

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLUEGRASS	)	
WATER UTILITY OPERATING COMPANY, LLC	)	CASE NO.
FOR AN ADJUSTMENT OF RATES AND	)	2020-00290
APPROVAL OF CONSTRUCTION	)	

NOTICE OF FILING

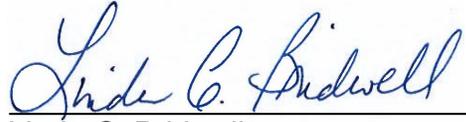
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on May 19, 2021 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on May 19, 2021 in this proceeding;
- A written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on May 19, 2021.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at <https://youtu.be/6pHTaq00olw>.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 24<sup>th</sup> day of June 2021.



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Linda C. Bridwell  
Executive Director  
Public Service Commission of Kentucky

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CERTIFICATION

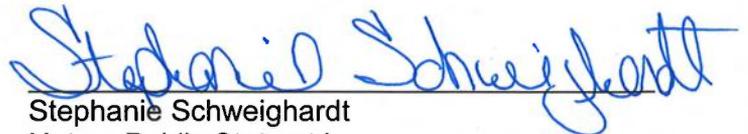
I, Candace H. Sacre, hereby certify that:

1. The attached flash drive contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on May 19, 2021. The Formal Hearing Log, Exhibits, and Exhibit List are included with the recording on May 19, 2021;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Formal Hearing of May 19, 2021; and
4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of May 19, 2021, and the time at which each occurred.

Signed this 18<sup>th</sup> day of June, 2021.



Candace H. Sacre  
Administrative Specialist III



Stephanie Schweighardt  
Notary Public State at Large  
Commission Expires: January 14, 2023  
ID#: 614400



<b>Date:</b>	<b>Type:</b>	<b>Location:</b>	<b>Department:</b>
5/19/2021	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Josiah Cox; Dylan D'Ascendis; Brent Thies  
 Judge: Kent Chandler; Talina Mathews; Michael Schmitt  
 Clerk: Candace Sacre

<b>Event Time</b>	<b>Log Event</b>
9:03:00 AM	Session Started
9:03:17 AM	Chairman Schmitt Note: Sacre, Candace
	We now are back on the record. Public comments and procedural discussions. (Click on link for further comments.)
9:07:16 AM	Atty Samford Homeowners Associations Note: Sacre, Candace
	One thing from yesterday, one hearing exhibit, Homeowners Associations Hearing Exhibit 1, June Order, Case No. 2020-00028, move that be admitted.
9:07:38 AM	Chairman Schmitt Note: Sacre, Candace
	Objection?
9:07:43 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace
	Order of Commission not exactly evidence, part of the record and available in any review action filed.
9:07:58 AM	Chairman Schmitt Note: Sacre, Candace
	Motion sustained.
9:07:59 AM	HOMEOWNERS ASSOCIATIONS HEARING EXHIBIT 1 Note: Sacre, Candace Note: Sacre, Candace
	ATTY SAMFORD HOMEOWNERS ASSOCIATION - WITNESS COX CASE NO. 2020-00028 JUNE ORDER
9:08:30 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace
	Assumed prefiled testimony part of record, no need make formal exhibit to hearing.
9:08:36 AM	Chairman Schmitt Note: Sacre, Candace
	Correct. (Click on link for further comments.)
9:09:12 AM	Chairman Schmitt Note: Sacre, Candace
	Anything else?
9:09:33 AM	Staff Atty Bellamy PSC - witness Cox Note: Sacre, Candace
	Cross Examination. Follow-up questions, utilities/customers served by CSWR, 52,000 connections as of April 2021?
9:10:05 AM	Staff Atty Bellamy PSC - witness Cox Note: Sacre, Candace
	Distinction between connection and customer?
9:10:33 AM	Staff Atty Bellamy PSC - witness Cox Note: Schweighardt, Stephanie
	When serve industrial customer equivalent ten residential connections, consider be ten connections?
9:10:55 AM	Staff Atty Bellamy PSC - witness Cox Note: Sacre, Candace
	Missed date, indicated 85,000 connections end of this year?
9:11:16 AM	Staff Atty Bellamy PSC - witness Cox Note: Schweighardt, Stephanie
	Projections end 2022?
9:11:47 AM	Staff Atty Bellamy PSC - witness Cox Note: Schweighardt, Stephanie
	85,000 already filed, think will be approved by end of year?

9:12:02 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Bluegrass Water Objection/Response, Staff Fourth Request for Information, Item 12, customer count all systems mentioned Schedule OHA, all months April 2021 - April 2022, chart, reading (click on link for further comments), timetable close on systems?

9:14:40 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Included in 85,000 anticipated by end of year?

9:14:53 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Process how identify systems/target for acquisition?

9:16:53 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Who responsible/research behind identifying/contacting people?

9:17:23 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Business development employees make first contact?

9:17:34 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace If identify system for purchase, next step, who involved?

9:19:06 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Business development come to management, make presentation, decision to make offer?

9:19:29 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Before offer, review financials, who involved?

9:20:15 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace CSWR legal staff involved in offer, negotiating contract?

9:20:33 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Outside counsel draft contracts or in-house counsel?

9:20:47 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace CSWR legal staff participate negotiation and signing contracts?

9:21:06 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Engineering, typically third-party engineer review systems before purchase?

9:21:31 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Do initial engineering before systems purchased?

9:21:45 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Engineering review managed by engineering staff at CSWR?

9:22:12 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Who involved in financial review as part due diligence?

9:22:52 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Operator contracts, bidding out in phases/tranches, Midwest System Operators operator for all systems in Kentucky?

9:23:21 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Bid out in phases aligning with times acquired?

9:23:40 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Prices seem going down as systems added?

9:23:54 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Because of economies of scale, things that nature?

9:24:05 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Terms of contracts approximately two years?

9:24:15 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Two years then new contract or two years and continuing under contract until one party not want continue?

9:25:08 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Two-year terms ending on staggered dates, plan to bidding out together or in groups based on geography?

9:25:56 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Midwest already operating systems, offer lower price newer systems, potentially exclude additional contactors, not same economies of scale?

9:27:07 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Bluegrass Water contention newer systems lower price based on amounts being paid higher by earlier contracts?

9:27:43 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Various water utilities in order comply water storage requirements, purchasing new tanks each system or some combination, included in costs Freeman testimony for water utilities?

9:28:19 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie How much per system tanks cost?

9:28:30 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Timetable on tanks?

9:29:26 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Storage DOW requirements?

9:29:32 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie PSC has storage requirements, but taking about DOW requirements?

9:29:49 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Not know specific timetable when those placed in service?

9:30:02 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Brocklyn wastewater system, initial engineering report indicated improvements, once operating system reached opinion better replace system in its entirety?

9:30:57 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Any components be utilized, or replacing every component of plant?

9:31:20 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Approval from DOW permit for system, status of permit?

9:32:05 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Brocklyn system, reaching out to Richmond system taking flow from system cost twice as much with ongoing costs, what cost twice as much?

9:33:09 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Reach out again when determined plant needed be replaced?

9:33:37 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie How close connecting to line if connect to collection system?

9:34:12 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Staff Fourth Request for Information, Item 10, reading (click on link for further comments), status of new potential for debt financing?

9:35:33 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Negotiating term sheet then contingent upon approval from Commission?

9:35:51 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Time line when enter into term sheet?

9:36:17 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Preliminary term sheet, when expect that?

9:37:03 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie The application for general rate increase, capital project, alternative request CPCN, Bluegrass Water intention portion of application CPCNs for 2020-00297 part this case?

9:38:39 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Have list of items would require CPCN?

9:38:59 AM Atty Yunker Bluegrass Water  
Note: Sacre, Candace Interject, phrase asking for approval required, understood unusual that coming into system replacement, looked like building new system, was replace what not kept up, that why phrase in way did.

9:39:49 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie What items had in mind?

9:41:42 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Something other than repair?

9:41:55 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Mission control systems something new or something ongoing?

9:42:11 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie How much all Bluegrass Water systems mission control system cost for each system?

9:42:39 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Some systems more than one, Delaplain \$50,000 mission control?

9:43:18 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Mission control system reports to Bluegrass Water or CSWR, reporting to Midwest Operators?

9:44:37 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie How long mission control components last?

9:44:54 AM Staff Atty Bellamy PSC - witness Cox  
Note: Schweighardt, Stephanie Savings capital investment environmental compliance, any investigation likely savings from mission control systems those environmental costs and capital investment savings?

9:45:41 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Response, AG First Request for Information, Item 6, asked need for remote monitoring, reading (click on link for further comments), any analysis cost of mission control system capital investment and ongoing basis against savings from improvements and environmental compliance?

9:48:37 AM	Staff Atty Bellamy PSC - witness Cox Note: Sacre, Candace	Analysis done to show what savings are all systems, particular system?
9:49:04 AM	Staff Atty Bellamy PSC - witness Cox Note: Schweighardt, Stephanie	Randview, discussion/reached out to Mayfield connecting to that system?
9:49:57 AM	Staff Atty Bellamy PSC - witness Cox Note: Schweighardt, Stephanie	Intend to do but have not?
9:50:43 AM	Vice Chairman Chandler- witness Cox Note: Schweighardt, Stephanie	Examination. Role prior commitments play in case?
9:51:10 AM	Vice Chairman Chandler- witness Cox Note: Schweighardt, Stephanie	Company made commitments or Commission committed company certain things prior transfer cases, what role commitments play in this case?
9:51:40 AM	Vice Chairman Chandler- witness Cox Note: Sacre, Candace	Order last year Commission approved this with understanding based on commitment of company file rate case in mid-2021?
9:51:59 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Not stated condition in Order or in ordering paragraphs?
9:52:09 AM	Vice Chairman Chandler Note: Sacre, Candace	Not think was but certain language in Order, not know if said condition either.
9:52:19 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Oh, okay. Talking about commitments, know formal commitments and conditions that Order as well as all other acquisition orders.
9:52:32 AM	Vice Chairman Chandler Note: Sacre, Candace	Promise will have opportunity redirect and opportunity to brief the merits.
9:52:40 AM	Vice Chairman Chandler - witness Cox Note: Schweighardt, Stephanie	Commitments made to Commission, particularly ones Commission took at face value when making previous determinations?
9:53:36 AM	Vice Chairman Chandler - witness Cox Note: Schweighardt, Stephanie	What specifically Order say Commission understood company commitment file case in mid-2021?
9:54:00 AM	Vice Chairman Chandler - witness Cox Note: Sacre, Candace	Copy in front of you, ask read it so on same page what actually specifically says, last sentence first paragraph top of page, read sentence before it and last sentence understand context?
9:54:50 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Point out Cox reading from application and not from Order.
9:55:00 AM	Vice Chairman Chandler Note: Sacre, Candace	Have Order in front of you?
9:55:03 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Not in writing but pulled up on screen, top of pg 20 of Order.
9:56:17 AM	Vice Chairman Chandler Note: Sacre, Candace	Any more to paragraph?
9:56:20 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	End of paragraph.

