

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)	CASE NO.
BY: DELAPLAIN DISPOSAL COMPANY;)	2020-00297
HERRINGTON HAVEN WASTEWATER)	
COMPANY, INC.; SPRINGCREST SEWER)	
COMPANY, INC; AND WOODLAND ACRES)	
UTILITIES, LLC.)	

ORDER

On September 16, 2020, Bluegrass Water Utility Operating Company, LLC (Bluegrass Water); Delaplain Disposal Company (Delaplain); Herrington Haven Wastewater Company, Inc. (Herrington Haven); Springcrest Sewer Company, Inc. (Springcrest); and Woodland Acres Utilities, LLC (Woodland Acres) filed a joint application, pursuant to KRS 278.020(6), (7), and (10), requesting that the Commission approve the acquisition and transfer of control of utility assets owned and controlled by Delaplain, Herrington Haven, Springcrest, and Woodland Acres to Bluegrass Water.¹ Bluegrass Water responded to requests for information from Commission Staff on November 4, 2020, and December 2, 2020. This matter is now before the Commission for a decision of the merits.

¹ Application at 1.

BACKGROUND

Parties

Bluegrass Water. Bluegrass Water is a Class B sewer utility organized and existing under the laws of the Commonwealth of Kentucky. Bluegrass Water is a manager-managed company that is managed by Central States Water Resources, Inc. (Central States). It is wholly owned by CSWR, LLC (CSWR), which owns and operates sewage utilities through subsidiaries in several other states. Bluegrass Water currently owns sewage utilities in Bullitt, Franklin, Hardin, Madison, Marshall, McCracken, Oldham Scott, and Shelby counties, and a water utility in Calloway County. At the time it filed its application, it had approximately 2,000 total water and sewer customers.²

Delaplain. Delaplain is a Kentucky Corporation that operates a Class B sewer utility in Scott County. As of the end of 2019, Delaplain had 296 residential customers and 34 commercial customers. Delaplain currently charges sewer rates of \$12.50 per month for residential customers and \$8.89 per 1,000 gallons for commercial and industrial customers. Delaplain's existing facilities are authorized to discharge up to 240,000 gallons per day (gpd).³

Herrington Haven. Herrington Haven is a Kentucky corporation that operates a Class D sewer utility in Garrard County. As of the end of 2019, Herrington Haven served 20 single-family residents at a monthly flat rate of \$49.66. Herrington Haven's existing facilities are authorized to discharge up to 9,800 gpd.⁴

² *Id.* at 3–4.

³ *Id.* at 5–6.

⁴ *Id.* at 6.

Springcrest. Springcrest is a Kentucky corporation that operates a Class D sewer utility in Jessamine County. Springcrest currently serves 42 single-family residential customers at a flat monthly rate of \$27.43 per month. Springcrest currently uses a septic system.⁵

Woodland Acres. Woodland Acres is a Kentucky limited liability company (LLC) that operates a Class D sewer utility in Bullitt County. It currently serves 104 single-family residential customers at a flat rate of \$19.47 that has remained unchanged since 1993. Woodland Acres treatment plant is authorized to discharge up to 25,000 gpd.⁶

Current Condition of Systems

All of the systems Bluegrass Water is proposing to purchase in this matter have been fully depreciated with the exception of the Delaplain system. An engineering firm retained by Bluegrass Water also found that the systems currently owned by Delaplain, Herrington Haven, and Woodland Acres were aged; showed significant signs of wear and corrosion; and had a number of functional limitations—all of which would require significant capital investment to correct.⁷ The engineers also noted that each of those systems have exceeded their discharge permit limitations on several occasions with respect to certain pollutants, and that the Delaplain system has exceeded flows it was designed to handle and that it has been authorized to handle by its discharge permit.⁸

⁵ *Id.* at 7.

⁶ *Id.* at 7–8.

⁷ *Id.* at Exhibits C, D, and F.

