR 5:001	Description	Filing
§12 (2) (f)	Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid during the last fiscal year;	App. Exh. B
(g)	Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of a portion of the indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid during the last fiscal year;	App. Exh. B
(h)	The rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year; and	App. Exh. B
(i)	A detailed income statement and balance sheet.	App. Exh. B
§15 (2)	Compliance with 807 KAR 5:001 § 14, and submission of:	
(2) (a)	The facts relied upon to show that the proposed construction or extension is or will be required by public convenience or necessity:	Application ¶¶ 10, 12 // Application <i>passim</i>
(b)	Copies of franchises or permits, if any, from the proper public authority for the proposed construction or extension, if not previously filed with the commission;	Application ¶ 8
(c)	A full description of the proposed location, route, or routes of the proposed construction or extension, including a description of the manner of the construction and the names of all public utilities, corporations, or persons with whom the proposed construction or extension is likely to compete;	Application ¶¶ 6, 9, 15 // App. Exh. D, E, G
(d)(1)	Maps to suitable scale showing the location or route of the proposed construction or extension, as well as the location to scale of like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of the other facilities; and	App. Exh. D, E, G
(d)(2)	Plans and specifications and drawings of the proposed plant, equipment, and facilities;	Application ¶ 15 // App. Exh. D, E, G
(e)	The manner in detail in which the applicant proposes to finance the proposed construction or extension; and	Application ¶ 14
(f)	An estimated annual cost of operation after the proposed facilities are placed into service.	Application ¶ 16

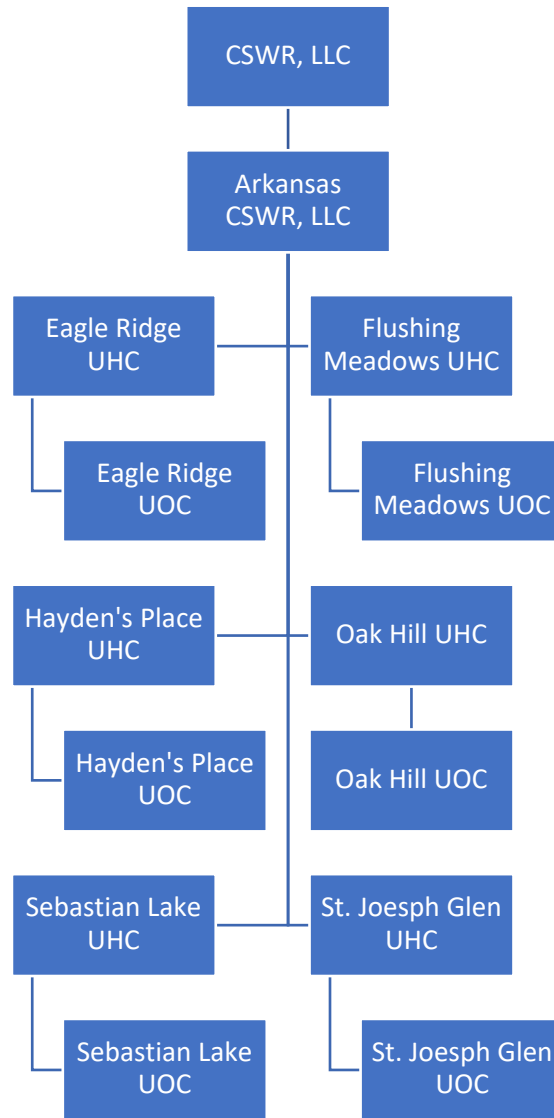
807 KAR 5:071	Description	Filings
§3 (1) (a)	A copy of a valid third-party beneficiary agreement guaranteeing the continued operation of the sewage treatment facilities or other evidence of financial integrity such as will insure the continuity of sewage service.	Application ¶ 5 // App. Exh. C
(b)	Copy of a preliminary approval issued by the Division of Water Quality of the Ky. Dept. for Natural Resources and Environmental Protection approving the plans and specifications of the proposed construction.	Application ¶ 8

807 KAR 5:071	Description	Filings
(c)	A detailed map of the sewage treatment facilities showing location of plant, effluent discharge, collection mains, manholes, and utility service area.	App. Exh. D, E, G
§3 (1) (d)	A detailed estimated cost of construction, including all capitalized costs (construction, engineering, legal, administrative, etc.).	Application ¶¶ 11, 13 // App. Exh. F
(e)	Financial exhibit described in 807 KAR 5:001 §12	App. Exh. B
(f)	The manner in detail in which it is proposed to finance the new construction, specifically stating the amount to be invested, recouped through lot sales, or of contributions (to be) received, etc.	Application ¶ 14
(g)	Estimated cost of operation after the proposed facilities are completed.	Application ¶ 16
(h)	Estimate of the total number of customers to be served by the proposed sewage treatment facilities (initially and ultimately), the class of customers served, and the average monthly water consumption for each class of customer.	Application ¶ 16
(j)	(only if rate adjustment is sought) A detailed depreciation schedule of all treatment plant, property and facilities, both existing and proposed, listing all major components of “package” treatment plants separately.	N/A
(k)	(only if rate adjustment is sought) The proposed rates to be charged for each class of customers and an estimate of the annual revenues derived from the customers using the proposed rate schedules.	N/A
(l)	A full and complete explanation of corporate or business relationships between the applicant and a parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business, to afford PSC a full and complete understanding of the situation.	Application ¶ 3 // App. Exh. A

Central States Water Resources Corporate Entity Organizational Chart



Arkansas CSWR Organizational Chart Detail



Financial Exhibit

(807 KAR 5:001 §12; 807 KAR 5:071 §§ 3(1)(e), 3(2))

This Exhibit covers the 12-month period ending January 31, 2022, which is not more than 90 days prior to the date the Application is filed.

- a) *The amount and kinds of stock authorized:* None. Bluegrass is a limited-liability company, which is a non-stock entity.
- b) *The amount and kinds of stock issued and outstanding:* None. Bluegrass is a limited-liability company, which is a non-stock entity.
- c) *Terms of preference of preferred stock, cumulative or participating, or on dividends or assets or otherwise:* Not Applicable. Bluegrass has no stock (preferred or otherwise) authorized, issued, or outstanding.
- d) *A brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee or trustee, amount of indebtedness authorized to be secured, and the amount of indebtedness actually secured, together with sinking fund provisions, if applicable:* There is no mortgage on any Bluegrass property.
- e) *The amount of bonds authorized and amount issued, giving the name of the public utility that issued the same, describing each class separately and giving the date of issue, face value, rate of interest, date of maturity, and how secured, together with amount of interest paid during the last fiscal year:* None. Bluegrass has not been authorized to issue any bonds and no bonds have issued.

