

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
BLUEGRASS WATER UTILITY OPERATING)	
COMPANY, LLC AND THE ELECTRIC PLANT)	
BOARD OF MAYFIELD, KENTUCKY FOR APPROVAL)	Case No.
OF ACQUISITION AND TRANSFER OF)	
OWNERSHIP AND CONTROL)	2022-00218
OF WASTEWATER FACILITIES SERVING)	
RANDVIEW ESTATES SUBDIVISION)	
IN GRAVES COUNTY, KENTUCKY)	

**VERIFIED JOINT APPLICATION FOR APPROVAL OF ACQUISITION AND
TRANSFER OF OWNERSHIP AND CONTROL OF UTILITY ASSETS**

1. Bluegrass Water Utility Operating Company, LLC (“Bluegrass Water”), and the Electric Plant Board of Mayfield, Kentucky d/b/a Mayfield Electric and Water Systems (“MEWS”)(collectively, “Joint Applicants”), by counsel, jointly apply to the Public Service Commission of Kentucky (the “Commission”) pursuant to KRS 278.020(6), (7), and (10) for an Order approving the acquisition of ownership, transfer, and control to MEWS of Bluegrass Water’s Randview wastewater utility system and associated assets, liabilities, and customer accounts (the “Randview System”) in Graves County. The proposed acquisition and transfer of ownership and control will occur, subject to the approval of the Commission and other regulatory agencies, under the terms of the accompanying, Agreement for Sale of Utility System (the “Agreement”) dated August 18, 2022, by and between Bluegrass Water and MEWS. A copy of the Agreement is attached hereto as **Exhibit A**.

2. The proposed acquisition and transfer of ownership and control of the Randview System satisfies the requirements of KRS 278.020(6), (7), and (10).¹ For the reasons set forth in this Joint Application: (i) the proposed acquisition and transfer of ownership and control will be made by a person with the financial, technical, and managerial abilities to provide reasonable service; (ii) it will be made in accordance with law and for a proper purpose; and (iii) it will be consistent with the public interest. The Joint Applicants respectfully request that the Commission accept the filing of this Application and enter a Final Order approving the proposed acquisition and transfer of ownership and control as expeditiously as possible.

3. In support of their application, the Joint Applicants state as follows.

I. PARTIES

A. Bluegrass Water Information

4. Bluegrass Water's full name is Bluegrass Water Utility Operating Company, LLC. Its mailing address is 1630 Des Peres Road, Suite 140, St. Louis, Missouri 63131. Its email address for purposes of this proceeding is regulatory@cswrgroup.com.

¹ KRS 278.218 provides that:

(1) No person shall acquire or transfer ownership of or control, or the right to control, any assets that are owned by a utility as defined under KRS § 278.010 (3)(a) without prior approval of the commission, if the assets have an original book value of one million dollars (\$1,000,000.00) or more and:

- a. The assets are to be transferred by the utility for reasons other than obsolescence;
- or
- b. The assets will continue to be used to provide the same or similar service to the utility or its customers.

(2) The commission shall grant its approval if the transaction is for the proper purpose and is consistent with the public interest.

KRS 278.218 is not applicable to this transaction because the book value of the Randview System is less than \$1,000,000, the assets are being transferred for reasons other than obsolescence, and the assets will continue to be used to provide the same or similar service.

5. Bluegrass Water is a limited liability company that was organized under Kentucky law on March 21, 2019. It is currently in good standing with the Kentucky Secretary of State.

6. Bluegrass Water is a manager-managed company. Its manager is Central States Water Resources, Inc. (“Central States”), which is an affiliate entity incorporated under Missouri law.

7. As reflected on the attached Corporate Entity Organizational Chart (*see Exhibit B*), Bluegrass Water’s sole member is Bluegrass Water Utility Holdings Co., LLC, whose sole member is Kentucky Central States Water Resources, LLC, which is organized under Kentucky law. The sole member of Kentucky Central States Water Resources, LLC is CSWR, LLC.

8. Bluegrass Water is a jurisdictional utility that provides water and wastewater services in communities across the Commonwealth. It owns and operates wastewater utilities in Bullitt, Franklin, Garrard, Graves, Hardin, Jessamine, Campbell, Madison, Marshall, McCracken, Oldham, Scott, and Shelby counties, as well as a water utility in Calloway County.

9. Bluegrass Water currently serves approximately 3,573 total water and wastewater customers.

10. Bluegrass Water now seeks to transfer its Randview System assets, liabilities, and customer accounts to MEWS, who will thereafter provide continuity of service to the Randview System customers.

11. Randview System Customers will continue to receive wastewater service from the same facilities but will receive the services at a decreased rate as the customers will receive a substation reduction in the current rates charged by Bluegrass Water. There will be no other changes to the bill other than the name of the entity providing the service.