⁸ *Id.*

Transaction

Central States has executed a sales agreement with Delaplain, Herrington Haven, Springcrest, and Woodland Acres designating the buyer as CSWR, or its designee. CSWR has designated Bluegrass Water, its affiliate, as the buyer for each agreement. Each agreement provides for the sale of all of the utility assets of each system.⁹ The sale includes all assets used or useful to operate the system, including real property interests, service machinery and equipment, other tangible fixtures or personality, franchises, contract rights, accounts receivable, and other intangibles.¹⁰ Upon the closing of the transactions, the agreements provide for Bluegrass Water to become responsible for all assets from that point forward.¹¹

Bluegrass Water indicated that there would be continuity of service to the existing customers of the utilities whose assets Bluegrass Water is proposing to purchase. It stated that following the transaction Bluegrass Water will provide service in accordance with each transferring utilities current sewer tariff on file with the Commission. Bluegrass Water explained that it would file an adoption notice for the existing tariffs after closing on the respective sewer systems and that it would thereafter file revisions to the current Bluegrass Water sewer tariff that would bring customers of the new systems into Bluegrass Water's tariff at the rates they are being charged by the current owners.¹²

⁹ *Id.* at 14.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 11.

Buyers Financial and Technical Resources

Bluegrass Water is wholly owned and funded with capital from its parent, CSWR. CSWR owns and operates subsidiaries in several surrounding states that provide water and wastewater service. CSWR, including Bluegrass Water, is managed by Central States, which in turn manages the systems in other states. Bluegrass Water notes that Central States has experience through Bluegrass Water and other affiliates managing distressed sewage systems.¹³

Bluegrass Water's acquisition of each system's assets will be funded with equity capital from its parent, CSWR. A balance sheet for CSWR, which was filed confidentially in this matter, indicates that its total assets far exceeded the assets of Bluegrass Water and that it had significant cash available. Bluegrass Water plans to fund the work to repair and improve the acquired systems with debt financing, including long-term loans that Bluegrass Water has access to through CSWR. Over time, this borrowed funding will balance the equity funding to achieve the planned 50-50 capital structure that has been developed for Bluegrass Water.¹⁴

Bluegrass Water noted that it has solicited third-party lenders for debt in support of its operations and expansion. Bluegrass Water indicated that those discussions have centered on what credit enhancement that CSWR could offer to support Bluegrass Water's position as a borrower. Among other things, Bluegrass Water noted that it anticipated CSWR acting as guarantor on any loan from a third-party lender.¹⁵ Bluegrass

¹³ *Id.* at 14–15.

¹⁵ Response to Staff's Second Request, Item 5 (discussing how they would obtain credit by organizing a separate capital company with CSWR acting as guarantor); see *also* Response to Staff's First Request, Item 20 (discussing the use of the separate capital company).

Water anticipated that this arrangement would give it access to more favorable rates than it could obtain on its own.¹⁶

The day to day operations, billing, and customer service functions are to be provided by third-party contractors for Bluegrass Water's systems. The systems will be operated by a third-party operations and maintenance firm engaged by Bluegrass Water. Bluegrass Water's other Kentucky systems are operated by Midwest Water Operations, LLC (Midwest Water). It is anticipated that Midwest Water will be the entity to provide operations and maintenance service for the systems proposed to be acquired in this case. Bluegrass Water indicated that Midwest Water has the knowledgeable and experienced personnel necessary to manage the daily wastewater operations of the systems. In addition to the service obligations during normal business hours, Midwest Water will be required to have a 24-hour emergency service line on which customers may report any service disruption with notice of service disruption calls to be forwarded to Josiah Cox, the president of Central States.¹⁷

A third-party firm engaged by Bluegrass Water will send out bills and handle service-related billing questions for the acquired systems. In Bluegrass Water's other Kentucky systems, that firm is Nitor Billing Services, LLC (Nitor Billing Services). It is anticipated that Nitor Billing Services will have this role for the systems proposed to be acquired in this case. Nitor Billing Services has an online billing system in place to receive credit cards and e-checks from customers and a Bluegrass Water specific customer service email account to handle customer inquiries and other interactions. The customer

¹⁶ Response to Staff's Second Request, Item 7.