- f) *Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid during the last fiscal year:* Not Applicable. Bluegrass has not issued any notes and has no notes outstanding.
- g) *Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of a portion of the indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid during the last fiscal year:* Not Applicable. Bluegrass has no indebtedness, no indebtedness has been assumed by or devolved upon Bluegrass, and Bluegrass has not paid interest during its last fiscal year (ended December 31, 2020).
- h) *The rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year:* None. Bluegrass is a non-stock entity, has not paid any dividend(s), and was organized on March 21, 2019.
- i) *A detailed income statement and balance sheet:* An Income Statement for Bluegrass for the 12-month period ending January 31, 2022, and a Balance Sheet for Bluegrass as of January 31, 2022 are provided on the following page(s).

Income Statement
unaudited

Bluegrass Water Utility Operating Company, LLC
12 Months Ending January 31, 2022

Revenues		
Operating Revenues		
Total Revenues		

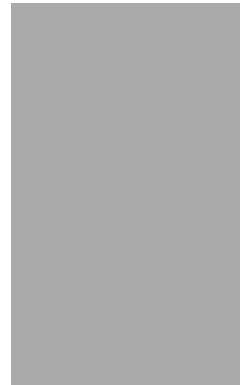
Expenses

Operations & Maintenance
General & Administrative
Depreciation & Amortization

Totals Expenses

Operating Income

Net Income



Balance Sheet
unaudited

Current Assets

Cash
Accounts Receivable
Other Current Assets

Total Current Assets

Property, Plant & Equipment

Preliminary Survey & Investigation Charges
Other Long-Term Assets
Total Misc Long-Term Assets

Total Assets

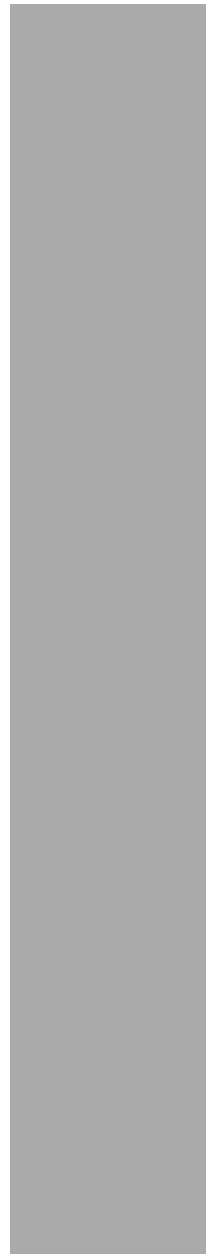
Liabilities & Equity

Current Liabilities
Accounts Payable
Other Current Liabilities
Total Current Liabilities

Long-Term Liabilities
Payable to Associated Companies
CIAC
Other Long-Term Liabilities
Total Long-Term Liabilities

Capitalization
Paid-In Capital
Retained Earnings
Net Income

Total Liabilities & Capitalization



Amended and Restated Guaranty

This Amended and Restated Guaranty, dated as of April 16, 2021, is provided by CSWR, LLC, a Missouri limited-liability company (“the Guarantor”), in favor of the Kentucky Public Service Commission (“the Commission”), relating to obligations of Bluegrass Water Utility Operating Company, LLC (“the Utility”). This Amended and Restated Guaranty replaces the guaranty instrument dated as of July 23, 2020 (“the 7/23/20 Guaranty”) filed in Commission Cases Nos. 2019-00104 and 2019-00360 on July 24, 2020.

PRELIMINARY STATEMENTS

A. The Utility is a limited liability company organized and existing under the laws of the Commonwealth of Kentucky. It is a class B sewer utility, PSC ID# 9004000, subject to regulation by the Commission. The Guarantor is the indirect sole owner of the Utility. The Utility is a manager-managed company; its manager is Central States Water Resources, Inc. (“Central States”), a Missouri corporation. Central States and the Guarantor are affiliated entities.

B. By Order entered August 14, 2019, in Case No. 2019-00104 (“the 8/14/19 Order”), the Commission approved the proposed acquisition of sewer utility assets by the Utility, subject to acceptance of conditions set forth in the Appendix. In an 8/30/19 filing, the conditions were acknowledged and accepted by the Utility and its affiliates, including the Guarantor, and each agreed to be bound by the conditions set forth in the Appendix.

C. By Order entered February 17, 2020, in Case No. 2019-00360 (“the 2/17/20 Order”), the Commission approved the proposed acquisition of sewer utility assets (among other assets) by the Utility, subject to acceptance of conditions set forth in the Appendix. In a 3/6/20 filing, the conditions were acknowledged and accepted by the Utility and its affiliates, including the Guarantor, and each agreed to be bound by the conditions set forth in the Appendix.

D. Condition #5 of both the 8/14/19 Order Appendix and the 2/17/20 Order Appendix requires posting “a guaranteed financial instrument that is the equivalent of two-months of the cost of [the Utility’s] third-party contractors” (“the Guarantee Condition”). Both Orders further state that the Guarantee Condition will be “terminated by further order of the Commission, upon confirmation that Bluegrass Water’s condition is sufficiently strong to ensure the continued provision of sewer service” on the acquired systems.

E. On July 24, 2020, the 7/23/20 Guaranty was filed in compliance with the 8/14/19 Order and the 2/17/20 Order in the respective Commission cases.

F. By Order entered January 14, 2020, in Case No. 2020-00297 (“the 1/14/20 Order”), the Commission approved the proposed acquisition of sewer utility assets (among other assets) by the Utility, subject to conditions set forth in ordering paragraphs 2-15. Condition #9 imposes the Guarantee Condition, and the 1/14/20 Order specifies that “this condition should apply to all of the systems owned and operated by Bluegrass Water, including those systems Bluegrass Water was approved to purchase in Case No. 2020-00028 and herein.”

G. With the addition of the systems approved to be acquired in Case Nos. 2020-00028 and 2020-00297, the equivalent of two-months of the cost of the Utility’s third-party contractors exceeds the maximum aggregate liability of the 7/23/20 Guaranty, requiring the Guarantor to enter into this Amended and Restated Guaranty (“this Guaranty”) with an increased maximum.

H. The Guarantor indirectly owns equity interests in the Utility and will benefit from the Utility’s fulfillment of the Guarantee Condition, which it has acknowledged and accepted and to which it has agreed to be bound, and from the Commission’s approval of such acquisitions that may be proposed in the future. Such benefits have been determined by the Guarantor to be sufficient such that the execution, delivery, and performance of this Guaranty is necessary or convenient to the conduct of its business.

