

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLUEGRASS)	CASE NO.
WATER UTILITY OPERATING COMPANY, LLC)	2022-00432
FOR AN ADJUSTMENT OF SEWAGE RATES)	

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

Bluegrass Water Utility Operating Company, LLC (Bluegrass Water), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. Pursuant to the Order issued on June 29, 2023, the information requested is due on July 27, 2023. The Commission directs Bluegrass Water to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Bluegrass Water shall make timely amendment to any prior response if Bluegrass Water obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Bluegrass Water fails or refuses to furnish all or part of the requested information, Bluegrass Water shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned 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, Bluegrass Water shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Bluegrass Water's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 8, Exhibit_PSC_3-8_-_Appraisals.pdf.

- a. Provide any written communications between the appraisers and representatives of Bluegrass Water and CSWR, LLC (CSWR) regarding the appraisals for the River Bluff or Delaplain properties.

b. Provide any preliminary agreement, contract, letter of intent, or similar document into which Bluegrass Water entered with the previous owner of the Delaplain or River Bluff's systems, or which Bluegrass Water provided or received from the previous owner of the Delaplain or River Bluff's systems prior to receiving the appraisals of the respective properties.

2. Refer to Bluegrass Water's response to Staff's Third Request, Item 8, Exhibit_PSC_3-8_-_Appraisals.pdf, page 118 of 327, in which the appraisal for the Delaplain system states that "the sole intended use of this report is for regulatory filings."

a. Explain why the appraiser placed a caveat in the report that it was only intended for use in regulatory filings.

b. Explain how Bluegrass Water described its intent to use the report to the appraiser.

3. Refer to Bluegrass Water's response to Staff's Third Request, Item 8, Exhibit_PSC_3-8_-_Appraisals.pdf, page 120 of 327. Explain why the appraiser predicated the report on the hypothetical condition that the property was vacant land unencumbered by the existing improvements when the fee simple property and easements contained sewage collection and treatment facilities.

4. Refer to Bluegrass Water's response to Staff's Third Request, Item 9(b), Exhibit_PSC3-9_-_Plant_in_Service_Breakdown.xlsx at the tab titled "Improvements."

a. Identify any project listed therein for which Bluegrass Water received a Certificate of Public Convenience and Necessity (CPCN) and the case in which Bluegrass Water received the CPCN for each project.

b. For any project for which a CPCN has not been granted:

(1) Explain the need for the project and why the project will not result in wasteful duplication.

(2) Provide any engineering or other documents that support the need for the project; and

(3) State whether all or any portion of the costs for the projects were excluded from rate base in Bluegrass Water's last rate case.

c. Identify the cost for those portions of the Mission monitoring systems previously installed by Bluegrass Water that were then or must now be replaced or removed from service as described in Case No. 2022-00216 and explain how those costs were identified.

d. State whether the cost of the improvements include AFUDC, and if so, explain how the AFUDC was calculated for each project and identify the amounts of AFUDC included in the cost for each project.

e. Provide the invoices that support the cost of the projects for the River Bluff's system that indicate they were placed in service January 1, 2022.

5. Refer to Bluegrass Water's response to Staff's Third Request, Item 9(b), Exhibit_PSC3-9_-_Plant_in_Service_Breakdown.xlsx at the tab titled "Acquisition Related Costs."

a. Provide the invoices that support the costs reflected in this tab.

b. Provide any engineering reports for which costs are reflected in this tab.

6. Refer to Bluegrass Water's response to Staff's Third Request, Item 12, stating that "[h]istoric book values were not used, in whole or in part, for any system listed

in Exhibit PSC 3-12 for which an annual report was not used to derive the Acquisition Date Rate Base.” Explain that statement in more detail and identify specifically which systems did not use historic book values.

7. Refer to Bluegrass Water’s response to Staff’s Third Request, Item 12, Exhibit PSC 3-12.

- a. Explain what “Allocated Value” means as used in that exhibit.
- b. Provide the HUD Settlement Statement referred to in that exhibit.

8. Refer to Bluegrass Water’s response to Staff’s Third Request, Item 18, Confidential Exhibit PSC 3-18.

a. Provide all timesheets used by CSWR to allocate CSWR GL Expenses to Bluegrass Water.

b. Confirm that the “Payroll/EE Removed” reflect amounts allocated based on the time sheets, and if that cannot be confirmed, explain why it cannot be confirmed.

c. Provide a copy of CSWR’s time keeping policy.

d. Explain CSWR’s timekeeping policy in detail, including the increments in which employees keep time; the entities and tasks to which they can code time; when they are supposed to code time to a particular entity or task; whether there is time that is not coded to a particular entity; whether the task being completed for an entity must be described and to what extent; when employees are required to complete timesheets (e.g., daily, weekly, or monthly); and whether timesheets are audited or checked for accuracy, and if so, explain how.

e. State when CSWR’s employees began maintaining timesheets.

f. Explain how the information on the timesheets is used to allocate costs.

g. Provide an Excel spreadsheet with all formulas, rows, and columns intact, unprotected and fully accessible showing how the information from the timesheets was used to determine the allocated EE Expense from the total Payroll/EE expense.