9:56:32 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Yesterday, reading part discusses what application said about 15 months and specifically portion discusses expectations of Commission based on representations of company file for rate case in 2021, does Order accurately reflect commitments made in company's application 2020 transfer case?
9:57:05 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Point to language, no statement in Order about Commission expectation.
9:57:22 AM	Chairman Schmitt Note: Sacre, Candace	Let's do this, Ms. Yunker, let Vice Chairman ask questions, and, to extent client can answer, let him answer. (Click on link for further comments.)
9:58:06 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Did Commission's Order accurately represent what in application regarding filing of case in mid-2021?
9:58:33 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Different term that literally says something about mid-year 2021?
9:58:44 AM	Atty Samford Homeowners Associations Note: Sacre, Candace	I have Order
9:58:47 AM	Chairman Schmitt Note: Sacre, Candace	Put on screen. (Click on link for further comments.)
9:59:11 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Second paragraph, after one just read, reading (click on link for further comments), systems not have rates under jurisdiction of Commission?
9:59:37 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Ones Samford asking about yesterday because underground discharge, no permit, previously regulated by health departments, and not have jurisdictional PSC rates?
9:59:53 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Based finding on variety of factors, reading (click on link for further comments), Commission's finding inconsistent with company's representation in application just read?
10:00:47 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Reread application portion just read earlier, and this is 2020-00028?
10:01:07 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Paragraph 62 of application filed early February 2020.
10:01:38 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Nothing else about 2021?
10:01:44 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Did Bluegrass Water have full year data owning/operating Arcadia Pines, Carriage Park, Marshall Ridge, and Randview?
10:02:01 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Remember initial transfer case 2019-00104?
10:02:09 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Remember discussing with Pinney in that case when have information filing rate case for current expenses?
10:03:17 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Specifically said rate case, when filed, based on current expenses, agree record says what record says, agree this case not based on current expenses, instead company filed as forecasted test year?

10:03:52 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Other commitment is a formal addition of transfer in 2019-00104, No. 16, reading (click on link for further comments), see that?
10:04:47 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Aware of this condition?
10:04:55 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Have a dozen-plus systems transferred at this point?
10:05:04 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Ones rates subject to this case have varying but relatively small net book values at time of transfer?
10:05:18 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Some transferred no net book value?
10:05:25 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Relatively nothing, significantly less than annual revenues are?
10:05:32 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Company's rate base, round to nearest half-million, Bluegrass Water current rate base?
10:05:47 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Have put in \$4 million capital investments not needed CPCN to do so?
10:06:30 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Cleaning sludge out not capital expense?
10:06:43 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Capitalize labor part of system overhaul but wasn't question, taking a tree out of system not capital expense?
10:07:05 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Usual course of business, aware what CPCN is?
10:07:27 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Walk through operations side, how company perceives this. KRS 278.020 discusses CPCN, (1)(a), reading (click on link for further comments), exceptions, 2. Ordinary extensions of existing systems in the usual course of business, see that?
10:08:33 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Zoom in as far as need to make sure on same page, see No. 2?
10:08:44 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Commissions before decided in best interest define extensions in the ordinary course of business, 807 KAR 5:001, Rules of Procedure, (3), reading, (click on link for further comments), in statute or regulation does not discuss fixing system exception to CPCN?
10:10:43 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Projects conducting related to plant, equipment, property, facilities, involve sufficient capital outlay materially affect existing financial condition of utility or result increased charges to customers?
10:11:30 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Projects result sufficient capital outlay materially affect financial condition of utility or result in increased charges to customers?
10:12:05 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Involve sufficient capital outlay to materially affect existing financial condition of utility or result in increased charges to customers?

10:12:51 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Sufficient capital outlay to materially affect existing financial condition of utility?
10:13:04 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Result in increased charges to customers?
10:13:11 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox \$5 million aggregate of projects, aggregate of investment, not necessarily project by project, system by system basis?
10:13:29 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Question asked by Bellamy, couple of things thought projects might meet threshold of requiring CPCN?
10:13:45 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Require CPCN because why?
10:14:08 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Now extension or increase?
10:14:35 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Rebuilding Brocklyn plant completely?
10:14:49 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Because not fall under ordinary course of business exemption?
10:15:20 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Where understanding come from that being threshold that need a CPCN?
10:15:40 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Underlying condition information that forms basis of that?
10:17:14 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Distinction all of those magnitude of expenses?
10:17:37 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Examples provided literally magnitude of cost, not different form and function, not different system benefit, not different impact of failure, difference one cost ten times more than other?
10:18:24 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Merely observation, one thing fails and then ten of those same fail, only difference ten more of them?
10:18:51 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Delaplain, who talk to find out conversation between Georgetown and Bluegrass connecting to system?
10:19:24 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Making changes on capacity front?
10:19:56 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Continuing have conversations, or only have conversations under requirement for transfer of KPDS permit feasibility interconnecting regional systems within one mile?
10:20:38 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Catch-22, proposing million dollars capital improvements, asking declaratory order improvements not require CPCN, otherwise necessary approvals, how finite need to do this or actually will happen based on unknown expectations?
10:21:41 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Confused on seeking approval, not finished design yet for improvements?

10:22:10 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Copy of contract with Midwest referenced yesterday?
10:22:32 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Has been submitted, Application Exhibit 16-B.
10:22:47 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox See this on page?
10:22:51 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Contract for four systems in Calloway County, one in McCracken, and one in Oldham?
10:23:07 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Know how far McCracken and Oldham counties are from each other?
10:23:15 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Calloway and McCracken right there together, as I understand it, put bids out in tranches when granted approval for transfer?
10:23:46 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Only way operating entity get economies of scale/scope holder of multiple agreements where overlap?
10:24:18 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Nobody in Kentucky enough market share tackle outliers for reasonable price?
10:24:53 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Where ability terminate for convenience?
10:25:37 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Contract from last year, when say newer contracts, what referring to?
10:25:51 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Midwest required go to systems each day?
10:26:04 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Appendix, Operator Services requirements, see that Exhibit A?
10:26:16 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Operator make minimum of three or one weekly visits monitor operation to assure compliance all required standards of governing authorities and set forth in agreement or attachments?
10:26:56 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Regulations require have operator visit facility every day, seem indicate reason for cost of current contracts because of requirements, where legal requirement for operator paying to visit every day?
10:27:47 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Says have to visit so often in order assure facilities compliant, does not say enough times per week ensure visited enough to be in compliance?
10:28:21 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Legal obligation operator visit every day, must make certain number visits, transfers then to monitor operation, in order assure facilities in compliance of governing authorities and set forth in agreement, where say must visit every single day?
10:29:12 AM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Asking inherently legal question. (Click on link for further comments.)

10:29:45 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Is testimony this term, paragraph 2, Appendix A, allows Bluegrass Water you believe requires operator Midwest visit to help satisfy obligation to make visit once a day every day?
10:30:17 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Have the ability see operations of systems short lag or real time?
10:30:50 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Lag or real time insight into telemetry and operations of system?
10:31:22 AM	POST-HEARING DATA REQUEST Note: Schweighardt, Stephanie Note: Sacre, Candace	VICE CHAIRMAN CHANDLER - WITNESS COX  SYSTEM BY SYSTEM MONTH BY MONTH IN KENTUCKY HOW MANY ALARMS RECEIVED FROM UTILITY
10:32:08 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Based exclusively off alarms?
10:32:45 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Need a number, how often real alarms, real responses?
10:32:57 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox No formal cost/benefit analysis or review before put in?
10:33:23 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox \$96.00 in neighborhood of proposed monthly rate in this case?
10:33:44 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Discussed adding systems, hope adding systems small decrease to proposal, fair characterization?
10:34:06 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Which systems discussing when said that?
10:34:47 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Wasn't \$96 proposed rates with Delaplain systems?
10:35:02 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Of all systems under control/operation, even if all added, testimony not \$96 go down?
10:35:17 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Put all of them in, them includes systems not under operation/control?
10:35:31 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Reached economies of scale/scope for forecasted test period?
10:35:52 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Contract started March 2020, expires after two-year term?
10:36:18 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Will come up in March next year when whatever rates in this case effective?
10:36:26 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox At or near forecasted test period?
10:36:32 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox This one of the earlier contracts?

10:36:37 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Marginal contracts entering into now include reduction and lower costs, agree likely put out and let exact same terms of contract, let again in 2022 based on economies of scale and scope, contract price lower?
10:37:41 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Pay more another year hoping save money in 2023?
10:38:12 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Let for year new marginal contracts, lower than average, next contracts get additional scale/scope, let for a year likely be lower?
10:38:53 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Why let one-year contracts?
10:39:20 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox How many operations contracts have?
10:39:46 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox In Kentucky, Missouri, Tennessee, Arkansas, how many firms working?
10:39:59 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Midwest primary one?
10:40:04 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Missouri, primary one?
10:40:12 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Why Kentucky first place consolidated bid?
10:40:51 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Not have anything in Mississippi, now have statewide contract?
10:41:47 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Significant number systems in Western Kentucky?
10:42:06 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox A number in Louisville-Oldham County down to Elizabethtown corridor, a couple in around Richmond/Lexngton?
10:42:28 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox Simultaneously bid statewide and by geographic areas?
10:43:23 AM	Vice Chairman Chandler- witness Note: Sacre, Candace	Josiah Cox Don't underestimate width of Kentucky?
10:43:32 AM	Vice Chairman Chandler - witness Note: Sacre, Candace	Cox Now at certain level economies of scale/scope incent national bid for state of Kentucky, why Bluegrass not intend staff operations itself?
10:44:35 AM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Cox No matter how big or how many systems?
10:45:10 AM	Chairman Schmitt Note: Sacre, Candace	Procedural discussions. (Click on link for further comments.)
10:45:50 AM	Chairman Schmitt Note: Sacre, Candace	Recess until 11.
10:45:55 AM	Session Paused	
11:02:02 AM	Session Resumed	
11:02:15 AM	Chairman Schmitt Note: Sacre, Candace	Back on the record. (Click on link for further comments.)
11:02:48 AM	Chairman Schmitt Note: Sacre, Candace	Dr. Mathews, questions?

11:02:56 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Examination. Contractors versus full-time equivalents more economical, done any analysis, share in post-hearing data request analysis shows which point having own employees more economical than contracts?
11:03:38 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Have three geograhic areas, done analysis or operating under old analysis more economical?
11:04:38 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Approached community/technical colleges about problem?
11:05:07 AM	POST-HEARING DATA REQUEST Note: Sacre, Candace Note: Schweighardt, Stephanie	COMMISSIONER MATHEWS - WITNESS COX UPDATE HISTORICAL ANALYSIS EMPLOYEES VERSUS CONTRACTORS
11:05:44 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Have mission control system, gives alarms if pump station issue, water levels too high?
11:06:11 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Know other systems in Kentucky have similar monitoring systems, sought deviations from regulations requiring daily visit?
11:07:02 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Good information have on front end looking at O&M costs?
11:07:46 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Analysis included around purchasing mission control system?
11:09:33 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Prioritize putting in mission control systems worst first?
11:10:29 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Have conversations with Mayfield?
11:11:55 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Said starting process and having conversation with Mayfield?
11:13:01 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Good information have brought to this case?
11:13:51 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Like to hear how economics work?
11:15:35 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Are president Bluegrass Water?
11:15:45 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Owner as well?
11:15:55 AM	Commissioner Mathews - witness Cox Note: Sacre, Candace	Which then owns Bluegrass Water?
11:16:01 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Salary?
11:16:07 AM	Commissioner Mathews - witness Cox Note: Sacre, Candace	With return on equity, also fund from any returns?