NOW, THEREFORE, for good and valuable consideration, receipt whereof is hereby acknowledged, and in fulfillment of the Guarantee Conditions, the Guarantor hereby makes the following representations and warranties to the Commission and hereby covenants and agrees in favor of the Commission as follows:

Guaranty

1. The Guarantor hereby guarantees to the Commission the full and prompt payment and performance when due of two months of the obligation of the Utility to its third-party contractors relating to the Utility’s sewer systems subject to the Guarantee Condition.

2. As of the date of this instrument, (a) the Systems owned and operated by the Utility and subject to the Guarantee Condition are those listed on Exhibit A hereto, and (b) the names and addresses of the Utility’s third-party contractors, the elements of the monthly costs therefor,

and calculation of the total two-months' costs encompassed in the Guarantee Condition are set out in Exhibit B hereto.

3. The maximum aggregate liability ("MAL") of the Guarantor hereunder shall be One Hundred, Seventy-Five Thousand, and no/100 Dollars (\$ 175,000.00). If additions or other changes to the Utility's obligations related to the Guarantee Conditions cause the total two months' costs to be more than the stated MAL, the Guarantor will enter into a replacement guaranty agreement with a MAL amount that exceeds the total two months' costs.

4. Subject to the MAL set out in ¶ 3 above: (a) if the Utility acquires additional sewer systems subject to the Guarantee Condition, then any increase to the total two-months' costs to be encompassed in the Guarantee Condition will automatically be included in this Guaranty upon the Utility's closing the acquisition of the subject system, and (b) any addition or change to the third-party contractors, the elements of the monthly costs therefor, or the total two months' costs will automatically be included in this Guaranty.

5. This Guaranty shall terminate one (1) year after the date of the 7/23/20 Guaranty; provided, however, that the occurrence of a termination date shall not affect the liability of the Guarantor with respect to obligations created or incurred prior to such date and any late fees, interest, or penalties accruing with respect to such pre-termination obligations. Furthermore, to the extent that the Commission has not completely terminated Guarantee Conditions for the Utility, this Guaranty shall automatically renew for up to five (5) successive one-year periods, unless sixty (60) days prior to the scheduled expiration date for the initial term or any renewal term, the Utility or the Guarantor notifies the Commission in writing that this Guaranty will not be renewed and whether the Guarantor will provide a replacement guaranty agreement that fulfills any remaining Guarantee Condition for the Utility.

6. Any demand for payment on this Guaranty will be by Order entered by the Commission ("Payment Order") giving directions about the payment to be made (*e.g.*, whether full or partial payment and whether to a third-party service provider, the Commission, or some other person, agency, or entity), finding that one or more of the following circumstances have been presented to or come to the attention of the Commission, and concluding that the ordered payment on this Guaranty is necessary to ensure the continuity of sewer service to customers of Bluegrass Water:

a. the filing of a petition for bankruptcy of the Utility (involuntary or voluntary) or the Utility's voluntary assignment (or proposal thereof) for the benefit of creditors pursuant to KRS ch. 379;

b. the Commission has received a statement under oath or affirmation from a third party that it is performing its obligations under a contract with the Utility for service to or for one or more of the Systems (specifically identified in the statement), and that the Utility is in default of its payment obligations to the third party under that contract or has notified the third party that it will be unable to make timely payment under that contract in the future; or

c. the Commission has sought, and the Utility has not provided, adequate assurance that the Utility can maintain continuity of sewer service to its customers on one or more of the Systems.

7. The Guarantor will make the payment(s) as directed in a Payment Order within three (3) business days of actual notice of the Payment Order or by any deadline(s) specified in the Payment Order, whichever is later. The Guarantor may request rehearing or modification of the Payment Order by the Commission or seek court review of the Payment Order, but hereby expressly (a) agrees that it will nonetheless make the payment(s) as directed in the Payment Order by the applicable deadline(s) and (b) acknowledges that a failure to do so will constitute a breach of this Guaranty Agreement despite any otherwise applicable right not to pay or defense to payment during the pendency of any rehearing/modification request, court review, or period during which such rehearing, modification, or review may be sought.

8. With the exception of its right to notice of a Payment Order (see ¶7 above), Guarantor expressly waives, to the fullest extent permitted by applicable law, each and every notice to which it would otherwise be entitled under principles of guaranty or suretyship law.

Representations, Warranties, and Reports

9. Concurrently with the filing of the 7/23/20 Guaranty, the Guarantor submitted to the Commission its audited consolidated financial statements for the 2019 calendar year (with a request for confidential treatment). An audited consolidated financial statement for the 2020 calendar year was submitted to the Commission (with a request for confidential treatment) in Case No. 2020-00290 on March 22, 2021. For so long as any Guarantee Conditions remain for the Utility and are met in whole or part by a guaranty from the Guarantor, the Guarantor will submit

to the Commission its audited financial statement for each subsequent calendar year on or before April 15 of the succeeding calendar year.

10. The Guarantor represents that its current Total Assets amount exceeds \$ 50 million. The Guarantor warrants that it will keep its Total Assets at a level that equals or exceeds the MAL amount for the duration of this Guaranty. The Guarantor will notify the Commission in writing within 30 days of any period of at least seven (7) days in which the Total Assets are below the promised level and include in the notice a statement of when the Total Assets again met or exceeded the promised level.

11. The Guarantor hereby represents and warrants that: (a) it is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization; (b) it has the power and authority to execute, deliver, and carry out the terms and provisions of this Guaranty and has taken all necessary action to authorize the execution, delivery, and performance of this Guaranty; and (c) it has duly executed and delivered this Guaranty and this Guaranty constitutes the legal, valid, and binding agreement of the Guarantor enforceable in accordance with its terms.

Miscellaneous

12. Notice to the Guarantor under this instrument shall be in writing delivered to the Guarantor via USPS Registered Mail Restricted Delivery addressed to:

CSWR, LLC
1650 Des Peres Road; Suite 303
St. Louis, MO 63131

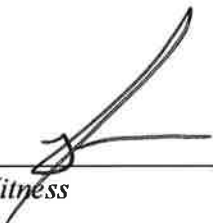
Delivery to the Guarantor by the method and at the address specified shall constitute actual notice to the Guarantor.

13. This Guaranty shall in all respects be governed by, and construed and enforced in accordance with, the laws (including, without limitation, the conflicts of laws rules) of the Commonwealth of Kentucky.