12. Pursuant to 807 KAR 5:001, Section 4(8), copies of all Orders, Pleadings, and other communications related to this proceeding should be directed to:

Bluegrass Water Utility Operating Company, LLC

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Mayfield Electric & Water Systems

Marty T. Ivy, C.P.E.
General Superintendent
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II. PROPOSED ACQUISITION AND TRANSFER OF OWNERSHIP AND CONTROL

A. The Agreement for Sale of Utility System

13. Bluegrass Water currently owns and operates wastewater facilities throughout the Commonwealth, but its Randview System is situated in Graves County, Kentucky. (See Map, **Exhibit C**). The Randview System is not directly interconnected with any other existing Bluegrass Water utility systems in the Commonwealth.

14. MEWS also currently owns and operates wastewater facilities in Graves County, Kentucky (hereinafter the “MEWS System”). Since 1953, MEWS has provided wastewater collection and treatment services and currently provides wastewater collection and treatment services to approximately 4,600 customers in Graves County, Kentucky.

15. The MEWS System is adjacent to the Randview System on the Northeast side.

16. The Joint Applicants have determined the acquisition of the Randview System by MEWS will result in a transparent transition of service for the Randview System customers, whose only perceptible change in service should be a change in the name of the wastewater service provider on their bills. Randview System Customers will continue to receive wastewater service from the same facilities at a decreased rate as the customers will receive a substation reduction in the current rates charged by Bluegrass Water.

17. This transaction was approved by the governing body of Bluegrass Water, as evidenced by **Exhibit D**.

18. This transaction was approved by MEWS, as evidenced by **Exhibit E**.

19. On August 18, 2022, the Joint Applicants executed an Agreement for Sale of Utility System whereby Bluegrass Water proposes to transfer and convey the Randview System to MEWS in exchange for certain consideration (Exhibit A). The Agreement designates MEWS as the Buyer and Bluegrass Water as the Seller.

20. Section 3 (“Regulatory Approval”) of the Agreement expressly contemplates Commission review and approval of the transaction as a condition precedent to closing.

21. The Agreement (Section 1) provides that at the closing, Bluegrass Water shall sell, transfer, assign and deliver to MEWS, or MEWS’s designated affiliate, all of Bluegrass Water’s then existing assets pertaining to the provision of sewer service in the Randview System, and related properties including, without limitation, the following:

- a. The land, improvements thereon, easements, rights of way, permits, and leases related to the Randview System;
- b. All of the Randview System’s sewer service facilities, lines, plant, pipes, manholes and appurtenances; and
- c. All of Bluegrass Water’s contract rights, supplies, goodwill, and general intangibles pertaining to the sewer service, excepting therefrom accounts receivable accrued prior to the Closing (the “Assets”) for the Randview System.

22. MEWS’s management is intimately familiar with the condition of the Randview System. MEWS has held numerous discussions with Bluegrass Water regarding the state of the system. Additionally, MEWS currently serves the surrounding area and is familiar with the services provided by Bluegrass Water.

23. The sale of the Assets under terms specified in the Agreement promotes the public interest generally, as well as the interests of the current MEWS and Randview System customers as MEWS already currently serves the surrounding area and these customers with water, electric and fiber to the home.

III. KRS 278.020(6), (7), AND (10) STANDARDS

A. Relevant Statutory Provisions.

24. KRS 278.020(6) provides that “[n]o person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval of the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonably service.”

25. KRS 278.020(7) provides in part that no person “shall acquire control, either directly or indirectly” any jurisdictional utility without obtaining Commission approval which will be granted if it is “in accordance with law, for a proper purpose, and is consistent with the public interest. Furthermore, “Control” is defined as “the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a utility,” and the Commission presumes “Control” when a corporation, “directly or indirectly, owns ten percent (10%) or more of the voting securities of the utility,” and “may be rebutted by a showing that ownership does not in fact confer control.”

26. As discussed below, the Joint Applicants submit that the proposed transaction satisfies the Commission’s requirement for approval of a transfer of control under KRS 278.020(6), and KRS 278.020(7) because MEWS has the financial, technical, and managerial abilities to provide reasonable service, and because the transaction is in accordance with the law, for a proper purpose, and is consistent with the public interest.

27. KRS 278.020(10) provides:

The commission shall not approve any application under subsection (6) or (7) of this section for the transfer of control of a utility described in KRS 278.010(3)(f) unless the commission finds, in addition to findings required by those subsections, that the person acquiring the utility has provided evidence of financial integrity to ensure the continuity of sewage service in the event that the acquirer cannot continue to provide service.

Although MEWS will not be acquiring Bluegrass Water, nor any control over Bluegrass Water, it does have the financial integrity to ensure continuity of sewage service to the Randview System customers for the reasons described in more detail below.

B. MEWS has the financial, technical, and managerial abilities to provide reasonable service.

28. MEWS has the necessary abilities to provide services to the customers of the Randview system without placing a financial burden on, or adversely affecting the quality of service presently afforded to, the existing customers of MEWS or the Randview System.

i. Financial Ability

29. A copy of MEWS's most recent audit is attached hereto as **Exhibit F** which evidences the financial ability of MEWS to purchase the facility and continue its operations successfully.