¹⁷ Application at 11.

service representatives are to be available during normal business hours and to take messages 24 hours a day.¹⁸

Bluegrass Water will maintain a toll-free number and a website that contains a summary of customers' rights, tariffs, or links to the tariffs for each system; contact information for emergencies during regular and after hours to report service issues; links to any tariffs filed in the future with the Commission; and links to Bluegrass Water's systems' maps on the Kentucky Infrastructure Authority Wastewater Mapping website. Bluegrass Water's arrangements will ensure continuity of service to current customers of the four systems and that future customers are provided with a quality of service equal to or better than that currently being provided. These arrangements include implementation of computerized maintenance management system for utility facilities, online bill pay options, up-to-date website bulletins about current service status, and service initiation/discontinuance procedures.¹⁹

Central States will be directly responsible for all management, financial reporting, underground facility safety and locations services, Commission and environmental regulatory reporting and management, recordkeeping, and final customer dispute management. Proportional costs for those services will be allocated to Bluegrass Water, which will be considered as one utility, using the "Massachusetts Formula."²⁰

¹⁸ *Id.* at 16.

¹⁹ *Id.* at 12.

²⁰ *Id.* at 17–18.

Alternatives Operators

Delaplain. Bluegrass Water acknowledged that the Georgetown #2 force main runs approximately 30 yards from the back of the Delaplain wastewater treatment plant. Bluegrass Water indicated that its representatives reached out to the Georgetown municipal sewer system regarding whether the Delaplain system could be attached to Georgetown's system, but Georgetown stated that it did not have capacity to absorb the Delaplain flows and was not interested in connecting to Delaplain's system.²¹

Herrington Haven. Bluegrass Water stated that the closest wastewater treatment plant to this system would be the Danville Wastewater Treatment Plant in Boyle County. Bluegrass Water stated that even if the systems could be connected at the two nearest points that it would require 4 miles of main. Bluegrass Water also indicated that connecting to that system would require building over or under Herrington Lake with numerous lift stations.²²

Springcrest. Bluegrass Water indicated that the nearest known wastewater treatment plant (WWTP) is the Nicholasville WWTP, which is located approximately seven miles from Springcrest.²³

Woodland Acres. Bluegrass Water stated that the city of Shepherdsville's wastewater system is approximately 40 feet from the Woodland Acres System. Bluegrass Water reported that the current owner of Woodland Acres contacted the city of Shepherdsville on two previous occasions to discuss the transfer of Woodland Acres to

²¹ Response to Staff's Second Request, Item 2, Item 3 (discussing other possible connections for each of the systems); see *also* Response to Staff's First Request, Item 6i.

²² Response to Staff's Second Request, Item 2, Item 3.

²³ *Id.*

the city, but Woodland Acres was told that Shepherdsville's system did not have the capacity to accept the flow from Woodland Acres and the city did not indicate any interest in accepting the flow from Woodland Acres.²⁴

DISCUSSION

KRS 278.020(6) provides that:

No 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 by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.

KRS 278.020(7) similarly provides that no entity "shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtaining the approval of the commission." That statute further provides that that the Commission "shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest."²⁵ However, when a transfer involves a sewage utility, as it does here, KRS 278.020(10) further provides that the Commission shall not approve any application made pursuant to subsections (6) or (7) unless the Commission finds 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.

Bluegrass Water has previously been approved by the Commission to purchase 13 sewage systems and a single water utility, and it is currently operating those

²⁴ *Id.*

²⁵ KRS 278.020(7).

systems.²⁶ Bluegrass Water's parent, CSWR, which will manage Bluegrass Water through its affiliate Central States, also operates numerous similar small sewage treatment facilities in other states. Further, like most other utilities and nonutility owners that control small sewage systems, Bluegrass Water will contract with a third party operator, qualified pursuant to standards established by the Energy and Environment Cabinet, Division of Water. Bluegrass proposes to use a contractor that currently does the billing for its existing systems. The Commission finds that Bluegrass Water, its parent, and affiliates have the technical and managerial ability to provide reasonable service to the customers of facilities it is proposing to purchase.

Bluegrass Water also presented evidence that it has access to financial resources through its parent, CSWR, necessary to provide reasonable service. It stated that its parent will provide the equity capital necessary to purchase the systems at issue in this matter. It further indicated that it expected to have access to debt capital (with CSWR acting as guarantor) to finance repairs to the system. Bluegrass Water also planned to use that debt to obtain a capital structure that consists of close to 50 percent equity and 50 percent debt. The Commission finds that Bluegrass Water has the financial ability to provide reasonable service and the financial integrity to ensure the continuity of sewer service.