11:16:22 AM	Commissioner Mathews - witness Cox Note: Sacre, Candace	Yes, as owner of both?
11:16:34 AM	Commissioner Mathews - witness Cox Note: Schweighardt, Stephanie	Regulated entity with guaranteed ability to meet ROE, something Commission be concerned about, double dipping, paid out of returns and operations/maintenance?
11:18:13 AM	Atty Yunker Bluegrass Water - witness Cox Note: Sacre, Candace	Redirect Examination. Looking at systems, misstatement about existing system equipment/configuration Carriage Park?
11:18:59 AM	Atty Yunker Bluegrass Water - witness Cox Note: Schweighardt, Stephanie	Explain why Bluegrass Water chose file forecasted test year rate case on September 30, 2020?
11:20:09 AM	Atty Yunker Bluegrass Water - witness Cox Note: Schweighardt, Stephanie	Anything to offer filing in September 2020 versus earlier or later?
11:20:52 AM	Atty Yunker Bluegrass Water - witness Cox Note: Schweighardt, Stephanie	Other exclusions/concessions?
11:21:50 AM	Atty Yunker Bluegrass Water - witness Cox Note: Schweighardt, Stephanie	Direct costs acquisition of systems, included in acquisition costs within company or part of ordinary expenses seeking recover?
11:22:25 AM	Atty Yunker Bluegrass Water - witness Cox Note: Schweighardt, Stephanie	Ultimate corporate owner Bluegrass Water Utility Operating Company, LLC?
11:22:47 AM	Atty Yunker Bluegrass Water - witness Cox Note: Sacre, Candace	Formal name CSWR, LLC?
11:22:56 AM	Atty Yunker Bluegrass Water - witness Cox Note: Schweighardt, Stephanie	Own CSWR, LLC?
11:23:09 AM	Chairman Schmitt Note: Sacre, Candace	Strictly speaking, redirect end matter, but any other question like to ask?
11:23:29 AM	Atty Samford Homeowners Associations - witness Cox Note: Sacre, Candace	Recross Examination. Compensation, CSWR pay bonuses in typical year?
11:23:54 AM	Atty Samford Homeowners Associations - witness Cox Note: Sacre, Candace	Executives not receive bonus/incentive compensation?
11:24:02 AM	Atty Samford Homeowners Associations - witness Cox Note: Sacre, Candace	Criteria bonuses awarded?
11:24:21 AM	Atty Samford Homeowners Associations - witness Cox Note: Schweighardt, Stephanie	Tied to financial performance of company/its operating companies?
11:24:30 AM	Atty Samford Homeowners Associations - witness Cox Note: Schweighardt, Stephanie	Discretionary contribution 401(k)s?
11:24:40 AM	Atty Samford Homeowners Associations - witness Cox Note: Schweighardt, Stephanie	Criteria awarding discretionary portion?
11:24:51 AM	Atty Samford Homeowners Associations - witness Cox Note: Schweighardt, Stephanie	CSWR, LLC additional owners, individual or corporate owners?
11:25:15 AM	Atty Samford Homeowners Associations - witness Cox Note: Schweighardt, Stephanie	Corporate owners of CSWR, LLC?

11:25:25 AM Atty Samford Homeowners Associations - witness Cox  
Note: Sacre, Candace Single member?

11:25:29 AM Atty Samford Homeowners Associations - witness Cox  
Note: Sacre, Candace Additional corporate members above that or those individuals?

11:25:38 AM Atty Samford Homeowners Associations - witness Cox  
Note: Sacre, Candace Up corporate chain, levels of corporate ownership?

11:25:52 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Corporate owner or individual owners of LLCs above CSWR, have interest/ownership state any subcontractors?

11:26:15 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Lenders to those organizations?

11:26:37 AM Atty Samford Homeowners Associations - witness Cox  
Note: Sacre, Candace Arrangement criticized by Missouri PSC?

11:26:52 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Midwest Water contract for O&M on statewide basis, considered bidding out smaller basis firms located Western Kentucky or Louisville/E'town or Central Kentucky?

11:27:32 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Where employees Midwest Water located, where live?

11:27:56 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Freeman appropriate witness?

11:28:16 AM Atty Samford Homeowners Associations - witness Cox  
Note: Sacre, Candace Excepting (inaudible) truck drivers, Midwest individuals servicing plants Kentucky residents?

11:29:14 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Any system not commenced work?

11:29:40 AM Atty Samford Homeowners Associations - witness Cox  
Note: Schweighardt, Stephanie Any system not undertaken work yet?

11:29:54 AM Atty Samford Homeowners Associations - witness Cox  
Note: Sacre, Candace Freeman know?

11:30:10 AM Staff Atty Bellamy PSC - witness Cox  
Note: Sacre, Candace Recross Examination. Debt with St. Louis, approximate principal loan, similar when filed case or different?

11:30:35 AM Chairman Schmitt  
Note: Sacre, Candace Questions? (Click on link for further comments.)

11:31:43 AM Chairman Schmitt  
Note: Schweighardt, Stephanie Witness excused.

11:32:23 AM Chairman Schmitt  
Note: Sacre, Candace Introduce witness?

11:32:27 AM Atty Yunker Bluegrass Water  
Note: Sacre, Candace Dylan D'Ascendis.

11:33:00 AM Chairman Schmitt  
Note: Sacre, Candace Witness is sworn.

11:33:12 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Direct Examination. Name?

11:33:25 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Business address?

11:33:38 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace By whom employed, consulting group member?

11:33:51 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Spell last name?

11:34:06 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace File/cause to be filed testimony?

11:34:21 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace 49 pages with exhibit tables?

11:34:29 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Corrections?

11:34:37 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Provide/listed as witness responses to data requests?

11:34:49 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Available today answer questions?

11:35:01 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Familiar testimony by Jennifer Nelson?

11:35:16 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace 11 pages and attachments, time testimony prepared late September 20, Nelson member/employee of Scott Madden, Inc.?

11:35:41 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Adopting testimony?

11:35:50 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Sacre, Candace Corrections her testimony?

11:35:59 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Schweighardt, Familiar with responses?  
Stephanie

11:36:14 AM Atty Yunker Bluegrass Water - witness D'Ascendis  
Note: Schweighardt, Adopting responses?  
Stephanie

11:36:45 AM Asst Atty General West - witness D'Ascendis  
Note: Sacre, Candace Cross Examination. Risk premium 175 basis points ROE proposed, risk think justify basis points?

11:38:32 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Size impact risk premium?  
Stephanie

11:39:27 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Aware Kentucky Commission decisions companies awarded risk premium based on size?  
Stephanie

11:40:09 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Risk premium model adopted other jurisdictions?  
Stephanie

11:41:33 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Not call common?  
Stephanie

11:41:48 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, In how many cases testified?  
Stephanie

11:42:03 AM Asst Atty General West - witness D'Ascendis  
Note: Sacre, Candace Of 100, how many adopted risk premium model as opposed to traditional method?

11:43:30 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Proxy group of seven domestic non-price regulated companies, Betas less than one?  
Stephanie

11:43:45 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Non-price regulated?  
Stephanie

11:43:56 AM	Asst Atty General West - witness D'Ascendis Note: Sacre, Candace	Schedule DWD-5, page 2 of 3?
11:48:48 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Value Line adjusted Beta and what values mean, overall value of less than one means less risky than market?
11:49:08 AM	Asst Atty General West - witness D'Ascendis Note: Sacre, Candace	Surmise from seven Value Line adjusted Betas basket of utility companies less risky than market as a whole?
11:49:29 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Perceived risk associated with utilities depreciate large expenses long period of time, inflation poses risk?
11:49:48 AM	Asst Atty General West - witness D'Ascendis Note: Sacre, Candace	Risk mitigated by utility file rate increase if needed and financial conditions change?
11:50:28 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Nelson testimony recommended cost of debt 9.5 percent?
11:50:40 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Cost of debt low risk utility?
11:51:00 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Long-term cost of debt low risk utility?
11:51:40 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Based analysis on S&P Capital B-rated and CCC-rated utilities, yield curve data?
11:51:54 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Those utilities reflect higher risk and are below investment grade?
11:52:32 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Part of analysis stream of revenue, condition of utility factor as well?
11:52:55 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Testimony improvements made, is there risk associated with systems in that are distressed or condition issues if repairs already made?
11:53:37 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Compensated when new rates set?
11:54:10 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Condition/stress nature of utilities only impacts riskiness associated with investment retrospectively?
11:54:39 AM	Asst Atty General West - witness D'Ascendis Note: Sacre, Candace	Utilities no longer stressed if fixed?
11:54:52 AM	Asst Atty General West - witness D'Ascendis Note: Sacre, Candace	Conducted number of repairs, number of actions, some cases vast majority to bring system into compliance, remaining issues addressing infiltration, things like that, with respect number of utilities risk greatly diminished?
11:55:32 AM	Asst Atty General West - witness D'Ascendis Note: Schweighardt, Stephanie	Why?
11:55:48 AM	Asst Atty General West - witness D'Ascendis Note: Sacre, Candace	True for all utilities?

11:56:35 AM Asst Atty General West - witness D'Ascendis  
Note: Schweighardt, Stephanie As company moves forward, continues acquire/rehabilitate systems, completes remedial work, risk only be reduced?

11:57:13 AM Chairman Schmitt  
Note: Sacre, Candace Now 12 o'clock, recess until 1 pm.

11:57:28 AM Session Paused

1:06:22 PM Session Resumed

1:06:38 PM Chairman Schmitt  
Note: Sacre, Candace We are now back on the record. Mr. Samford, cross examination?

1:06:56 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Cross Examination. Have testimony handy?

1:07:08 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Refer to pg 7, various risk factors, macro economic theory, Exhibit 8 -E, line 1, reading (click on link for further comments), see where am?

1:07:56 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Bullet points in answer, lines 6 and 7, key takeaway economic uncertainty full impact/duration COVI-19 unknown and outcomes uncertain?

1:08:30 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Think statement as true today as in September?

1:10:00 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Agree economy has done fairly well despite COVID?

1:10:56 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Proxy group, really not like Bluegrass Water fundamentally?

1:11:57 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Water/wastewater utilities in proxy group substantially more than 3300 customers?

1:12:14 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie For most part, regulated or unregulated?

1:12:23 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Testimony, page 7, second bullet point, increased volatility, investors fleeing to bonds, seen dramatic increase in equities?

1:13:46 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Last sentence in bullet point, reading (click on link for further comments), extent Federal Reserve monetary policies role in setting low interest rate environment?

1:14:46 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Fed given indication intends to increase interest rates next 12-18 months?

1:15:42 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Consistent with testimony Fed Reserve chairman given to Congress?