14. The Guarantor irrevocably consents to the nonexclusive jurisdiction of the Franklin County, Kentucky, Circuit Court in connection with any action or proceeding brought to enforce this Guaranty and waives any objection to the bringing of any such action or proceeding in such court based upon lack of personal or subject matter jurisdiction or improper venue. The

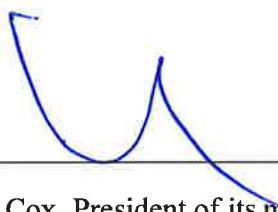
Guarantor agrees that any process or other legal summons in connection with any such action or proceeding may be served by mailing a copy thereof by certified mail, or any substantially similar form of mail, addressed to the Guarantor at the address set forth in ¶ 12 above.

IN TESTIMONY WHEREOF, the Guarantor has executed this Amended and Restated Guaranty on the date set forth under its name below.



Witness

CSWR, LLC, a Missouri limited liability company

By: 

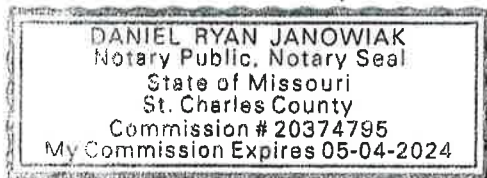
Josiah Cox, President of its manager, Central States Water Resources, Inc.

Date: 04/16/21

STATE OF MISSOURI)
) SS:
COUNTY OF St. Louis)

Subscribed, sworn to, and acknowledged this 16th day of April 2021, before me, a Notary Public, in and before said County and State.

My Commission expires 5/4/24.



{seal}



NOTARY PUBLIC

SYSTEMS

As of April 1, 2021, sewer systems owned and operated by Bluegrass Water Utility Operating Company, LLC (PSC ID# 9004000) and subject to the Guarantee Condition are as follows:

System Name	County	Acquisition Approval in
Kingswood	Bullitt	2019-00104
Lake Columbia	Bullitt	2019-00104
Woodland Acres	Bullitt	2020-00297
Fox Run	Franklin	2019-00104
Herrington-Woodland	Garrard	2020-00297
Randview	Graves	2020-00028
Airview	Hardin	2019-00104
Equestrian Woods	Jessamine	2020-00297
Brocklyn	Madison	2019-00104
Golden Acres	Marshall	2019-00104
Arcadia Pines	McCracken	2020-00028
Carriage Park	McCracken	2020-00028
Great Oaks	McCracken	2019-00104
Marshall Ridge	McCracken	2020-00028
Timberland	McCracken	2019-00360
River Bluffs	Oldham	2019-00360
Delaplain	Scott	2020-00297
LH Treatment	Scott	2019-00104
Persimmon Ridge	Shelby	2019-00104

THIRD-PARTY CONTRACTOR COSTS

As of April 1, 2021, the names and addresses of the third-party contractors of the Bluegrass Water Utility Operating Company, LLC, the elements of the monthly costs therefor, and calculation of the current total of two-months' costs are set out below.

Third-Party Contractors

Midwest Water Operations, LLC
 1351 Jefferson Street, Suite 301
 Washington, MO 63090

Nitor Billing Services, LLC
 100 Chesterfield Business Pkwy, Ste. 256
 Chesterfield, MO 63005

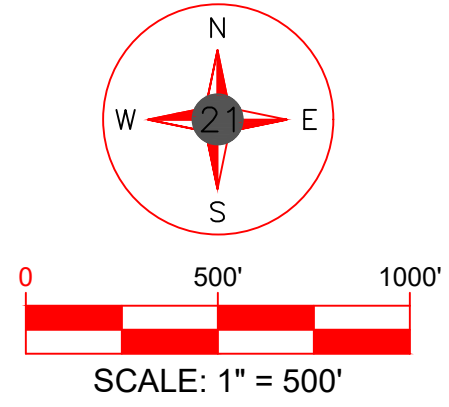
Contract per-month Costs

Contractor	Service	Charge Basis
Midwest Water Operations, LLC	operation and maintenance	\$3652 per system per month <i>(average)</i>
Nitor Billing Services, LLC	billing and other customer services	\$2.50 per customer per month <i>(average)</i>

Two-Months' Cost Total

Service	Per-Month Calculation	2 Months' Total
O&M	19 systems x \$3652/mo. = \$69,388 / month	\$138,776.00
Billing/ other Customer Service	2316 customers x \$2.50/mo. = \$5790 / month	\$11,580.00
	TOTAL	\$150,356.00

FINAL SERVICE AREA MAP DELAPLAIN DISPOSAL CO. (WASTEWATER) SCOTT, KY



SUBDIVISION LOCATIONS (SHADED AREAS REPRESENT PLATS THAT HAVE BEEN ACCOUNTED FOR)	
1	AMENDED PLAT LOT 215 MOON LAKE ESTATES - 791
2	AMENDED PLAT LOT 19A & 19B MOONLAKE ESTATES - 710
3	AMENDED PLAT LOT 30 & 31 MOONLAKE ESTATES - 8-1-74
4	REVISED PLAT FOR LOT NO. 48 MOON LAKE ESTATES - 907
5	AMENDED PLAT LOT 142 MOONLAKE ESTATES - 3-30-73
6	DEER RUN SUBDIVISION, PHASE 2 - 110
7	AMENDED PLAT MOONLAKE ESTATES - 881
8	LOT 73A AND 73B MOONLAKE ESTATES - 856
9	LOT 71A AND 71B MOONLAKE ESTATES - 855
10	LOT 97A AND 97B MOONLAKE ESTATES - 72
11	CONSOLIDATION PLAT LOTS 62 & 63 MOON LAKE ESTATES - 145
12	LOT 73A & 74A MOONLAKE ESTATES - 913
13	AMENDED SUBDIVISION PLAT LOTS 73-78 MOONLAKE ESTATES - 894
14	MOON LAKE ESTATES PAGE 2 4-6-76
15	REVISED PLAT MOON LAKE ESTATES - 10-18-78
16	MOON LAKE ESTATES PAGE 3 - 4-6-76
17	LOT 150 - MOON LAKE SUBDIVISION - 744
18	MOON LAKE ESTATES PAGE 1 - 4-6-76
19	DEER RUN SUBDIVISION, PHASE 1 - 184

LIFT STATION SUMMARY		
NUMBER	NAME	SUBDIVISION PLAT
A	LIFT STATION	MOONLAKE ESTATES
B	LIFT STATION	MOONLAKE ESTATES
C	LIFT STATION	RAFFTON LAKES
D	LIFT STATION	INDUSTRIAL PARK