²⁶ See Case No. 2019-00104, *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 County Environmental Services, LLC, LH Treatment Company, Inc., Airview Utilities, LLC, Brocklyn Utilities, LLC, Fox Run Utilities, LLC and Lake Columbia Utilities, Inc.*, (Ky. PSC Aug. 14, 2020); Case No. 2019-00360, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Center Ridge Water District, Inc.; Joann Estates Utilities, Inc.; and River Bluffs, Inc.*, (Ky. PSC Feb. 17, 2020); Case No. 2020-00028, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC of Wastewater System Facilities and Subsequent Tariffed Service to Users Presently Served by those Facilities*, (Ky. PSC Jun. 19, 2020).

However, the Commission’s finding with respect to Bluegrass Water’s financial ability and integrity is based in part on the financial resources of CSWR. Further, as Bluegrass Water indicated in its application, the Commission required that Bluegrass Water “post a guaranteed financial instrument that is the equivalent of two-months of the cost of its third party contractors” with respect to the sewer utilities’ systems approved to be acquired in Case No. 2019-00104²⁷ and Case No. 2019-00360.²⁸ The Commission finds that a similar condition is necessary here to provide financial integrity necessary to ensure the continuity of sewage service pursuant to KRS 278.020(10). Because the systems purchased by Bluegrass Water are commonly owned, the Commission finds 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. 2020-00028²⁹ and herein.

Bluegrass Water argued that the transfer in this matter is being made in accordance with the law, as it is seeking all proper authorizations and the Joint Applicants will make all required regulatory filings for the proposed transactions. Bluegrass Water similarly notes that the proposed transactions have been approved by the board or the owners of each transferring utility.³⁰ Bluegrass Water asserted that the proposed transfer

²⁷ Case No. 2019-00104, *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 County Environmental Services, LLC, LH Treatment Company, Inc., Airview Utilities, LLC, Brocklyn Utilities, LLC, Fox Run Utilities, LLC and Lake Columbia Utilities, Inc.* (Ky. PSC Aug. 14, 2020).

²⁸ Case No. 2019-00360, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC and the Transfer of Ownership and Control of Assets by Center Ridge Water District, Inc.; Joann Estates Utilities, Inc.; and River Bluffs, Inc.* (Ky. PSC Feb. 17, 2020).

²⁹ Case No. 2020-00028, *Electronic Proposed Acquisition by Bluegrass Water Utility Operating Company, LLC of Wastewater System Facilities and Subsequent Tariffed Service to Users Presently Served by those Facilities* (Ky. PSC Jun. 19, 2020).

³⁰ Application at 18.

is for a proper purpose because it intends to operate them for the purpose of providing reasonable, effective, and efficient wastewater service to existing and future customers, and because it intends on investing the resources necessary to do so.³¹ Based on the evidence presented by Bluegrass Water, the Commission agrees with Bluegrass Water's assertions, and therefore, finds that the proposed transactions are being made in accordance with the law and for a proper purpose.

Bluegrass Water asserts that the transfers are in the public interest because the sewer systems to be acquired are all troubled or marginal and Bluegrass Water will professionalize the operations and make necessary upgrades to ensure continued service with customers. Based on Bluegrass Water's engineering report and the lack of investment in the systems, the Commission agrees that the current owners of Delaplain, Herrington Haven, and Woodland Acres have failed to make necessary repairs and upgrades to the systems; therefore, it is consistent with the public interest for a new owner to take responsibility for the operation of the systems. Further, while it would be ideal for the systems to be attached to a larger system nearby, the only evidence presented in this matter indicates that there either is no nearby system or no system willing and able to accept the flow from the systems Bluegrass Water is proposing to purchase. Thus, the Commission finds that Bluegrass Water's proposed purchase of the utility assets of Delaplain, Herrington Haven, and Woodland Acres is consistent with the public interest; therefore, Bluegrass Water's proposed acquisition should be approved.