1:15:52 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Market in relatively flat interest rate market, suggest economy relatively stable?

1:17:52 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Testimony, pg 45, company's specific business risk adjustment, line 3, make statement, reading (click on link for further comments), give specific example of that?

1:20:50 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Go on to say, next statement, reading (click on link for further comments), true in context providing wastewater services?

1:21:54 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Agree water/wastewater services essential service?

1:22:03 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Discretionary spending, probably one of last bills consumer not pay?

1:22:16 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Consequences significant if sewer service terminated?

1:22:25 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Done studies on price elasticity of sewer services?

1:22:35 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie From revenue side, whatever rates set by Commission, consumer has to pay?

1:23:16 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Bluegrass Water has low-income assistance programs?

1:23:33 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Revenue side of equation, sewer services provider insulated from business cycles/economic conditions?

1:23:53 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Why say that?

1:24:19 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Not buy stock GM based upon how S&P 500 does, buy based upon how GM doing as an investor?

1:25:02 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Talking about specific risks company faces, agree revenue side of balance sheet less risky than other similarly small companies provide services more discretionary in nature?

1:26:01 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Go on to say, reading (click on link for further comments), lines 6-8 of testimony, see that?

1:26:21 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Aware customer profile for Bluegrass Water?

1:27:13 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Agree this is service provided residential customers?

1:27:35 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Company-specific risk of losing few large customers?

1:28:48 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Subject to check, Delaplain system, only one or two industrial customers, overwhelming number of customers -

1:29:02 PM Atty Yunker Bluegrass Water  
Note: Sacre, Candace Object to form of question. (Click on link for further comments.)

1:29:15 PM Chairman Schmitt  
Note: Sacre, Candace On cross, Samford can have own recollection, witness can agree or disagree or say don't know, you may come back and correct, proceed.

1:29:34 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Delaplain system, customer count, still overwhelmingly residential?

1:30:00 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Testimony, pg 48, question on pg 1, reading (click on link for further comments), with me there?

1:30:41 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Know capital structure this company?

1:30:51 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Any companies in proxy group share same capital structure?

1:31:20 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Bluegrass Water had trouble attracting capital?

1:31:31 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Not equity capital?

1:32:23 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Schweighardt, Stephanie Reasonable infer investor make investment decisions on informed basis?

1:32:58 PM Atty Samford Homeowners Associations - witness D'Ascendis  
Note: Sacre, Candace Answer is apparently there's somebody?

1:33:15 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Sacre, Candace Cross Examination. Increased market volatility attribute to COVID?

1:33:30 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Sacre, Candace Completed testimony August last year?

1:33:39 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Sacre, Candace At that time, stated market volatility increased as reported by VIX?

1:34:01 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Sacre, Candace On pg 10 testimony, referred to VIX, indicated market volatility increased over historic levels at that time?

1:34:25 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Pg 9, line 8, reading (click on link for further comments), relied on for assessment of market volatility?

1:35:56 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Asking what relying on to measure market volatility, VIX and CBOE?

1:36:20 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie The VIX visibly and widely reported measure of expected volatility, people follow economic news know what that is and be able to identify it?

1:36:46 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Page 10, indicated average Feb to Aug 2020 33.24 on VIX and 70 percent above long-term average?

1:37:13 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Expected volatility chart page 11 took from that CBOE?

1:37:27 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie In chart, why not include all months, some missing?

1:37:53 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Follow market conditions regular basis?

1:38:01 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Familiar with where VIX been recent months?

1:38:40 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Gone down significantly below average had of 33?

1:39:33 PM POST-HEARING DATA REQUEST  
Note: Schweighardt, Stephanie STAFF ATTY BELLAMY PSC - WITNESS D'ASCENDIS

1:40:40 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Sacre, Candace ANY MONTH NOW HISTORICAL AVERAGE VIX FOR THAT MONTH  
Note: Schweighardt, Stephanie Nelson testimony, projected long-term debt component 9.5 percent, looked various yields B-rated and CCC-rated utility bonds?

1:41:09 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Exhibit JEN-3, last page testimony, 20-year bonds, continuously compounding, read rates?

1:43:21 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Bluegrass Water Response, First Request for Information, Item 53, Nelson update of chart, 20-year bonds, agree bond yields decreased between testimony and update?

1:44:41 PM POST-HEARING DATA REQUEST  
Note: Sacre, Candace STAFF ATTY BELLAMY PSC - WITNESS D'ASCENDIS  
Note: Schweighardt, Stephanie MAY 16 2021 BOND YIELDS

1:45:02 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie What define being junk bond?

1:45:31 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie How junk bond yields comparing historic average?

1:46:02 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Before pandemic?

1:46:22 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Interest rate CCC junk bond right now?

1:47:20 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Sacre, Candace Junk bonds on utilities?

1:47:30 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Corporate bonds, non-utility?

1:48:07 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Utility be less?

1:48:33 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Why utility yield be less than corporate junk bond?

1:49:06 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Why utility junk bonds lower yield than corporate?

1:49:37 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Wall Street Journal, yesterday CCC-rated corporate bonds, 6.94 percent lower than yields on chart, explantion why lower than utility bonds?

1:50:51 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie ROE 11.8 percent, corporate junk bond 7 percent, still opinion that much additional risk investing in rate-regulated utility?

1:52:21 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Testimony, three models, discounted cash flow and two risk premium, and capital asset model, correct?

1:53:02 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie DCF model, pg 25, equation, if stock price increases relative expected dividend, overall ratio also decrease which cause decrease in overall model results?

1:53:54 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Expected dividend per share growth rate decreased, overall result decrease?

1:54:14 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie What happened expected growth rate since last August?

1:54:58 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Risk premium models, use average of predictive risk premium model and adjusted total risk premium model approach?

1:55:17 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Predictive risk premium model, risk-free rate Exhibit DWD-4?

1:56:07 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Footnote 2, explain why used forecasted interest rates each quarter through fourth quarter 2021 and then average years from 2022 - 2026 and 2027 - 2031, why?

1:56:49 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Why used expected rates?

1:57:44 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Why use projected rates all way out to 2031?

1:58:58 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Time did forecast, forecasted 30-year treasury note was 1.4 percent?

2:00:22 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Explain small cap and mid cap company?

2:00:33 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Typical mid cap company, what size?

2:01:46 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Small cap anything under \$515 million?

2:02:03 PM Staff Atty Bellamy PSC - witness D'Ascendis  
Note: Schweighardt, Stephanie Describe Bluegrass Water as small cap company?

2:02:38 PM Staff Atty Bellamy PSC  
Note: Schweighardt, Stephanie Page from Value Line, confidential.

2:03:00 PM Chairman Schmitt  
Note: Sacre, Candace Go into confidential session.

2:03:02 PM Private Mode Activated

2:03:02 PM Private Recording Activated

2:11:23 PM Chairman Schmitt  
Note: Sacre, Candace Procedural discussion regarding exhibit. (Click on link for further comments.)

2:15:20 PM Normal Mode Activated

2:15:20 PM	Public Recording Activated	
2:15:22 PM	Chairman Schmitt	
	Note: Sacre, Candace	Regular session.
2:15:27 PM	Vice Chairman Chandler	
	Note: Sacre, Candace	Ask Atty Yunker make notice of filing hearing exhibit.
2:15:53 PM	Atty Yunker Bluegrass Water	
	Note: Sacre, Candace	Will do that.
2:16:01 PM	Chairman Schmitt	
	Note: Sacre, Candace	Anything else?
2:16:13 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Sacre, Candace	Examination. Different blips, most recent blip inflation related, accurate characterization?
2:16:58 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Understanding that 10-year treasuries not moving based on current blip?
2:18:00 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Blips are in VIX?
2:18:06 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Sacre, Candace	Inflation related?
2:18:13 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Sacre, Candace	Your characterization or hearing other people say blip in response to?
2:18:29 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Sacre, Candace	Inflation significant impact bond prices?
2:18:55 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Sacre, Candace	One of primary movers bond prices over time?
2:19:16 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Inflation significant measure of interest rates, relationship bond prices and interest rates, yields inverse?
2:19:44 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Price and yields on bonds heavily influenced by prevailing interest rates?
2:20:17 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Knowing relationship, inflation significant proportion prevailing interest rates, expectation inflation moving up or down, significant relationship movement and treasury yields?
2:21:42 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Over current blip, other treasuries moved?
2:22:02 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Daily settlements up and down, week end no real movement at all, 1.65 for a ten-year?
2:22:20 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Size premium adjustment, testimony, pg 46, discuss quote from Duff & Phelps, reading (click on link for further comments), context of all firms or competitive firms?
2:24:22 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Sacre, Candace	Publicly traded companies?
2:24:31 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	General observation relationship between size and return?
2:24:40 PM	Vice Chairman Chandler - witness	D'Ascendis
	Note: Schweighardt, Stephanie	Insofar exceptions to rule, general observation not definitive rule?

2:25:31 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Study form basis of size adjustment proposed?
2:25:56 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Separate study not part of record supports general observation?
2:26:06 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	D'Ascendis Relationship between size and equity returns, size decreases returns increase and vice versa size increases returns decrease?
2:26:43 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Smaller firms riskier than larger firms, or means larger firms have lower returns?
2:27:32 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Say larger firms less risk, or larger firms lower returns?
2:28:25 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Next sentence, based off second sentence says predictor based off past correlation?
2:28:38 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Quote about return or risk?
2:28:56 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	D'Ascendis Relationship size and historical equity returns, saying quote about risk and not return?
2:29:18 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Is summary of observation, see observation of returns and impute fact risk and return have relationship, returns look way do must be same for risk?
2:29:54 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Evidence based off returns?
2:30:25 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Higher risk higher return, smaller company higher return going to say higher risk?
2:31:06 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Firm shareholder return observed stock appreciation versus shareholder return dividend growth, DCF model both appreciations treated equally relation to risk?
2:32:36 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis If shareholder, risk perspective, want identical return depreciation of stock or return of capital as dividend?
2:33:12 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Perspective calculating risk tolerance, is one riskier?
2:33:58 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis That simple, or other variables between singular observations and single adjustment?
2:35:52 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Singular reason proposal add risk premium/size premium equity return observation larger firms lower returns?
2:36:21 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	D'Ascendis Lower returns, market observation based off returns, Duff & Phelps, not look at market and determine risk, risk based off observed returns?

