

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
BLUEGRASS WATER UTILITY OPERATING)	
COMPANY, LLC FOR APPROVAL OF)	
ACQUISITION AND TRANSFER OF OWNERSHIP)	CASE NO.
AND CONTROL OF ASSETS OF)	2023-00181
COMMONWEALTH WASTEWATER SYSTEMS,)	
LLC, YUNG FARM ESTATE HOMEOWNERS')	
ASSOCIATION, INC., AND MOON RIVER)	
MARINA AND RESORT, LLC)	

COMMISSION STAFF'S FIRST 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. The information requested is due on July 11, 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

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).

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.

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 the Application, page 6, indicating that the system operated by Moon River Marina & Resort, LLC (Moon River) provides service to a lakeside resort that includes 12 recreational vehicle sites, 15 single-family rental cottages, a food store, a restaurant, and a laundromat.

a. State whether the lakeside resort that is served by the Moon River system is also owned by Moon River.

b. Identify any property currently served by the Moon River system that is not owned by Moon River and describe the nature of service each such property receives.

c. State whether Moon River currently charges any rate for the service provided by its system and if so, provide any rates currently charged.

d. Explain what type of rate structure Bluegrass Water anticipates developing for the Moon River system, including whether Bluegrass Water anticipates bringing the Moon River system into Bluegrass Water's unified rate.

e. If the resort served by the Moon River system were to cease operations after Bluegrass Water made investments in the system, explain whether Bluegrass Water would expect to recover that investment from its other customers.

2. Refer to the Application, pages 5–6.

a. Provide the initial rate that Bluegrass Water proposes to charge customers of the system currently owned by Yung Farm Estates Homeowners' Association, Inc. (Yung Farms), and explain how that initial rate was determined.

b. Explain how Bluegrass Water determined an initial rate for the Moon River system of \$21.00, including why it proposes a rate that it contends will not allow it to recover its cost of operating the Moon River system.

c. Provide a rate for the Moon River system that will cover the operating expenses of the Moon River system and any return on the Moon River system, and

provide an Excel spreadsheet with all formulas rows, and columns unprotected and fully accessible showing how that rate was calculated.

3. Provide an itemized breakdown of the annual operation and maintenance expenses Bluegrass Water expects to incur for each system that is proposed to be acquired.

4. Provide the current plant in service and accumulated depreciation by plant account for each system that is proposed to be acquired.

5. Provide the estimated useful lives of the plant in service by plant account for each system that is proposed to be acquired, and explain how those useful lives were calculated.

6. For each of the systems proposed to be acquired, provide every contract with an operator and every invoice from an operator for the last four years.

7. Provide a copy of Commonwealth Wastewater Systems, LLC, Yung Farms, and Moon River balance sheet, income statement, and statement of retained earnings for the 12-month period ending December 31, 2022. If such documents are not available for the period ending December 31, 2022, provide them for the most recent period for which they are available.

8. Provide any information and documentation regarding expenses paid by Yung Farms and Moon River for operation and maintenance of their wastewater facilities since 2019.

9. Provide the most recent audited financial statement for Bluegrass Water.

10. Provide the journal entries that Bluegrass Water will use to record the acquisition of each system.

11. Explain how Bluegrass Water intends to fund any projects listed in the engineering report attached to the Application.

12. State whether Bluegrass Water currently anticipates the need, within the next five years, for any capital projects that are not listed in the engineering reports attached to the Application, to serve the customers of each system discussed therein. If so, provide an itemized list of the capital projects that Bluegrass Water has identified that it will construct for each system. For each such project, include the reason for the project, the cost to construct each project, and the source of funding Bluegrass Water expects to use for each project.

13. Provide an update regarding Bluegrass Water's efforts to obtain debt financing.

14. Provide a copy of Central States' and CSWR, LLC's cost allocation manual and any other written procedures that describe the methodology Central States and CSWR, LLC use to allocate costs among each of their subsidiaries, including any nonutility subsidiaries and out-of-state subsidiaries.

15. Explain whether Bluegrass Water intends to record on its books or on the books of each system 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.

16. Explain the anticipated effect on future rates of each system in the Application.

17. Provide the distance between each system that is proposed to be acquired and the closest point at which these facilities could be attached to the nearest known wastewater facilities. Provide any information and documentation regarding availability,

feasibility, and cost of connecting each system that is proposed to be acquired to any other wastewater utility system.

18. Irrespective of whether an official study has been conducted, state whether Bluegrass Water or the current owner of any system to be acquired has obtained an estimate of the cost to connect to the facilities of another sewer provider, regardless of whether it is the closest.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JUN 27 2023

cc: Parties of Record

*Aaron Silas
Central States Water Resources
1650 Des Peres Road
Suite 303
St. Louis, MISSOURI 63131

*Russ Mitten
Central States Water Resources
1650 Des Peres Road
Suite 303
St. Louis, MISSOURI 63131

*R. Brooks Herrick
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202

*Commonwealth Wastewater Systems, LLC
851 Aviation Parkway
Smyrna, TN 37167

*David Giesel
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202

*Edward T Depp
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202

*Dave Woodsmall
Central States Water Resources
1650 Des Peres Road
Suite 303
St. Louis, MISSOURI 63131

*Jeff Ridsen
Commonwealth Wastewater Systems, LLC
851 Aviation Parkway
Smyrna, TN 37167

*Honorable Kerry E Ingle
Attorney at Law
Dinsmore & Shohl, LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, KENTUCKY 40202

*Bluegrass Water Utility Operating Company, LLC
1630 Des Peres Road, Suite 140
St. Louis, MO 63131