9. Refer to Bluegrass Water's response to Staff's Third Request, Item 18, Confidential Exhibit PSC 3-18. Refer also to the Direct Testimony of Brent Thies (Thies Direct Testimony), page 17, lines 3–6.

a. Provide an Excel spreadsheet showing the total "overhead costs" and its allocation to Bluegrass Water for 2020, 2021, and 2022 like that provided for the test year in Confidential Exhibit PSC 3-18.

b. Provide a breakdown of the total "overhead costs" for 2020, 2021, 2022, and the test year by uniform account.

c. Provide the invoices that support the expense for the test year for any expense identified in the remarks on the "Detail" tab of Confidential Exhibit PSC 3-18, in whole or in part, as Invoices.

d. Provide a breakout by employee and compensation and benefit type showing the compensation and benefits for all employees included in CSWR GL Expenses, and explain where that compensation is reflected in the "Detail" tab. Include in the breakout and separately identify the portions of the benefits paid by the employee and any payroll or other similar taxes or fees paid by the CSWR.

10. Refer to Bluegrass Water's response to Staff's Third Request, Item 20, Exhibit_PSC_3-20(a)_-_Expense_Detail.xlsx, tab "923.600."

a. Identify and explain in detail all tasks performed by Elasticity on behalf of Bluegrass Water.

b. Provide the work product produced by Elasticity for or on behalf of Bluegrass Water for which Bluegrass Water was directly charged the amounts reflected in tab 923.600.

11. Refer to Bluegrass Water's response to Commission Staff's First Request, Item 1, Cost Allocation Manual, at 5, indicating that the cost of property insurance is charged based on the respective values of covered property as a proportion of the total covered property value of the Company.

a. Provide the total property insurance expense for CSWR for the test year and for the calendar years ending 2020, 2021, and 2022.

b. Provide an Excel spreadsheet, with all formulas, rows, and columns intact, unprotected and fully accessible, showing the allocation of the total property insurance expense for the test year to all systems and entities managed by CSWR from the property values used for the allocation (e.g., showing the full methodology for the allocation including the property values used).

c. Provide a spreadsheet showing the total property value and the property values for all systems and entities managed by CSWR for the calendar years ending 2020, 2021, and 2022.

d. Explain why property insurance rates, which may vary by location, should not also be used in allocating the total cost of property insurance.

12. Refer to the Thies Direct Testimony, page 29, line 4, through page 30, line 10.

a. For each of the adjustments or valuations reflected on the three tables in that section, state whether Bluegrass Water contends that KRS 278.295 does not apply to the adjustment or valuation, and if Bluegrass Water contends that it does not apply to an adjustment or valuation, explain in detail why Bluegrass Water contends that KRS 278.295 does not apply.

b. Explain how the total Acquisition Date Rate Base for each of the systems, with the adjustments and valuation increases discussed by Mr. Thies, meet the requirements of KRS 278.295, including that the valuation will not materially adversely impact the overall costs or rates of the acquiring utility's existing and new customers.

13. Refer to Bluegrass Water's response to the Office of the Attorney General's First Request for Information (Attorney General's First Request), Item 124 and the corresponding Exhibit OAG 1-124, Allocated Overhead Adjustment – Final.

a. Explain whether Q1-22 and Q2-22 expenditure increases over Q3-21 and Q4-21 in Exhibit OAG 1-124 are considered seasonal or permanent.

b. Response 1-124 states that “[w]hile overhead expenses were examined for annualization, no adjustments for annualization were made in arriving at the revenue requirement.” State what the full-year allocation would have been if an adjustment had been made for annualization of overhead expenses.

14. Refer to Bluegrass Water's response to the Attorney General's First Request, Item 119, Exhibit OAG 1-119 – CONFIDENTIAL BMS Primary Property.

a. Explain whether the premium listed next to TOTAL on page 2 of 184 of the policy represents the total annual cost for the policy, and if not, identify the total annual cost for the policy.

b. If annual cost for the policy is different than the total property insurance expense from which the allocation of expense to Bluegrass Water was determined, explain why.

c. Identify any systems managed by CSWR located in Tier 1 as that term is used on page 38 of 184 of the policy.

d. Provide the "Schedule of Values" referred to on page 8 and 13 of 184 of the policy.

e. Explain the coverage for "Business Income" in the amount of \$32,226,453 and whether the cost for that coverage, or any portion thereof, is passed on to Bluegrass Water's ratepayers.

f. Identify that portion of the premium that is to insure business income, and explain how it was determined.

15. Explain how the bids for operator contracts were obtained by Bluegrass Water, and how this process creates operational economies or maximizes savings to customers.

16. Provide any requests for proposals or bids sent out since January 1, 2021, for operator contractors, provide any responses thereto, and state who the requests for proposals or bids were sent to and how they were selected.

17. State whether Bluegrass Water has ever sought quotes or bids for property insurance for its Kentucky operations only, and if not, explain why it has not done so.

18. State whether Bluegrass Water has ever received quotes or bids for property insurance for its Kentucky operations only, and if so, provide those quotes or bids.

19. Provide all bills or billing documents that reflect rates or costs for property insurance for the test period.
20. Provide any quotes, bids, bills, or other documents showing the cost or rates for CSWR's property insurance broken down by state.
21. Provide a breakdown of the Employee count by state for CSWR.
22. Provide the estimated in-service dates for each project reflected as a pro-forma plant addition, and explain how each such in-service date was projected.
23. Provide updated cost-justification information to support each nonrecurring charge listed in Bluegrass Water's tariff.



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DATED JUL 13 2023

cc: Parties of Record

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