2:37:03 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	D'Ascendis What is Beta if not return of individual stock as relates entire market?
2:37:37 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Takeaway on risk as relates size based exclusively on observed returns?
2:38:08 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Exclusively underpinned by observed market returns, basis of perceived risk?
2:38:58 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Other than individual metric of risk based off observed market returns, what else underpins proposed size premium adjustment, what other risk?
2:39:30 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Two factors, one is observed return as relation of size, relationship between return and risk is observed, and then business risk, other than revenues, what else makes smaller rate-regulated entity more risky than a larger rate-regulated entity?
2:42:01 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Forward-looking or backward-looking analysis?
2:42:37 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Why justification for size adjustment?
2:43:07 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	D'Ascendis Insofar company purchase systems not incorporated in rate base, utility management get additional equity return higher than market return?
2:44:37 PM	Atty Yunker Bluegrass Water - witness Note: Sacre, Candace	D'Ascendis Redirect Examination. Samford asked elasticity of customers sewer and water services, recall?
2:44:52 PM	Atty Yunker Bluegrass Water - witness Note: Sacre, Candace	D'Ascendis Implication not be much drop-off revenues as price increased, not have demand suppression effect on revenues?
2:45:17 PM	Atty Yunker Bluegrass Water - witness Note: Sacre, Candace	D'Ascendis Done analyses affect water and sewer/other utility revenues based on moratoria terminating service during COVID?
2:46:05 PM	Atty Yunker Bluegrass Water - witness Note: Schweighardt, Stephanie	D'Ascendis Effect on revenue or market risk or how market views risk?
2:47:09 PM	Atty Yunker Bluegrass Water - witness Note: Schweighardt, Stephanie	D'Ascendis Since prepared testimony, aware have been increased/increasing shortages and price rises repair and replacement goods as well as labor needed repair?
2:47:52 PM	Atty Yunker Bluegrass Water - witness Note: Schweighardt, Stephanie	D'Ascendis Samford asked questions changes since late summer 2020 to today, whether change in relevant factor rate of return, other things, recall?
2:48:20 PM	Atty Yunker Bluegrass Water - witness Note: Sacre, Candace	D'Ascendis Samford not always ask in which direction change be, increase or decrease, with respect omission of four companies in rate case for which not rate adjustment, whether increase or decrease return?
2:50:06 PM	Atty Yunker Bluegrass Water - witness Note: Schweighardt, Stephanie	D'Ascendis Opinion up or down change, valid total plusses and minuses if minuses outweigh plusses, rate of return lower?

2:50:57 PM	Atty Yunker Bluegrass Water - witness D'Ascendis Note: Schweighardt, Stephanie	By 11.80, conclusion on pg 49 of testimony that is point estimate recommendation of cost of equity of 11.8 percent?
2:51:17 PM	Chairman Schmitt Note: Sacre, Candace	Anyone else?
2:51:39 PM	Vice Chairman Chandler - witness D'Ascendis Note: Sacre, Candace	Examination. Staff asked in data request update return on equity testimony with updated information, newer data?
2:52:19 PM	Chairman Schmitt Note: Sacre, Candace	Witness excused.
2:52:27 PM	Chairman Schmitt Note: Sacre, Candace	Recess until 3:10.
2:52:39 PM	Session Paused	
3:13:26 PM	Session Resumed	
3:13:41 PM	Chairman Schmitt Note: Sacre, Candace	Back on record.
3:13:44 PM	Chairman Schmitt Note: Sacre, Candace	Ms. Yunker, next witness?
3:13:53 PM	Atty Yunker Bluegrass Water Note: Sacre, Candace	Brent Thies.
3:13:55 PM	Chairman Schmitt Note: Sacre, Candace	Witness is sworn.
3:14:09 PM	Atty Yunker Bluegrass Water - witness Thies Note: Sacre, Candace	Direct Examination. Name?
3:14:14 PM	Atty Yunker Bluegrass Water - witness Thies Note: Sacre, Candace	Last name spelled T-H-I-E-S but pronounced "Teese?"
3:14:20 PM	Atty Yunker Bluegrass Water - witness Thies Note: Sacre, Candace	Business address?
3:14:30 PM	Atty Yunker Bluegrass Water - witness Thies Note: Sacre, Candace	By whom employed, what capacity?
3:14:38 PM	Atty Yunker Bluegrass Water - witness Thies Note: Sacre, Candace	Other positions at company?
3:14:50 PM	Atty Yunker Bluegrass Water - witness Thies Note: Sacre, Candace	Filed direct testimony?
3:15:07 PM	Atty Yunker Bluegrass Water - witness Thies Note: Schweighardt, Stephanie	Corrections?
3:15:40 PM	Atty Yunker Bluegrass Water - witness Thies Note: Schweighardt, Stephanie	Any other corrections?
3:15:45 PM	Atty Yunker Bluegrass Water - witness Thies Note: Schweighardt, Stephanie	Designated as witness on responses to data requests?
3:16:01 PM	Atty Yunker Bluegrass Water Note: Schweighardt, Stephanie	Point out counsel error two mistakes filing responses Thies as designated witness. (Click on link for further comments.)
3:17:35 PM	Asst Atty General West - witness Thies Note: Sacre, Candace	Cross Examination. Anticipated Freeman testify before you, questions accordingly. Familiar with Freeman testimony?
3:17:59 PM	Asst Atty General West - witness Thies Note: Sacre, Candace	In testimony lays out construction items/costs for different systems, going to ask him which of those completed, which haven't, items have been completed able provide documentation actual costs for activities, post-hearing data request?

3:18:56 PM	Asst Atty General West - witness Thies Note: Schweighardt, Stephanie	Existing proposal, actual costs construction items differ from estimated costs, how any savings accrue to customer?
3:19:41 PM	Asst Atty General West - witness Thies Note: Schweighardt, Stephanie	Difference would remain on books until next rate case at which trued up/down to customers' benefit/detriment?
3:20:05 PM	Asst Atty General West - witness Thies Note: Schweighardt, Stephanie	Have any other states/jurisdictions financial mechanism in place able to share savings with customer rider gets savings back to them quicker than rate case?
3:20:47 PM	POST-HEARING DATA REQUEST Note: Sacre, Candace	ASST ATTY GEN WEST - WITNESS THIES
	Note: Sacre, Candace	CONSTRUCTION ITEMS/COSTS DIFFERENT SYSTEMS COMPLETED
3:21:26 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Cross Examination. Corporate allocations, high level purpose of corporate allocation take company overhead and allocate to various operating units?
3:21:47 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Not true largest part of CSWR's corporate comes from human resources functions?
3:22:02 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	CSWR only source of corporate allocations to Bluegrass Water?
3:22:17 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Within CSWR, testimony some employees primarily, if not exclusively, engaged in business development activities?
3:22:30 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Company has excluded their compensation and travel expenses from overhead before made allocation calculation?
3:22:58 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Not have categories allocations in front of me but remember there was IT, any of business development employees use IT infrastructure from CSWR?
3:23:45 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Legal was another for which costs allocated?
3:23:56 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Business development employees call upon legal resources of CSWR?
3:24:32 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Those allocations only be made once system actually acquired?
3:24:54 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Fair to say business development team using legal resources of CSWR prior to acquisition not allocated to operating company making acquisition or one being acquired?
3:25:48 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Has calculation actually been run, or opining?
3:25:58 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	How much of legal expense dedicated to business development?
3:26:33 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Insurance for CSWR?

3:26:42 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Assume property liability, auto, workers' comp, those type of coverages?  
Stephanie

3:27:01 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, In business development, allocation for insurance expense attributable to business development activities?  
Stephanie

3:27:18 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Out of total expense for insurance, portion used to cover employees engaged in business development purposes?  
Stephanie

3:27:45 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Fair to say, excluding human resources and travel CSWR business expense, other expenses attributable to business development been omitted?  
Stephanie

3:28:29 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Office space rental, computers, those types things not in human resources budget?  
Stephanie

3:28:44 PM POST-HEARING DATA REQUEST  
Note: Sacre, Candace ATTY SAMFORD HOMEOWNERS ASSOCIATIONS - WITNESS THIES  
Note: Schweighardt, UPDATED ALLOCATION BUSINESS DEVELOPMENT EXPENSES ALL AREAS  
Stephanie

3:29:18 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Update several schedules March 19 this year?

3:29:34 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, 69-page filing had various allocations, varoius schedules pertain base period and forecasted test year?  
Stephanie

3:29:55 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace When looked at, appeared to be CSWR allocation increasing from \$221,000 as of end of base period December to \$335,000 through end of test year, sound right?

3:30:31 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Fifty percent increase corporate allocation from \$221,000 to \$335,000?

3:30:45 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace At same time, nonbusiness development budget only increasing from \$5.4 to \$6.4, one-million-dollar increase, 19 percent, explain why overall nonbusiness development budget up by 19 percent but allocation to Bluegrass would go up to 50 percent?

3:31:28 PM Atty Yunker Bluegrass Water  
Note: Sacre, Candace Make sure looking at same things, workbooks filed on March 19, 2021, as base of update filing?

3:31:43 PM Atty Samford Homeowners Associations  
Note: Sacre, Candace Yes.

3:32:26 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Not driven by customer count, not adding customers?

3:32:46 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Again, capital investment principal driver of that?

3:33:03 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, In testimony, explained how Massachusetts formula works, higher level of capital investment in utility plant would require more time and expense necessary accounting and other functions associated with plant?  
Stephanie

3:33:51 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Same true for direct labor portion of Massachusetts formula, more labor expenses more overhead accounted for that?

3:34:21 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Labor component all corporate contractors, not necessarily contractors providing service, like Midwest Water specifically going to Bluegrass?
3:34:46 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Only outside contracting service in that bucket or others? Have contracts for Elasticity, LLC, contract in this bucket?
3:35:11 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Same thing with Starnik Systems?
3:35:20 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Relationship between revenue and allocation, what infer more revenue relative to a different system, what tell about cost allocation?
3:35:47 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	More rational using it as a factor?
3:36:35 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Hypothetical, utility plant in service for operating company 10 percent but revenue eight percent, indication whether or not relative to other operating companies earning same amount revenue per dollar per plant or lesser?
3:37:44 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Over time, system stable, expect three factors levelize and get to equilibrium?
3:38:04 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Why highest factor here be revenue factor whereas lowest may be direct labor expense?
3:38:23 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Figure out percentage those three variables?
3:38:33 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Average those, come up with cost allocation factor, relative to plants in service, revenue amount, direct labor cost, Bluegrass revenue highest of three factors?
3:39:03 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Suggest revenue generated greater in proportion to revenue generated by other systems, other assets not Bluegrass Water on a per plant dollar basis?
3:40:11 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Confirm number heard yesterday, systems originally acquired, all systems acquired to date, \$850,000?
3:40:37 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Earliest acquisition late summer of 2019?
3:40:47 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	September 2019 through end of test year April next year, looking at \$8.5 to \$9 million-dollar rate base?
3:41:10 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Certainly be material increase in rate base over about two-year, two-and-a-half-year period?
3:41:38 PM	Atty Samford Homeowners Associations - witness Thies Note: Schweighardt, Stephanie	Plant retirements, pg 13, testimony, recall making statement plant retirements would be reflected in forecasted test year?
3:42:11 PM	Atty Samford Homeowners Associations - witness Thies Note: Sacre, Candace	Lines 12 through 14?

3:42:26 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Have Schedule B-2 handy, part of March 19 update filing?  
Stephanie

3:43:16 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Base Year Update 3-19-2021 in lower right-hand corner, pg 38 of  
69.

3:44:18 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace When look at retirements, Update to Base Period, pg 28 of 69, I not  
see any retirements reflected during base period, seem odd to you?

3:44:49 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Why not surprised?  
Stephanie

3:44:59 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Not surprised not remember doing it?

3:45:05 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace So surprised not been retirements in base period based on all work  
conducted already?