The public interest is less clear with respect to Springcrest's system. While Springcrest's current owners have not invested in the system, as indicated by the fact

³¹ *Id.* at 19.

that its assets are fully depreciated, Bluegrass Water's engineers did not find any significant issue with the system—the proposed investments mostly related to security upgrades and potential future failures. Further, Springcrest is distinct in that its customers each have their own septic tanks that they maintain at their expense and the collection and disposal system that would be operated by Bluegrass Water only moves the gray water to a common irrigation sight. However, the current owner no longer wishes to operate the system; Bluegrass Water is willing and has the ability to operate the system; and there is no evidence indicating that another person or entity is willing to operate the system. Further, to the extent Springcrest's customers should be treated differently with respect to cost sharing, those issues can be addressed in any rate case. Thus, the Commission finds that Bluegrass Water's proposed purchase of Springcrest's assets is consistent with the public interest, and therefore, Bluegrass Water's proposed acquisition should be approved.

The Commission notes that Bluegrass Water is paying more for the assets for each of the systems than the remaining book value of those assets. When the sale of a utility results in a purchase price greater than the original cost less accumulated depreciation (net book value), the difference between the purchase price and the net book value is accounted for as a plant acquisition adjustment. The Commission has previously held that recovery of the net plant acquisition adjustment shall be addressed on a case by case basis and that the net original cost of plant devoted to utility use is the fair value for rate-making purposes unless there is conclusive evidence that the overall operations and financial condition of the utility have benefited from the acquisition at a price in excess of

the net book value.³² However, the recovery of any plant acquisition adjustment is not before the Commission in this matter; therefore, this order should not be construed as finding that Bluegrass Water will be entitled to recover any such amounts in rates. Rather, the Commission will address the recovery of any plant acquisition adjustment when reviewing any rates proposed by Bluegrass Water in which it seeks to recover that amount.³³

Similarly, while Bluegrass Water stated that it initially intended to adopt the rates of the current utilities, as required by 807 KAR 5:011, Section 11, Bluegrass Water indicated in its application that it ultimately intended to propose a unified rate for all of its systems. The Commission will consider any rate properly proposed pursuant to KRS Chapter 278 and 807 KAR Chapter 5. However, the Commission's approval of the transfers at issue in this case should not be construed as an approval of Bluegrass Water's plan to adopt a unified rate. Rather, the Commission will address any proposed rate change for the systems at issue in this matter when proposed pursuant to KRS Chapter 278 and 807 KAR Chapter 5. When Bluegrass Water closes on the systems at issue, it should file an adoption notice pursuant to 807 KAR 5:011, Section 11, as it

³² Case No. 9059, *An Adjustment of Rates of Delta Natural Gas Company, Inc.*, (Ky. PSC Sept. 11, 1995) (To establish that it is entitled to recover the plant acquisition adjustment, a utility must present evidence that shows "that the purchase price was established upon arms-length negotiations, the initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers, operational economies can be achieved through the acquisition, the purchase price of utility and nonutility property can be clearly identified, and the purchase will result in overall benefits in the financial and service aspects of the utility's operations.").

³³ See *e.g. id.* (in which the Commission addressed recovery of the plant acquisition factor as part of a rate case); Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, (Ky. PSC Jun, 27, 2019) (applying the "Delta Test" in a rate proceeding determine whether a plant acquisition factor arising from a previously approved transfer could be recovered).

proposed in its application, before seeking to incorporate the current customers of Delaplain, Herrington Haven, Springcrest, and Woodland Acres into Bluegrass Water's existing tariff.³⁴

The Commission also notes that several of the engineering reports stated that significant improvements were necessary to the plants to be acquired. Accordingly, the Commission will require that, one month after the closing of the transactions, Bluegrass Water file a report listing discharge quality, number of service interruptions, employee or contractor response times, and Division of Water (DOW) or other applicable regulatory agencies violations or citations for the preceding month. This will serve as a baseline against which to judge improvements to the systems. Bluegrass Water shall also file, at six months and one year after the closing of the transaction, a report listing discharge quality, number of service interruptions, employee or contractor response times, and DOW or other violations or citations for the preceding year. This will allow the Commission to review the anticipated progress that Bluegrass Water has made in improving quality in the systems.