MAP LEGEND

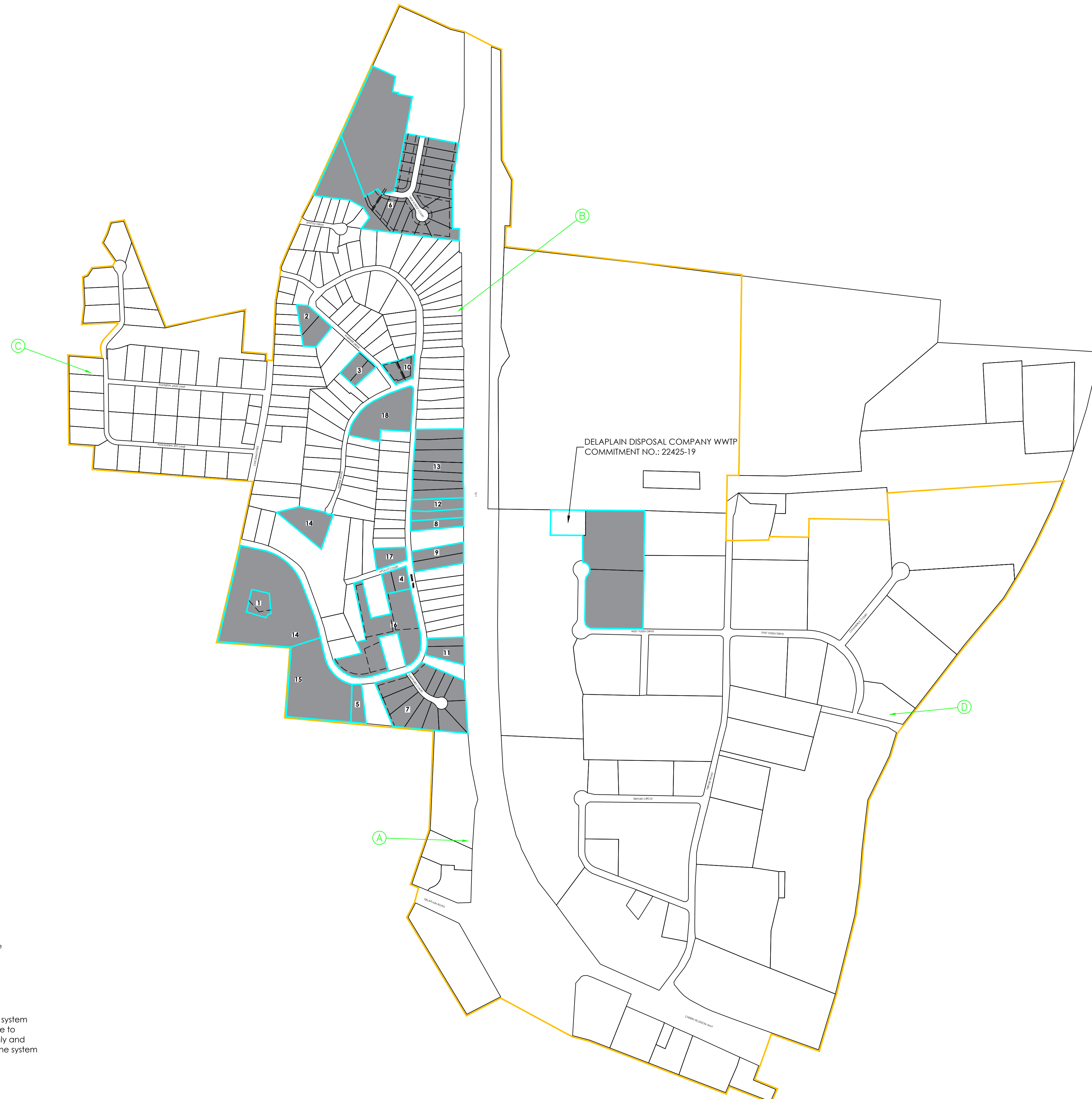
UTILITY SERVITUDE PER RECORD PLAT	-----
LOT LINE	—————
SUBDIVISION OUTLINE	—————
UTILITY AREA SERVICED	—————

MAP DISCLAIMER:

This document is a graphic representation of the approximate service area for a utility system. It is solely to provide a visual of the area of the system. This drawing does not constitute a property boundary survey and shall not be used to convey property.

Utility Note Disclaimer:

The utilities shown hereon are depicted based on the original design plans provided by the system manager. 21 Design Group, Inc performed no field verification of the layout and are unable to determine the exact location at this time. The location represents approximate location only and should not be construed as being 100% accurate. It is shown to provide general layout of the system only and should not be used to interpret encroachments.



Delaplain Disposal Co. - (Wastewater) Scott, KY Service Area Description:

BEGINNING in the west right-of-way of U.S. Highway 25 at the southeast corner of Riffon Meadows, of record in Plat Cabinet 7, Slide 206; runs thence with Riffon Meadows West 1326.10 feet; thence West 216 feet; thence North 204 feet to the southwest corner of Lot 27 of Riffon Meadows; thence with Riffon Meadows as follows:
North 203.96 feet;
West 216.24 feet;
North 751.04 feet; thence northeast 310 feet to the southwest corner of Lot 32 of the Jeff Brashear Property, of record in Plat Cabinet 9, Slide 362; thence with the Jeff Brashear Property North a total distance of 504.57 feet to the northernmost northwest corner of Lot 34; thence with the north line of Lot 34, East 181.35 feet to a cul-de-sac; thence with the cul-de-sac Northeast 57.76 feet to the southwest corner of Lot 35 of the Jeff Brashear Property; thence continuing with the Jeff Brashear Property as follows:
Northwest 192.54 feet;
Northeast 181.77 feet;
East 105.41 feet;
Southeast 936.58 feet to the north line of Brashear, Deed Book 191, Page 274; thence with Brashear, East 700 feet to the northwest corner of Blaisdell, Deed Book 358, Page 450; thence with Blaisdell, South 130 feet to the northwest corner of Cox, Deed Book 415, Page 78; thence with Cox, South 60 feet to the northwest corner of Ruth, Deed Book 148, Page 376; thence with Ruth, South 76 feet to the northwest corner of Toomey, Deed Book 329, Page 232; thence with Toomey as follows:
South 105.00 feet;
East 207.43 feet to the right-of-way of U.S. Highway 25; thence East 35 feet to the center of U.S. Highway 25; thence with the center of U.S. Highway 25 North, and then Northeast, a total distance of 3200 feet; thence Southeast to the northwest corner of Deer Run Estates, Phase 3A, of record in Plat Cabinet 12, Slide 103; thence with the north line of Deer Run Estates, Phase 3A, East 602.87 feet to the right-of-way of Interstate 75; thence crossing the right-of-way Southeast 340 feet to the east right-of-way of Interstate 75; thence with the east right-of-way of Interstate 75 South 1680 feet to the northwest corner of Lot 100 of the Transfer and Consolidation Minor Plat of the Triport Industrial Park, of record in Plat Cabinet 10, Slide 138; thence with Lot 100 as follows:
East 2062.28 feet;
South 1713.78 feet; thence leaving Lot 100, South 550 feet to the westernmost northeast corner of Lot 110 Triport Industrial Park, of record in Plat Cabinet 12, Slide 363; thence with Lot 110, East 299.53 feet; thence East 354 feet to the west line of Lot 6B of the Santa Barbara Land Corporation Tract 6A and 6B, of record in Plat Cabinet 6, Slide 2433; thence with Lot 6B as follows:
North 160.00 feet;
East 685.67 feet to the east line of Lot 5 of the plat of Record in Plat Cabinet 3, Slide 1298; thence with Lot 5 as follows:
North 278.85 feet;
East 1550.71 feet to the right-of-way of the Cincinnati, New Orleans and Texas Pacific Railway; thence with the right-of-way of the Cincinnati, New Orleans and Texas Pacific Railway, South 5400 feet to the right-of-way of Cherry Blossom Way; thence with the right-of-way of Cherry Blossom Way, West 450 feet; thence South 300 feet to the south right-of-way of Cherry Blossom Way at the northeast corner of Clark, Deed Book 417, Page 730; thence with Clark as follows:
South 130 feet;
East 210 feet;
South 110 feet;
West 380 feet to the east line of American Natural Gas, Deed Book 371, Page 122; thence with American Natural Gas as follows:
South 70 feet;
West 380 feet to the southwest corner of American Natural Gas; thence West 45 feet to the southwest corner of that property shown on Plat Cabinet 11, Slide 2; thence with Plat Cabinet 11, Slide 2, West 274.24 feet to the southeast corner of Laxmi Hospitality, LLC, Deed Book 337, Page 105; thence with Laxmi Hospitality, West 357.00 feet to the southeast corner of New Horizon Hospitality, Deed Book 375, Page 372; thence with New Horizon Hospitality, West 322.03 feet to the east right-of-way of Interstate 75; thence Northwest 700 feet to the west right-of-way of Interstate 75 at the southeast corner of the Plat of the Sharp Heirs Farm, of record in Plat Cabinet 4, Slide 1606; thence with the Plat of the Sharp Heirs Farm as follows:
Southwest 270.54 feet;
Northwest 119.21 feet;
Northwest 951.34 feet;
Northeast 159.29 feet to the right-of-way of Delaplain Road; thence North 170 feet to the north right-of-way of Delaplain Road at the southwest corner of the plat of Thoroughbred Energy, of record in Plat Cabinet 11, Slide 252; thence with the plat of Thoroughbred Energy, North 488.97 to the southeast corner of Tract 2 of the Ruby Sharp Property, of record in Plat Cabinet 1, Slide 71; thence with Lot 2 North 893 feet to the south line of Moon Lake Estates, of record in Plat Cabinet 1, Slide 57; thence with Moon Lake Estates as follows:
West 1280 feet;
North 603 feet;
West 634 feet to the right-of-way of U.S. Highway 25; thence west to the centerline of U.S. Highway 25; thence with the center of U.S. Highway 25, North 1420 feet; thence west to the right-of-way of U.S. Highway 25 and the Point of Beginning.

NOTE:

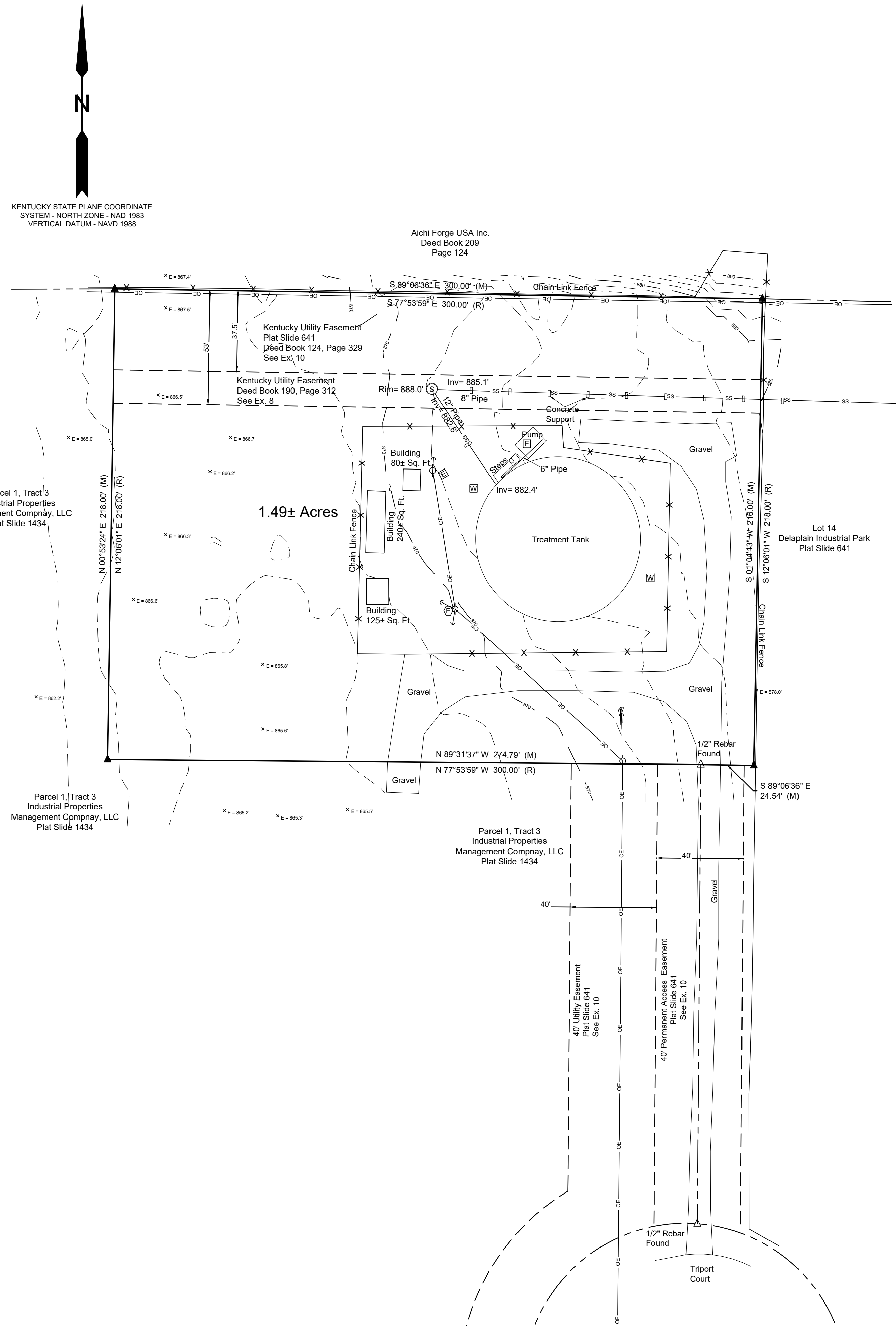
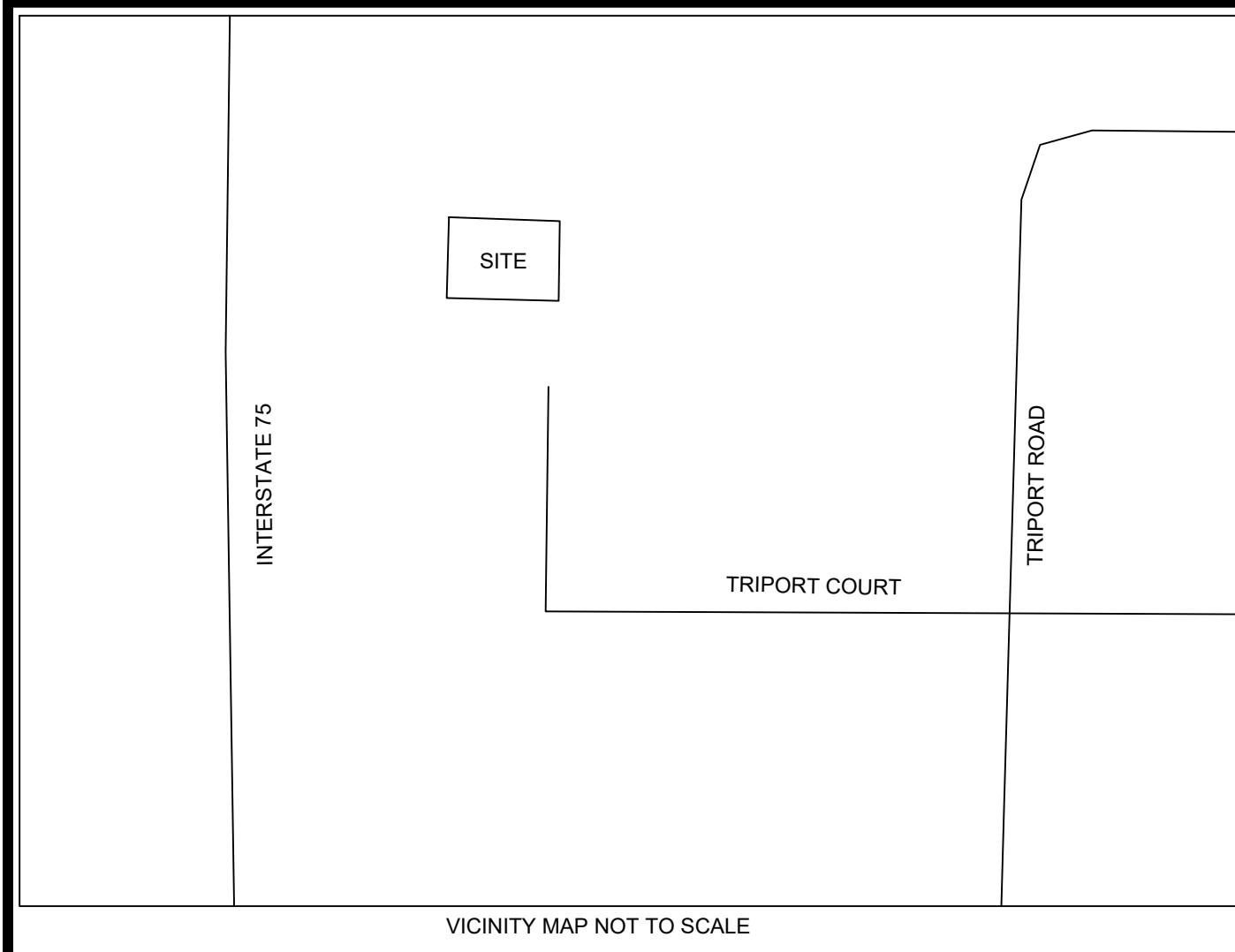
This description is for Exhibit only and does not represent an actual Boundary Survey. This Exhibit is based on a Service Area shape provided by 21 Design Group. The surveyor did not abstract nor perform any field verification of the Exhibit accuracy. The location represents approximate location only and should not be construed as being 100% accurate.

DATE:	02/15/21
PROJECT NO:	0542-18
DRAWN BY:	A.M.D.
SCALE:	1"=500'
SHEET NAME:	
SERVICE AREA MAP	

21
DESIGN
GROUP INC.

1351 Jefferson, Suite 301
Washington, MO 63090

mail@21designgroup.net
P: 636-432-5029



LEGEND

—	PROPERTY LINE
- - -	PROPERTY ADJOINER LINE
- · - · -	PROPERTY EASEMENT LINE
—	CENTERLINE OF ROAD
— OE —	OVERHEAD UTILITY LINE
— X —	FENCE LINE
— SS —	SEWER LINE
▲	1/2" REBAR WITH L.I. SMITH CAP SET
○	POWER POLE
—	GUY WIRE
⊠	ELECTRIC JUNCTION BOX
⊙	ELECTRIC METER
⊞	WATER VALVE
⊕	SANITARY SEWER MANHOLE

SITE DATA

A. SOURCE OF TITLE
BOOK 179, PAGE 319

LOT WWTP OF
LOT 14 AND 15, TRIPORT COURT AND DELAPLAIN
DESPOSAL COMPANY SUBDIVISION
PLAT SLIDE 641

OWNER: DELAPLAIN DISPOSAL COMPANY

TAX MAP 161, GROUP 20, PARCEL 2

CITY OF GEORGETOWN
SCOTT COUNTY, KENTUCKY

AREA = +/- 1.49 ACRES

FIELD SURVEY DATE: JANUARY 28, 2020

B. THIS SITE LIES WITHIN ZONE X, AREAS OUTSIDE THE 0.2% ANNUAL CHANCE FLOODPLAIN, AS INDICATED ON FEMA NFIP FIRM MAP NUMBER 21209C0120D BEARING AN EFFECTIVE DATE OF DECEMBER, 21 2017.