3:45:40 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Confirmed yesterday \$6 million capital expenditures targeted for  
Stephanie Bluegrass system?

3:45:59 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Cox confirmed over \$5 million already invested?

3:46:09 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Trying to understand, if \$5 million invested, why not a single dollar  
Stephanie of retirements on exhibit covering base period?

3:46:44 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Not minimal, zero impact?  
Stephanie

3:46:59 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Asset is retired, still have to report it as retired?  
Stephanie

3:47:30 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Pg 29, also shows zero retirements?  
Stephanie

3:47:44 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, How long worked in and around utilities?  
Stephanie

3:47:50 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace In experience, ever situation where utilities made \$6 million capital  
expenditures on facilities in existence and not realize a single dollar  
retired plant in service?

3:48:13 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Outside contracting services, Staff Data Request 4, budgets,  
Stephanie Response 9, identify outside contracts, most, probably all contracts  
with CSWR?

3:50:03 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, PH Enterprises, LLC, contract Pulliam and Hammond, what contract  
Stephanie for?

3:50:47 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Former owners of that system?  
Stephanie

3:51:01 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Elasticity, public relations marketing purposes?

3:51:10 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Contract with CSWR?  
Stephanie

3:51:16 PM Atty Samford Homeowners Associations - witness Thies  
Note: Sacre, Candace Invoices, only thing Elasticity did for Bluegrass was video, business cards, brochure, and Facebook, sound appropriate?

3:51:58 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Most characterized as goodwill or marketing?  
Stephanie

3:52:47 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Put together public service announcement "Don't let your pipes freeze tonight?"  
Stephanie

3:53:25 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Bluegrass Grass not do depreciation study?  
Stephanie

3:53:39 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Heard Cox say yesterday some financial records delivered in shoe box, remember that?  
Stephanie

3:53:53 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, What degree of financial records have received with regard Bluegrass purchase?  
Stephanie

3:55:00 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, If system acquiring able give depreciation number, one would use?  
Stephanie

3:55:39 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, If information not exist, would create depreciation based on information available?  
Stephanie

3:55:56 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Really, both, historic and going forward?  
Stephanie

3:56:22 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Bluegrass sell receivables?  
Stephanie

3:56:28 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, CSWR answer be same?  
Stephanie

3:56:34 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Ability attract debt capital, both ways in record, borrower be Bluegrass Water Utility Operating Company, intermediate LLC above that that has consolidated balance sheet?  
Stephanie

3:57:15 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Who actual borrower be?  
Stephanie

3:57:26 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, CSWR attempted use size in market place to aquire own debt?  
Stephanie

3:58:06 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Possible CSWR leverage financial size attract debt make available to affiliates?  
Stephanie

3:58:40 PM Atty Samford Homeowners Associations - witness Thies  
Note: Schweighardt, Aware been explored?  
Stephanie

3:59:06 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Sacre, Candace	Cross Examination. Samford question regarding BD expense, when expenses allocated Bluegrass Water, business development expenses once eliminate using Massachusetts methods allocate remaining costs among various utilities?
4:00:52 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Examination. Costs incurred Central States level that do not get allocated?
4:01:11 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Only expense?
4:01:27 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	If Central States paying for it and Central States incurring, somebody paying for it other than BD expense?
4:01:41 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Cross Examination (cont'd). Schedule OHA-1 have SGNA budget and have BD expenses, remaining amount allocating. SGNA budget reflect CSWR entire budget?
4:02:12 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Sacre, Candace	Removing specific BD expenses and then allocate out to systems?
4:02:27 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Costs specifically allocated to systems not included in SGNA budget for CSWR, amounts allocated directly per system basis not using allocation method?
4:02:55 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	OH-1, base period, SGNA budget first tab and then BD expense removed?
4:03:43 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Below that, \$5,399,000, what's remaining after BD expenses removed from SGNA budget?
4:03:56 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Mentioned two-step process, removing BD expense and allocating using Massachusetts method, you said third step taking direct costs and assigning to specific utilities?
4:04:13 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Those costs budgeted to specific utilities such not budgeted as part of SGNA budget?
4:04:56 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	BD expenses allocated before get to six-point-five-million-dollar number?
4:05:21 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Direct expenses on schedule, large numbers, forecasted period, systems various amounts, plant in service end of quarter plant in service, revenue and direct labor, revenue earn in quarter or direct labor expend in quarter or revenue for quarter then annualized?
4:06:54 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Some numbers not seem changed?
4:07:26 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Using quarter numbers in beginning and switched to annualized, some changed and some didn't?
4:08:07 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	In original, some annualized and some not?

4:08:25 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Forecasted period, SGNA budget of \$11.1 million and then BD expense \$4.7 million, final number \$6.4 million, amount allocating Massachusetts method?
4:08:56 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Spreadsheet 2-PSC-01-C, breakdown of SGNA budget in spreadsheet, forecasted period, when gave SGNA budget here \$7.9 million, later Response breakout of BD expense \$1.2 million, explain discrepancy, what happened there?
4:10:36 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Two different budgets?
4:10:42 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Sacre, Candace	Request in which asked what included admin & human resources, provided list all employees forecasted period and employee salaries, admin & human resources include other than employee compensation, answer no, correct?
4:11:44 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Cannot say whether any other expense but employee compensation?
4:12:09 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	When responded Requests how BD expenses determined, indicated three employees designated as BD employees, on list three designated, excluded all compensation for those three employees?
4:12:45 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Correct, what you removed?
4:13:08 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Sacre, Candace	As far as removed all compensation, those three BD employees only?
4:13:14 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Sacre, Candace	Then removed portion officers based on provide supervision those three employees?
4:13:27 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Removed portion of office and travel expense?
4:13:35 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	How determine what amount remove for officers?
4:14:23 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	No study done?
4:14:35 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Office and travel expenses, any method to determine amount allocated business development and regular utility customers?
4:15:16 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Involved in acquisitions at all?
4:15:38 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Ever been discussion including portions other employees expenses among business development expenses?
4:16:31 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Acknowledge other employees spend time on business development other than three employees and officers?

4:17:31 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Bluegrass additional Responses, Response 12, Staff Third Request, SGNA budget base period 2020 budget, breakdown of vendors in management consulting 2019-2020, some appear to be IT related, Starnik Systems IT expense?

4:20:08 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie When answered, did you provide respect both categories or supposed to be just one?

4:20:57 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Items here both consulting and IT combined or just management consulting?

4:21:48 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie 2020, Government Solutions, LLC, what type work company do?

4:23:05 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Lobbying firm?

4:23:14 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Sacre, Candace Be true you not know what any do?

4:23:26 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Which ones able say what do?

4:24:02 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Others, not know what do?

4:24:19 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Bluegrass Water original rate base schedule 13-month average utility plant in service \$8.4 million, updated schedule \$8.3 million utility plant in service, what caused change?

4:25:33 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie QIP \$877,000 to \$1.8 million, what caused that change?

4:25:56 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Original versus new, included several new accounts, expansion of accounts, why was that?

4:26:44 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie New systems, like Delaplain or from acquisitions before that?

4:27:09 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Original filing, plant in service, various acquisitions \$2.1 million?

4:27:30 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Sacre, Candace In sewer?

4:27:47 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Original rate base spreadsheet, UPIS-FY-B2, \$2.1 million, what is that?

4:28:43 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Utility plant in service for those systems?

4:29:03 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Depreciation calculation forecasted test period, when did calculation for depreciation, applied rate to plant investment column?

4:29:44 PM Staff Atty Ben Bellamy PSC - witness Thies  
Note: Schweighardt, Stephanie Utility plant in service from other tab, amounts ending balances for forecasted test period?

4:30:03 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Sacre, Candace	Plant investment sewer?
4:30:10 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	When depreciation calculated, applying depreciation rate to ending balance utility plant in service?
4:30:50 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Agree should be based on 13-month average utility plant in service forecasted test period?
4:31:28 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Staff asked Bluegrass Water calculate depreciation both water and sewer using NARUC rates, depreciation rate original scheduled based on rates used other systems but not based on depreciation study or useful lives of each system?
4:32:26 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Any reason think using those numbers more reasonable than using midpoint NARUC numbers historically applied to systems when no depreciation study?
4:33:43 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Familiar residential equivalent ratio applied to Brocklyn subdivision multi-unit customers and how calculated?
4:34:13 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	What basis doing it that manner?
4:34:27 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Who person to ask?
4:34:42 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Samford asked about PH Enterprises, direct expenses Bluegrass Water, \$2,000 a month, correct expense no longer incurred that point on?
4:35:53 PM	Staff Atty Ben Bellamy PSC - witness Thies Note: Schweighardt, Stephanie	Explain how residential equivalent determined commercial customers Randview and Persimmon Ridge systems?
4:36:22 PM	POST-HEARING DATA REQUEST Note: Schweighardt, Stephanie Note: Sacre, Candace	STAFF ATTY BELLAMY PSC - WITNESS THIES  HOW RESIDENTIAL EQUIVALENT DETERMINED COMMERCIAL CUSTOMERS RANDVIEW AND PERSIMMON RIDGE SYSTEMS
4:36:57 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Examination. Testimony, pgs 12-13, discuss rate base, utility plant in service, accumulated depreciation, construction work in progress (CWIP), cash working capital/working capital allowance, contribution (inaudible) (CIAC)?
4:37:43 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Summarize in testimony, calculate rate base in test year, current levels utility plant in service, add forecasts, remove retirements?
4:38:15 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Subtract accumulated depreciation?
4:38:23 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Add construction work in progress?
4:38:36 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	All need to be the same?
4:38:47 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Add CWIP, add cash working capital, and then take out CIAC?

4:38:55 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies In test year, for calculating utility plant in service, millions of dollars for forecasted additions?
4:39:12 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies Single dollar of forecasted retirements?
4:39:25 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies Why not?
4:39:45 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Starting calculation with test year with beginning balance of utility plant in service, saying fully depreciated, utility plant in service additions/retirements come before offset of accumulated depreciaton?
4:40:40 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies Company not pay zero dollars for all assets?
4:40:49 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Paid money in acquisition?
4:40:54 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies Not all systems fully depreciated?
4:41:03 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Base period update, pg 36, Exhibit 21, Schedule B-4, bottom of page Page 34 of 69, Base Year Update Filed March 19, 2021, list of multiple systems?
4:42:07 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Plant rehabilitations and flow equalization Fairview take place September 2020 and September 2021?
4:42:17 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Total plant replacement Brocklyn September 20 to December 21, plant rehabilitation with flow equalization and sludge holding Fox Run September 20 to (inaudible), multiple final plant rehabilitations, plant rehabilitations, and initial system rehabilitation numbering over \$2 million during September 20, September of 2020, and end of December 2021?
4:42:59 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies Telling me of 16 projects not a single dollar of retirement to offset utility plant in service?
4:43:17 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Utility plant in service calculation that underpins \$96 company is proposing?
4:43:27 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Know what model says, Base Year Update pg 29 of 69, zero retirements in forecast period 12 months ended Apr 30 2022, model says no retirements, is that accurate? Will there be no retirements?
4:44:38 PM	Vice Chairman Chandler - witness Note: Sacre, Candace	Thies Not get into characterizations of not much or minimal, we have zero?
4:44:47 PM	Vice Chairman Chandler - witness Note: Schweighardt, Stephanie	Thies In a \$96 proposed charge, every dollar of a retirement would serve to reduce proposed rate?