Bluegrass Water shall also maintain its records in a manner that allows it to readily distinguish between violations, repairs, investments, etc. for each system. This will allow review of Bluegrass Water's practices and will assist the Commission in determining how Bluegrass Water has used its resources in the operation and management of various

³⁴ See e.g. Case No. 2018-00358, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, (Ky. PSC June 27, 2019), Order at 44–45 (addressing a unified rate when the utility filed its next rate case after purchasing another system but noting that a unified rate should not be presumed).

systems as well as the reasonableness of the expenses and practices in any future ratemaking proceeding.

Pursuant to KRS 278.020, Bluegrass Water shall not begin the construction of any plant, equipment, property, or facility for furnishing water or wastewater services to the public, except ordinary extensions of existing systems in the usual course of business, until Bluegrass Water has obtained a Certificate of Public Convenience and Necessity from the Commission. Pursuant to KRS 278.300, Bluegrass Water shall not issue any securities or evidences of indebtedness or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until Bluegrass Water has been authorized to do so by an Order of the Commission.

IT IS THEREFORE ORDERED that:

1. The transfer of the assets of Delaplain, Herrington Haven, Springcrest, and Woodland Acres to Bluegrass Water is approved, subject to the conditions set forth in paragraphs 2 through 15, as of the date of entry of this Order.
2. Joint Applicants shall notify the Commission in writing of the closing of each transaction within ten days of the closing.
3. Joint Applicants shall file with the Commission a report on the status of the efforts to complete any transfer that does not close within 90 days of the date of entry of this Order.
4. Any material revision to the proposed transaction shall require approval by the Commission in order for the amendment to be effective.

5. Delaplain, Herrington Haven, Springcrest, and Woodland Acres shall submit the journal entries associated with the transfer of their systems within 30 days of the date of closing on their systems.

6. Bluegrass Water shall submit the journal entries associated with the transfer of each system within 30 days of the date of closing of each system.

7. The current owners of each system shall continue to operate the water system until the closing of the transaction, at which time Bluegrass Water will begin operating the system and serving the customers.

8. One month after the closing of each transaction, Bluegrass Water shall file for each of the acquired systems a report listing discharge quality, number of service interruptions, employee or contractor response times, and DOW violations or citations for the preceding month.

9. Within 60 days of the closing of the transaction, Bluegrass Water shall post a guaranteed financial instrument that is the equivalent of two months of the cost of its third-party contractors.

10. Six months after the closing of the transaction, Bluegrass Water shall file for each of the acquired systems a report listing discharge quality, number of service interruptions, employee or contractor response times, and DOW violations or citations for the preceding month.

11. One year after the closing of the transaction, Bluegrass Water shall file for each of the acquired systems a report listing discharge quality, number of service interruptions, employee or contractor response times, and DOW violations or citations for the preceding month.

12. Bluegrass Water shall maintain its records in such a way to be able to readily distinguish between violations, repairs, investments, etc. for each system.

13. Bluegrass Water shall not begin the construction of any plant, equipment, property, or facility for furnishing wastewater or water services to the public, except ordinary extensions of existing systems in the usual course of business, until Bluegrass Water has obtained a Certificate of Public Convenience and Necessity from the Commission.

14. Pursuant to KRS 278.300, Bluegrass Water shall not issue any securities or evidences of indebtedness or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until Bluegrass Water has been authorized to do so by an Order of the Commission.

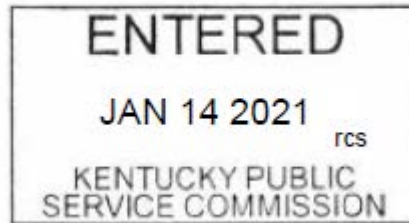
15. Pursuant to 807 KAR 5:011, Section 11 (1)(a), within 30 days of the close of the acquisition of each system, Bluegrass Water shall file adoption notices for each of the systems' tariffs.

16. Any documents filed pursuant to ordering paragraphs 2 through 12 shall reference this case number and shall be retained in the post-case correspondence file.

17. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon a showing of good cause for such extension.

18. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


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