30. MEWS submits that the financial information submitted with this Joint Application is sufficient to enable the Commission to adequately, effectively, and efficiently review this Joint Application and find that MEWS has the financial ability to operate the Randview system.

ii. Technical and Managerial Ability

31. MEWS has the requisite technical ability to maintain the Randview system. MEWS has been providing service through systems similar to the Randview system (and some more complex than the Randview system) since 1953. MEWS currently provides wastewater collection and treatment to approximately 4,600 customers in Graves County, Kentucky and employs a work force qualified to provide the services required following the completion of this transaction. Additionally, as noted in the above-referenced Financial Ability section and through Exhibit F, MEWS has proven sufficient revenue to maintain this system and the workforce required to maintain the system.

C. The Proposed Acquisition is to be Made in Accordance with the Law, for a Proper Purpose, and is Consistent with the Public Interest.

32. The proposed transaction is in accordance with the law, for a proper purpose, and is consistent with the public interest. The proposed acquisition thus meets the standards of KRS 278.020(7).

i. Made in accordance with the law

33. The proposed acquisition and transfer will not occur before or without the Commission's approval therefor.

34. The proposed transaction has been approved by Bluegrass Water's member and by the governing board of MEWS.

35. The proposed transaction will affect the regulatory authority of the Commission because the Randview System will be transferred to the control of MEWS, and MEWS is a non-regulated municipal utility. While the Commission will no longer have jurisdiction over the rates and services provided by MEWS to the existing Randview System customers, the Joint Applicants intend that this transaction will be transparent to the Randview System customers, whose only perceptible change in service should be a change in the name of the wastewater service provider on their bills. Specifically, MEWS intends to decrease the current rates for the Randview System customers as they will now receive a substantial reduction in the current charges.

ii. For a proper purpose

36. MEWS is acquiring the Randview System to operate it for the purpose of providing reasonable, effective, and efficient wastewater service to existing and future customers.

37. The acquisition will result in the transfer of assets to an entity that will have sufficient capital and operating funds to operate, maintain, and expand the systems, while providing continuity of service to its existing and newly acquired customers. Aggregation of the

assets and operations of the Randview System with the existing MEWS system into one larger system with entities that have substantial experience and expertise in operating wastewater utility systems is also likely to lower operational costs while maintaining the same or better service for the Randview customers.

iii. Consistent with the public interest

38. Full compliance with both state and federal regulations is imperative for purposes of health and safety. MEWS will ensure continuity of service for the customers of the Randview System, and affected customers will receive equivalent or improved service.

IV. CONCLUSION

WHEREFORE, the Joint Applicants respectfully requests that the Commission enter a Final Order:

- (1) Approving the proposed transaction pursuant to KRS 278.020(6), (7), and (10);
- (2) Finding that the Commission will no longer have jurisdiction over the rates and services of Bluegrass Water with respect to the Randview System, upon closing of the proposed transaction;
- (3) Relieving Bluegrass Water of any further utility-service obligations regarding the Randview System, upon closing of the proposed transaction;
- (4) Entering a final order granting this Joint Application, as submitted, within the 60-day period provided in KRS 278.020(7); and
- (5) Granting all other relief that may be necessary and appropriate to effectuate the proposed transaction.

Respectfully submitted,

/s/Edward T. Depp
Edward T. Depp

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Certification

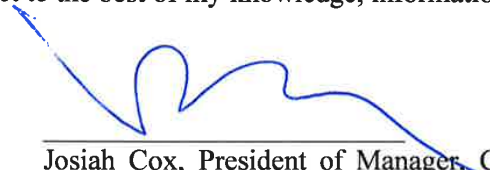
I hereby certify that a copy of this Application and its exhibits has been served electronically on all parties of record through the use of the Commission's electronic filing system, and there are currently no parties that the Commission has excused from participation by electronic means. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, a paper copy of this filing has not been transmitted to the Commission.

/s/Edward T. Depp
*Counsel to Bluegrass Water Utility
Operating Company, LLC*

/s/Alexander D. Blackwell
*Counsel to the Electric Plant Board
of Mayfield, Kentucky*

Verification

I, Josiah Cox, President of the Manager of Bluegrass Water Utility Operating Company, LLC, state that I have read the foregoing application and its exhibits, and the statements contained in the application and exhibits are true and correct to the best of my knowledge, information, and belief.



Josiah Cox, President of Manager, Central States Water Resources, Inc.

Date: 2/3/23

State of Missouri)
)
County of ST LOUIS CITY)

Subscribed, sworn to, and acknowledged this 3RD of FEBRUARY 2023, before me, a Notary Public, in and before said County and State.

My Commission expires: OCT 16th, 2026

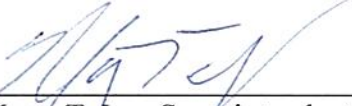


Notary Public



Verification

I, Marty T. Ivy, General Superintendent of the Electric Plant Board of Mayfield, Kentucky, state that I have read the foregoing application and its exhibits, and the statements contained in the application and exhibits are true and correct to the best of my knowledge, information, and belief.



Marty T. Ivy, Superintendent,
Mayfield Electric & Water Systems

Date: 2/13/2023

Commonwealth of Kentucky)
County of Graves)

Subscribed, sworn to, and acknowledged this 13th of Feb. 2023, before me, a Notary Public, in and before said County and State.

My Commission expires: 4/19/24

ID: KYNP3345



Notary Public