4:45:01 PM	Vice Chairman Chandler - witness Thies Note: Schweighardt, Stephanie	Every net dollar, has the company conducted any analysis to determine amount of retirements for end year balance \$10 million capital improvements, any of the projects that underpin that ending balance?
4:45:32 PM	Vice Chairman Chandler - witness Thies Note: Schweighardt, Stephanie	Not seem one-sided all forecasted additions included in detail and no analysis as to whether be retirement offsets?
4:46:10 PM	Vice Chairman Chandler - witness Thies Note: Schweighardt, Stephanie	Only looked at additions and not retirements? Only added forecasted additions?
4:46:49 PM	Vice Chairman Chandler - witness Thies Note: Schweighardt, Stephanie	To determine rate base, beginning balance utility plant in service?
4:47:00 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Add forecasted additions, add capital additions, remove retirements?
4:47:10 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	End balance utility plant in service?
4:47:17 PM	Vice Chairman Chandler - witness Thies Note: Sacre, Candace	Bluegrass, for proposed rates this case, took beginning balance, added forecasted additions, and did not study whether be any retirement amounts?
4:47:46 PM	Chairman Schmitt Note: Sacre, Candace	Questions?
4:48:25 PM	Chairman Schmitt Note: Sacre, Candace	Scheduling discussions. (Click on link for further discussions.)
4:50:22 PM	Chairman Schmitt Note: Sacre, Candace	If nothing further, hearing in recess until 9 o'clock in the morning.
4:50:31 PM	Session Ended	



## Exhibit List Report

2020-00290 19May2021

**Bluegrass Water Utility Operating  
Company, LLC (Bluegrass Water)**

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**Name:****Description:**

Homeowners Associations  
Hearing Exhibit 1

Case No. 2020-00028 June Order

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ACQUISITION BY	)	
BLUEGRASS WATER UTILITY OPERATING	)	
COMPANY, LLC OF WASTEWATER SYSTEM	)	CASE NO.
FACILITIES AND SUBSEQUENT TARIFFED	)	2020-00028
SERVICE TO USERS PRESENTLY SERVED	)	
BY THOSE FACILITIES	)	

ORDER

On February 24, 2020, Bluegrass Water Utility Operating Company, LLC (Bluegrass Water) filed an application for any approvals necessary for the transfer of certain wastewater systems which are not subject to the Commission's jurisdiction and provide service to those systems' present users. The wastewater systems proposed to be acquired are Arcadia Pines Sewer Association, Inc. (Arcadia Pines), Carriage Park Neighborhood Association, Inc. (Carriage Park), Marshall Ridge Sewer Association, Inc. (Marshall Ridge), and Randview Septic Corporation (Randview). The wastewater systems proposed for acquisition provide wastewater services to approximately 160 users in areas of Graves and McCracken counties, Kentucky.<sup>1</sup>

BACKGROUND

Bluegrass Water is a limited liability company with its principal place of business at 500 Northwest Plaza Drive, Suite 500, Saint Ann, Missouri 63074.<sup>2</sup> Bluegrass Water

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<sup>1</sup> Verified Application at

<sup>2</sup> *Id.*

Utility Holding Company, LLC (Holding Company) is the member owner of Bluegrass Water.<sup>3</sup> Kentucky Central States Water Resources, LLC (CSWR) is the member owner of Holding Company.<sup>4</sup> First Round CSWR, LLC (First Round) and Central States Water Resources, Inc. (CSWR, Inc.) are affiliates of each other and sit atop the corporate structure (CSWR Group).<sup>5</sup>

By the Commission's August 14, 2019 Order in Case No. 2019-00104, Bluegrass Water was approved to own, control, operate, and manage eight wastewater systems.<sup>6</sup> By October 1, 2019, Bluegrass Water had closed on all the approved transactions in Case No. 2019-00104, and has been operating all wastewater facilities acquired and providing service to customers since that time. By October 14, 2019, Bluegrass Water issued Adoption Notices for the filed tariffs of each of the transferring utilities in Case No. 2019-000104. With the acquisition of the eight wastewater systems, Bluegrass Water now serves approximately 1,300 wastewater customers in Bullitt, Franklin, Hardin, Madison, Marshall, McCracken, Scott, and Shelby counties. By the Commission's February 17, 2020 Order in Case No. 2019-000360, Bluegrass Water approved acquisition of the

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<sup>3</sup> Case No. 2019-00104, *The 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, LLC; Kingswood Development, Inc.; Airview Utilities, LLC; Brocklyn Utilities, LLC; Fox Run Utilities, LLC; and Lake Columbia Utilities, Inc.* (filed Apr. 16, 2019) at 3.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 3-4.

<sup>6</sup> Case No. 2019-00104, *The 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, LLC; Kingswood Development, Inc.; Airview Utilities, LLC; Brocklyn Utilities, LLC; Fox Run Utilities, LLC; and Lake Columbia Utilities, Inc.* (Ky. PSC August 14, 2019).

assets of two sewer utilities and one water utility.<sup>7</sup> With the acquisition of the two sewer utilities and the water utility, Bluegrass Water will serve another 700 customers in Calloway, McCracken, and Oldham counties.<sup>8</sup>

The Nonjurisdictional Wastewater Systems Proposed to be Acquired

Arcadia Pines is a nonstock, nonprofit corporation. Arcadia Pines was formed to use, operate, and maintain a wastewater disposal system to serve lots in the Arcadia Pines Subdivision in McCracken County.<sup>9</sup> Arcadia Pines currently provides wastewater service to 25 lots.<sup>10</sup> Title to the wastewater system facilities that Arcadia Pines operates and maintains is held by Heartland Manufactured Homes, LLC (Heartland).<sup>11</sup> Heartland is a member-managed company with its sole member, Tina L. Martin. Heartland was the developer of the Arcadia Pines Subdivision and owns the wastewater system facilities.<sup>12</sup> Heartland does not charge Arcadia Pines or the property owners/residents for use of or access to the system facilities.<sup>13</sup> The Purchase District Health Department has oversight of the system's operation. Arcadia Pines operates the system, as well as bills and collects for the wastewater service provided.<sup>14</sup> Charges and other terms for service by Arcadia

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<sup>7</sup> 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).

<sup>8</sup> *Id.*

<sup>9</sup> Verified Application at 4.

<sup>10</sup> *Id.* at 6.

<sup>11</sup> *Id.* at 5.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 6.

Pines are provided in its Bylaws. The service fee is a monthly assessment of \$25.00, the amount originally specified.<sup>15</sup> Arcadia Pines bills and collects the monthly charges, and third-party contractors provide maintenance, repair, and other services for the system.<sup>16</sup> Although the Bylaws provide for a \$500 tap-on fee, that fee has been waived to induce subdivision unit owners to tap into the system rather than construct septic drain fields.<sup>17</sup> Interest is charged on delinquent accounts from the due date at 10 percent per annum.<sup>18</sup>

Carriage Park is a nonstock, nonprofit corporation, formed to use, operate, and maintain a wastewater disposal system to serve lots in the Carriage Park Subdivision in McCracken County.<sup>19</sup> Carriage Park has also approved taps outside of the Carriage Park Subdivision to two lots immediately south of the Carriage Park Subdivision, and the owners of the lots are members of the Neighborhood Association.<sup>20</sup> The local Purchase District Health Department has oversight of the system's operation.<sup>21</sup> Charges and other terms for Service by Carriage Park are provided in its Bylaws. The service fee is a monthly assessment of \$16.00, the amount originally specified. Interest is charged on delinquent accounts from the due date at 10 percent per annum. There is no charge specified in the Bylaws for being hooked up to the system.<sup>22</sup> In February 2019, Carriage Park had 38

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<sup>15</sup> Verified Application at 5.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 7.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 8.

<sup>22</sup> *Id.* at 7.

billed residential accounts.<sup>23</sup> For a fee, the West McCracken County Water District, which provides water service to the Carriage Park Subdivision, bills and collects the monthly charges for Carriage Park. Maintenance, repair, and other services for the system are provided by third-party contractors.<sup>24</sup>

Marshall Ridge is a nonstock, nonprofit corporation. Marshall Ridge was formed to use, operate, and maintain a wastewater disposal system to serve lots in the Marshall Ridge Subdivision in McCracken County. Charges and terms of service by Marshall Ridge are provided in its Bylaws. The service fee is a monthly assessment of \$15.00, the amount originally specified. The Bylaws provide for a \$500 tap-on fee and for interest to be charged on delinquent accounts from the due date at 10 percent per annum.<sup>25</sup> In February 2019, there were 40 billed residential accounts using the Marshall Ridge system.<sup>26</sup> The local Purchase District Health Department has oversight of the system's operation. For a fee, Paducah Water Works, which provides water service to the Marshall Ridge Subdivision, bills and collects the monthly charge for Marshall Ridge. Maintenance, repair, and other services for the system are provided by third-party contractors.<sup>27</sup>

Randview is a nonprofit corporation, formed to own and operate a wastewater system for owners of lots in the Randview Subdivision in Graves County. Membership in Randview is limited to owners of lots in the Randview Subdivision that are tapped into the

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<sup>23</sup> Verified Application at 8.

<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 9.

<sup>26</sup> *Id.* at 10.

<sup>27</sup> *Id.*

system.<sup>28</sup> Charges and other terms of service by Randview are provided in a Septic Effluent Agreement between Randview and the owner of each served lot. Although service by Randview is available only to properties within the Randview Subdivision, not every lot in the Randview Subdivision is connected to or served by the system. Some lots in the Randview Subdivision have individual septic systems (tank and drainfield) and others are served by the city of Mayfield. The system serves most of the platted lots in the Randview Subdivision. Each of the lots served must have its own septic tank and discharge only tank effluent into the Randview system.<sup>29</sup> In February 2020, there are 55 customer properties on the system: one commercial property (a church), 52 one-tap residential properties, and two two-tap residential properties. The baseline charge is a fixed fee of \$25.00 per month per tap, and the corporate by-laws permit interest at 10 percent per annum to be charged from the due date on delinquent accounts for past service. The connection fee is \$950 for all properties except a duplex, for which the fee is \$1,500.<sup>30</sup> Administration of the system is provided by the Randview Subdivision developer, Greenwood Acres, which arranges for third-party billing and collection, maintenance, repair, and other services for the system. The Graves County Health Department has oversight of the system's operation.<sup>31</sup>

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<sup>28</sup> Verified Application at 10.

<sup>29</sup> *Id.* at 11.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 11–12.