C. THIS IS A URBAN CLASS SURVEY AND AN ALTA/NSPS LAND TITLE SURVEY.

D. THERE ARE NO CEMETERIES APPARENT ON THIS PROPERTY.

E. NO CERTIFICATION IS MADE HEREIN AS TO THE PRESENCE OF UNDERGROUND STORAGE TANKS.

F. HORIZONTAL POSITIONS BASED ON STATIC GPS OBSERVATION.

HORIZONTAL POSITIONS ARE KENTUCKY STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NAD 83.

G. WETLANDS WERE NOT DELINEATED AS PART OF THIS SURVEY.

H. THIS SURVEY WAS CONDUCTED WITH THE BENEFIT OF A TITLE COMMITMENT PREPARED BY FIRST AMERICAN TITLE INSURANCE COMPANY, COMMITMENT NUMBER 22425-19. BEARING AN EFFECTIVE DATE OF FEBRUARY 18, 2021.

RECORD DESCRIPTION

That certain parcel of real property located in the Delaplain Industrial Park in Scott County, Kentucky, and being more particularly described as follows:

BEGINNING at the northwesternmost point of Lot No. 14 of the Delaplain Industrial Park, in Scott County, Kentucky, as shown by that Final Plat thereof of record in Plat Slide 641, in the Scott County Clerk's Office, thence N 77° 53' 59" W 300.00 feet to a point; thence N 12° 06' 01" E 218.00 feet to a point on the division line between property owned by Clark Equipment Company, thence with said Clark Equipment Company division line S 77° 53' 59" E 300.00 feet to a point on the division line with said Lot No. 14; thence along the boundary of said Lot No. 14 for two (2) calls: S 12° 06' 01" W 218.00 feet, and N 77° 53' 59" W 24.54 feet to the point of beginning, and containing 1.5014 acres, and designated as the Delaplain Disposal Company "WWTP" on the Final Plat of Lot 14 and Lot 15, Triport Court & Delaplain Disposal Company for a portion of the Delaplain Industrial Park, of record in Plat Slide 641, in the Scott County Clerk's Office; and,

Being the same property conveyed to Delaplain Disposal Company, a Kentucky corporation, by Deed dated December 15, 1998, of record in Deed Book 179, Page 319, in the Scott County Clerk's Office.

SCHEDULE B, PART II EXCEPTIONS TO TITLE

- Being the same tract of land described in a Title Report prepared by First American Title Insurance Company, Commitment No. 22425-19, dated February 18, 2021.
- This property is subject to Easement in favor of Kentucky Utilities Company dated July 1, 1991, of record in deed Book 190, Page 308, in the Scott County Clerk's Office. Plotted as shown.
 - Property may be subject to Memorandum of Operating Agreement dated August 1, 1988 by and between Delaplain Disposal Company and Centennial Real Estate, Inc., a Delaware corporation, of record in Deed Book 176, Page 197, in the Scott County Clerk's Office. Nothing to plot.
 - This property is subject to notes, conditions, easements, setback lines, and all other matters appearing on plats of record in Plat Cabinet 2, Slide 641, Scott County Clerk's Office. Plotted as shown.



21 DESIGN GROUP
ALTA NSPS LAND TITLE SURVEY
W YUSEN WAY
GEORGETOWN, SCOTT COUNTY, KENTUCKY

NO.	REVISIONS DESCRIPTION	DATE

THE DRAWING SHALL BE CONSIDERED PRELIMINARY IN NATURE AND IN NO WAY FINAL OR COMPLETE, UNLESS THE SEAL OF THE ENGINEER OR SURVEYOR OF RECORD IS AFFIXED HERETO.

ALTA SURVEY NUMBER: 1 of 1

L.I. Smith and Associates, Inc.
LAND DEVELOPMENT | INFRASTRUCTURE DESIGN
SURVEYING SERVICES

302 North Caldwell Street, Paris, TN 38242 | 731-644-1014 | www.lismith.com
475 Metroplex Drive, Suite 212 Nashville, TN 37211 | 615-256-0290

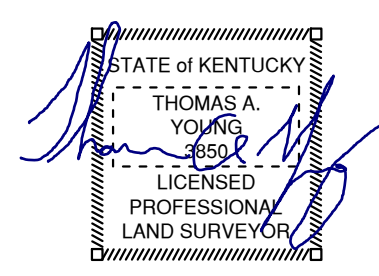
DRAWN BY: MBP CHECKED BY: TAY SCALE: 1" = 30'
PROJECT # KY-SC-161-20-27-10037 DATE: 02/22/2021

To (i) Bluegrass Water Utility Operating Company, (ii) McBrayer PLLC, and, (iii) First American Title Insurance Company.

This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2016 Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys, jointly established and adopted by ALTA and NSPS, and includes Items 1, 2, 3, 4, 7(a), 7(b)(1), 8, 9, 10(a), 13, 19 and 20 of Table A thereof. The field work was completed on September 21, 2017.

February 22, 2021

Thomas A. Young, PLS
Kentucky License Number 3850



CPCN Filing Capital Estimate - Delaplain

Construction Project	NARUC Category	Estimate	Subtotal
KPDES Permit Compliance Upgrades			
<u>MBBR Treatment System</u>	Sewer - Treatment and Disposal		\$311,500
Blowers and Controls for New MBBR Assemblies (2 each)		\$87,800	
Blower Pad		\$1,500	
Blower Discharge Header Piping, Valves, Appurtenances		\$12,000	
MBBR Assemblies Complete (3 each)		\$187,200	
Electrical Distribution for MBBR Treatment System		\$23,000	
<u>Solids Handling Enhancements</u>	Sewer - Treatment and Disposal		\$283,200
Polymer Feed Treatment System		\$20,000	
Filter Building and Foundation		\$58,000	
Filter Equipment		\$165,200	
Filter Backwash Piping		\$10,000	
Filter Building Pump and Sump		\$2,500	
Sodium Bisulfite Feed Location Relocated to Filter Building		\$2,500	
Electrical Distribution for Filter System		\$25,000	
<u>Security Fencing for All Three New Systems</u>	Sewer - General Plant	\$9,200	\$9,200
<u>All Weather Gravel Access Road for All Three New Systems</u>	Sewer - General Plant	\$6,000	\$6,000
TOTAL Capital Estimate for CPCN Filing		\$609,900	\$609,900

Delaplain Area Map



Legend

Wastewater Infrastructure

Proposed Wastewater Improvements



Wastewater Treatment Plants



Package Treatment Plants



Lift Stations



KISOP Points



WWTP Outfalls



Proposed Wastewater Extensions



Sewer Lines

