

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 P.R.)	
WASTEWATER MANAGEMENT, INC., MARSHALL)	CASE NO.
COUNTY ENVIRONMENTAL SERVICES, LLC, LH)	2019-00104
TREATMENT COMPANY, LLC, KINGSWOOD)	
DEVELOPMENT, INC., AIRVIEW UTILITIES, LLC,)	
BROCKLYN UTILITIES, LLC, FOX RUN UTILITIES,)	
LLC, AND LAKE COLUMBIA UTILITIES, INC.)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC

Bluegrass Water Utility Operating Company, LLC (Bluegrass Water), P.R. Wastewater Management, Inc. (P.R. Wastewater), Marshall County Environmental Services, LLC (Marshall County Environmental), LH Treatment Company, LLC (LH Treatment), Kingswood Development, Inc. (Kingswood), Airview Utilities, LLC (Airview), Brocklyn Utilities, LLC (Brocklyn), Fox Run Utilities, LLC (Fox Run), and Lake Columbia Utilities, Inc. (Lake Columbia), (collectively Joint Applicants), pursuant to 807 KAR 5:001, are to file with the Commission, responding either jointly or individually, the original and an electronic version of the following information. The information requested herein is due on before May 31, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry

Joint Applicants shall make timely amendment to any prior response if Joint Applicants obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. For each system that is proposed to be acquired, provide the following information:

- a. The number of employees currently employed by each company.
 - b. The number of employees to be retained by the new owners.
 - c. The number of employees to be employed at each company.
 - d. A copy of the current permits.
 - e. If no current permits exist, a copy of the most recent expired permits and any applications to renew permits.
 - f. Customer deposits held, if any, and identify how those customer deposits will be credited to the customers.
 - g. The number of customers served and the rates charged.
 - h. For each system, provide the location of the nearest sewer regional facility.
 - i. For each system, state whether a study has been considered or completed to determine the cost of connecting to the nearest sewer regional facility versus rebuilding or rehabilitating the current system. If so, provide the study. If not, explain why the study has not been conducted.
2. Confirm that the pro forma income statement uses the most recently filed annual report for each utility to estimate operating revenues and expenses with the exception of Kingswood.
 3. Provide the source of the Income statement operating revenues and expenses for Kingswood.
 4. Regarding the pro forma Balance sheet, identify the source of the company Capitalization.
 5. Provide the anticipated rate of interest for the Long-Term Debt.

6. In addition to the persons identified in JA Exhibit M, provide the number of other employees or staff of First Round CSWR, LLC, and state their roles.

7. Identify any anticipated economies of scale and the magnitude of potential cost savings proposed by the venture.

8. Provide the anticipated effect on future rates of each entity in the application.

9. For each wastewater or water system acquired by CSWR Group in the states of Missouri and Arkansas provide the following:

- a. The name and date acquired.
- b. Last three years of financial statements or annual reports.
- c. A narrative of the type of rehabilitation for each system and the

amount of capital investment.

10. Provide the following information for Midwest Water Operations, LLC:

- a. Years of experience in wastewater operations.
- b. Principle owners and key personnel.
- c. The location of all offices.
- d. Names of any utilities that it has serviced in Kentucky.
- e. Licenses and certifications held for the state of Kentucky.

11. Provide the following information for Nitor Billing Services, LLC:

- a. Years of experience in billing for wastewater operations.
- b. Principle owners and key personnel.
- c. The location of all offices.
- d. Names of any utilities that it has serviced in Kentucky.

12. Describe the methodology that CSWR Group will use to allocate costs to each utility for all management, financial reporting, underground utility safety and locations services, Commission and environmental regulatory reporting and management, record keeping, and other work performed by personnel at CSWR Group's corporate office. Also, state whether Bluegrass Water will be considered one utility or eight utilities for purposes of allocating costs.

13. In paragraph 55 of the application, CSWR Group states it has engaged an independent engineer to inspect and evaluate each system. Provide copies of each engineering report and copies of any other due diligence reports performed by CSWR Group or on its behalf or in its possession.

14. Does Bluegrass intend to record on its books or on the books of each utility acquired an acquisition adjustment to reflect the amount by which the purchase price of each utility exceeds the net book value of each utility acquired?

15. Refer to the application, paragraph 44. Provide background information on the equity investor First Round, including years in business and any publicly available reports or financial statements.

16. State whether a written agreement exists obligating the First Round to provide equity capital to or for Bluegrass Water, and if so, state First Round CSWR, LLC's required or anticipated rate of return on equity.

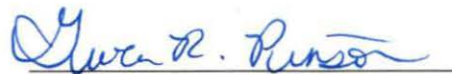
17. Refer to the application, paragraph 44. Provide background information on the debt financier U.S. Water Capital, including years in business and any publicly available reports or financial statements.

18. State whether a written agreement exists obligating U.S. Water Capital to provide debt financing to or for Bluegrass Water, and if so, state U.S. Water Capital's required or anticipated rate of interest on debt capital. Provide a breakdown of the anticipated \$2.9 million expected spending to address problems at each utility.

19. State whether CSWR Group or Bluegrass Water has reviewed the Commission's most recent inspection reports for each of the utilities to be acquired.

20. Explain how Bluegrass Water will resolve each of the outstanding violations cited by the Commission on all plants involved in the proposed transfer.

21. State who will operate the facilities on a day-to-day basis. Provide names of certified operators, their classification, contact information, and the plant they will operate.



Gwen R. Pinson
Executive Director
Public Service Commission
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DATED **MAY 17 2019**

cc: Parties of Record

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