

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 SECOND 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 August 4, 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 Bluegrass Water's response to Commission Staff's First Request for Information (Staff's First Request), Item 1(d) indicating that Bluegrass Water ultimately intends to bring the Moon River Marina & Resort LLC (Moon River) system into the unified rate. Explain how Moon River would be billed under the unified rate, including the rates

in Bluegrass Water's current tariff under which Bluegrass Water expects each structure of the resort to take service.

2. Refer to Bluegrass Water's response to Staff's First Request, Item 1.a. indicating that Bluegrass Water reserves the right to request relief to recover its stranded investment in the system if the Moon River resort ceases operations. Explain why Bluegrass Water's other customers should bear the risk of a system with a single customer.

3. Refer to Bluegrass Water's response to Staff's First Request, Item 2. Provide the amended tariff sheets that Bluegrass Water intends to file to implement any rates for the Moon River system and the Yung Farm Estates Homeowners' Association, Inc. (Yung Farm) system.

4. Refer to Bluegrass Water's response to Staff's First Request, Item 3, Exhibit_PSC_1-3_-_Expected_Annual_OM_Expense_by_System.xlsx.

a. Provide a breakdown of the estimated outside contractor expense for each the systems, and explain how each item was estimated.

b. If not provided in response to subpart a., provide the estimated operator contractor expense for each system.

c. Provide a table showing the base monthly amount that Bluegrass Water currently pays for its operator contractors under each contract and identify the systems covered by each contract.

5. Refer to Bluegrass Water's response to Staff's First Request, Item 3, Exhibit_PSC_1-3_-_Expected_Annual_OM_Expense_by_System.xlsx. Refer to

Bluegrass Water's response to Staff's First Request, Item 2, Exhibit_PSC_1-2_-_Moon_River_Rates.xlsx.

a. Provide a rate for the Commonwealth Wastewater Systems, LLC (Commonwealth) system and the Yung Farm system that will cover the operating expenses of each system and any return on the expected rate base for each system, and provide an Excel spreadsheet, with all formulas, rows, and columns unprotected and fully accessible, showing how those rates were calculated.

b. Given the estimated expenses provided in response to Staff's First Request, Item 3, confirm that if Bluegrass Water purchases the systems at issue in this case and includes them in Bluegrass Water's unified rate, it will result in an increase in rates for Bluegrass Water's other customers, and if that cannot be confirmed, explain why it cannot be confirmed.

c. Given the estimated expenses provided in response to Staff's First Request, Item 3, confirm that if Bluegrass Water purchases the Commonwealth system and the Yung Farm system, it will result in an increase in the rates for the customers of those systems, and if that cannot be confirmed, explain why it cannot be confirmed.

d. Assuming that its purchase of the Commonwealth system will result in an increase in the rates of Bluegrass Water's current customers and the rates of the current customers of the Commonwealth system, explain why authorizing the purchase of that systems would be in the public interest.

6. Refer to Bluegrass Water's response to Staff's First Request, Item 4.

a. Explain where Bluegrass Water obtained the plant in service and accumulated depreciation balances for Commonwealth as of December 31, 2022, and provide any documentation relied on by Bluegrass Water to determine those balances.

b. State whether Bluegrass Water has any information regarding the plant in service based on the original cost and any associated accumulated depreciation for the Moon River system or the Yung Farm system, and if so, provide that information and explain what it is and where it came from.

c. State when the major components of the Moon River system and the Yung Farm system were placed in service, and provided the estimated remaining useful life of the major components.

7. Refer to Bluegrass Water's response to Staff's First Request, Item 15.

a. Provide an Excel spreadsheet, with all formulas, rows, and columns unprotected and fully accessible, showing how the acquisition adjustment was calculated from the purchase price and the net book value for Commonwealth.

b. Explain Bluegrass Water's position that it intends to record an acquisition adjustment for Commonwealth "due to the purchase price exceeding Net Book Value for Commonwealth" in light of the net book value for Commonwealth provided in response to Staff's First Request, Item 4.

8. Refer to the Application, page 7, indicating that Bluegrass Water's proposed purchases are part of an ongoing effort to bring operational improvements, economies of scale, and other efficiencies to its Kentucky customers.

a. Explain separately for each system Bluegrass Water is proposing to purchase how Bluegrass Water's purchase of the system will produce economies of scale and other efficiencies for Bluegrass Water's current customers.

b. Explain separately for each system Bluegrass Water is proposing to purchase how Bluegrass Water's purchase of the system will produce economies of scale and other efficiencies for the current customers of the systems.

9. Refer to the Application, Exhibit 4, page 1. State whether Bluegrass Water or its representatives obtained water usage data from the water supply entity, and if so, explain what it indicated regarding the flows at the Moon River system and whether additional projects would be necessary in light of the flows.

10. Identify all violations and exceedances at each of the systems Bluegrass Water is proposing to purchase in each of the last three calendar years and this year to date.

11. Describe any discussions between Bluegrass Water or its representatives and the Energy and Environment Cabinet regarding agreed orders or corrective actions plans for the systems Bluegrass Water is proposing to purchase.

12. Provide any agreed orders or corrective actions plans with the Energy and Environment Cabinet pertaining to the systems Bluegrass Water is proposing to purchase.

13. Identify and explain all differences between each of the exhibits filed on July 12, 2023, and the corresponding exhibit filed with the Application on May 26, 2023. Explain what prompted the filing of the new or amended exhibits.

14. Describe the nature of the area in the vicinity of the Moon River resort, including whether there are other businesses or homes in the area to which Bluegrass Water expects to expand service.

15. Explain whether Bluegrass Water anticipates other customers seeking to connect to the Moon River system.

16. Explain how Bluegrass Water will retain outside contractors to perform work on the systems it is proposing to purchase, including whether it will request proposals or bids from outside contractors and under what circumstances.

17. Provide the driving distance from each of the systems Bluegrass Water is proposing to purchase in this matter to the nearest Bluegrass Water system.



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DATED JUL 25 2023

cc: Parties of Record

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