## The Transaction

Bluegrass Water has executed a sales agreement (Agreement) with each system's facilities owner designating the buyer as CSWR, Inc., or its affiliate. CSWR, Inc. has designated Bluegrass Water, its affiliate, as the buyer for each Agreement. Each Agreement provides for the sale of all of the assets pertaining to operation of the respective wastewater system.<sup>32</sup> 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.<sup>33</sup> Assets expressly excluded from the transfer are cash and banking deposits prior to the Closing.<sup>34</sup> This exclusion applies to any escrow or other depository accounts that are maintained for each system. Finally, upon the closing of the transactions, the Agreements provide for Bluegrass Water to become responsible at the closing of the transactions for all assets from that point forward.<sup>35</sup>

Bluegrass Water's acquisition of each system's assets will be funded with equity capital from its affiliate CSWR, LLC. Bluegrass Water plans to fund the work to repair and improve the acquired systems with debt financing, including long-term loans which Bluegrass Water has access to through CSWR, LLC. 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.<sup>36</sup>

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<sup>32</sup> Verified Application at 14.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 15.

From and after the closing of the transactions of each system, Bluegrass Water will provide service in accordance with its current sewer tariff on file with the Commission with a sheet specific to each system providing for the monthly recurring monthly rates now charged to its users.<sup>37</sup> Over time, Bluegrass Water will integrate the four systems proposed to be acquired in the instant case with others operated by Bluegrass Water in Kentucky so that regulatory and technical standards are met on a uniform basis, and customers will be served under a unified tariff.

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. In Bluegrass Water's other Kentucky systems, that firm is 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 the instant case. Midwest Water has knowledgeable and experienced personnel who carry the necessary state licenses and has insurance coverage 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, Inc.

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

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<sup>37</sup> Verified Application at 15.

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 the instant case. Nitor Billing Services has in place an online billing system 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 service representatives are to be available during normal business hours and to take messages 24 hours a day.<sup>38</sup>

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.<sup>39</sup>

CSWR, Inc. will be responsible for all management, financial reporting, underground facility safety and locations services, Commission and environmental regulatory reporting and management, record keeping, and final customer dispute

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<sup>38</sup> Verified Application at 16.

<sup>39</sup> *Id.*

management. Proportional costs for those services will be allocated to Bluegrass Water, which will be considered as one utility, using the Massachusetts Formula.<sup>40</sup>

### DISCUSSION

Bluegrass Water argues that Commission approval is not necessary for the proposed asset acquisitions of the wastewater systems and its service to the systems' customers, with the exception of accommodating revisions to Bluegrass Water's tariff for the initial rates to be charged on the systems. Bluegrass Water goes on to state that, even if other Commission approvals or authorizations were necessary, the proposed acquisitions and continued service by Bluegrass Water meets relevant standards.

#### Argument that Commission Approval is Not Required Pursuant to Chapter 278

Bluegrass Water asserts that the "transfer" and "certificate" requirements of KRS 278.020(6) – (8) are inapplicable to the proposed transactions because the transactions do not involve "utility" facilities or entities within the meaning of KRS 278.010(3). Bluegrass Water states that KRS 278.020(6) – (8) require prior Commission approval for transfer or acquisition of ownership or control of utility assets or of a utility itself. Bluegrass Water states that the word "utility" is defined for purposes of Chapter 278 in KRS 278.010(3). Bluegrass Water asserts that, regardless of the type of service provided, a "utility" provides the service "for the public, for compensation." Therefore, the systems to be acquired in the instant case are not utilities within the meaning of KRS 278.010(3).<sup>41</sup>

Bluegrass Water also notes that the Commission has previously found that the transfer and acquisition provisions of KRS 278.020 do not apply when a jurisdictional

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<sup>40</sup> Verified Application at 16-17.

<sup>41</sup> *Id.* at 18

utility acquires facilities from a non-jurisdictional service provider, and the jurisdictional utility continues the service provided by the non-jurisdictional service providers. Therefore, with “no statutory requirement or authority for Commission approval of the transfer of ownership of [non-utilities’] wastewater assets”<sup>42</sup> to a utility, the standards of KRS 278.020(6) – (8) do not apply in the instant case.

Bluegrass Water asserts that a certificate of public convenience or necessity pursuant to KRS 278.020(1) is not required in the instant case because KRS 278.020(1) does not apply to a utility that has already “commence[d] providing utility service” in Kentucky and is not seeking to construct anything.<sup>43</sup> Bluegrass Water states that the provision currently codified as KRS 278.020(6) has long governed transfers of existing utility-service assets and that the more recent provisions of KRS 278.020(7) and (8) were added to give the Commission jurisdiction over transactions in which ownership or control of the utility itself was changing hands. Bluegrass Water states that the approval of a transfer by the Commission under KRS 278.020 (7) and (8) has not also included grant of a KRS 278.020(1)(a) certificate of public convenience or necessity.<sup>44</sup> Bluegrass Water asserts that this is due to the acquirer adding to its assets or expanding its service territory. Bluegrass Water also asserts that in the case of existing assets and service, the requirements of KRS 278.020(1)(a) are also superfluous because the public convenience and necessity are demonstrated by the continued use of a service already provided.

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<sup>42</sup> Verified Application at 23, quoting, Case No. 2005-00206, *The Verified Joint Application of the City of Owenton and Kentucky-American Water Company for Approval of the Transfer of the Ownership of Water- and Wastewater-Related Assets of the City of Owenton to Kentucky-American Water Company* (Ky. PSC July 22, 2005) at 3.

<sup>43</sup> *Id.* at 22.

<sup>44</sup> *Id.* at 24.

Finally, Bluegrass Water asserts that no other requirement pursuant to KRS 278.020 is applicable in the instant case.<sup>45</sup>

Bluegrass Water states that KRS 278.020(3) and (10) requirements apply only if a construction certification or approval is needed for a transfer or acquisition. Neither approval of a transfer or acquisition nor a certificate of public convenience and necessity is required in this case and, thus, the standards in KRS 278.020(3) and (10) are inapplicable.

Bluegrass Water states that the requirement pursuant to KRS 278.020(5) of a certificate of convenience and necessity from the Commission in order to apply for or obtain “any franchise, license, or permit from any city or other governmental agency” is also inapplicable. Bluegrass Water states that no municipal franchise is involved for the systems acquired, and that the permit for each system was obtained from the respective local health agency or authority at the time each system was constructed. In addition, the required showing regarding demand and need is “for the service sought to be rendered.” Here, the service is already being rendered and the continued demand and need for the service is shown by the past and continuing use of the systems.

KRS 278.020(6) and 278.020(7) require prior Commission approval of the transfer or control of any “utility.” None of the wastewater systems to be transferred in this case are “utilities” subject to the Commission’s jurisdiction as that term is defined in KRS 278.010(3). The systems to be acquired are not, and have not been, registered with the Commission as wastewater utilities. Furthermore, based on the evidence of record, the systems to be acquired do not meet the definition of a utility because they do not provide

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<sup>45</sup> Verified Application at 24-25.

“the collection, transmission, or treatment of sewage for the public . . . .”<sup>46</sup> All of the systems to be acquired provide service to a specific subdivision and receipt of service is predicated upon living within that specific subdivision. The Commission has held that such systems are not public utilities subject to the Commission’s jurisdiction.<sup>47</sup> The Commission finds, therefore, that neither KRS 278.020(6) nor KRS 278.020(7) are applicable to the proposed transaction.

The Commission acknowledges that it had previously determined that a jurisdictional utility’s acquisition of a non-jurisdictional utility does not require Commission approval. For example, in Case No. 2005-00206<sup>48</sup>, the Commission found that Kentucky-American Water Company’s (Kentucky-American) acquisition of a municipal water utility did not require Commission approval because the municipal’s facilities were not a utility as defined under KRS 278.010. We, however, part ways with this precedent as discussed below.

KRS 278.010(1)(a) provides, in part, that, “[n]o person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public . . . until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.” The

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<sup>46</sup> KRS 278.010(3)(f).

<sup>47</sup> See, Case No. 2020-00013, *Removal of Bush Gardens Enterprises, LLC from Public Service Commission Jurisdiction* (Ky. PSC Jan. 24, 2020); Case No. 1999-00515, *Application of Huntington Woods Neighborhood Association, Inc., for Transfer of Ownership of the Sewage Treatment Plant Owned by John and Marlene Fehsal Located in Huntington Woods Subdivision* (Ky. PSC June 14, 2000); and Case No. 2003-00360, *Petition of Doe Valley Utilities, Inc. for Determination as to Jurisdictional Status of Doe Valley Utilities, Inc. and Additional or Alternative Determinations* (Ky. PSC May 19, 2004).

<sup>48</sup> Case No. 2005-00206, *The Verified Joint Application of the City of Owenton and Kentucky-American Water Company for Approval of the Transfer of the Ownership of Water- and Wastewater-Related Assets of the City of Owenton to Kentucky-American Water Company* (Ky. PSC July 22, 2005).

systems that Bluegrass Water proposes to acquire are not utilities, and thus do not provide utility service as defined in KRS 278.010, but upon approval of this transaction, those non-utilities will be providing utility service “to or for the public.” Even though the acquired systems will technically be part of Bluegrass Water, upon closing of the proposed transaction, those entities will commence providing utility service, to or for the public, at their original rates, with the rates that they were charging before being acquired by Bluegrass Water. Eventually Bluegrass Water will likely seek a unified rate, however, upon acquisition, Arcadia Pines, Carriage Park, Marshall Ridge, and Randview will have separate rates and separate systems, and will be providing service to or for the public for compensation. As such, Commission approval in the form of a certificate of public convenience and necessity is required prior to their acquisition by Bluegrass Water.

Requiring approval under KRS 278.020(1)(a) ensures that the Commission discharges its statutory duty to ensure that the acquiring utility’s ability to provide adequate service at fair, just, and reasonable rates is not impaired. The Commission “is charged with responsibility, and vested with the power, to see that the service of public utilities is adequate. . . .”<sup>49</sup> Insofar as the acquisition of a non-utility’s system may impact a jurisdictional utility’s ability to provide adequate and reasonable service, either to customers of the system to be acquired or the customers of the acquiring utility, it follows that the Commission has such authority to prevent such an acquisition and its approval for such an acquisition is required. The Commission finds that the plain reading of KRS 278.020 supports and requires such a determination.

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<sup>49</sup> *Pub. Serv. Comm’n v. Southgate*, 268 S.W. 19, 21 (Ky. 1954).

This interpretation of KRS 278.020 finds additional support in case law. In *Southgate* the Kentucky Supreme Court concluded that the Commission had the implied authority to review a utility's acquisition of a municipal utility. The Kentucky Supreme Court subsequently described its decision in *Southgate* as such:

In *Public Service Commission v. Cities of Southgate and Highland Heights*, 268 S.W.2d 19 (Ky.1954), this Court concluded that the PSC's power included not only powers expressly provided by statute but could also encompass powers necessarily implied to take action to meet its statutory duties. Specifically, in that case this Court concluded that the PSC had the implied power to approve or disapprove a utility systems sale, despite the lack of express statutory authority to do so, because of the PSC's general statutory authority under KRS 278.040 to regulate utility service.<sup>50</sup>

The Commission's reading of KRS 278.020(1)(a) to require Commission approval of a utility's acquisition of a nonjurisdictional utility's system is consistent with the Commission's implied powers.

The Commission acknowledges that this decision is a departure from previous decisions of the Commission in which the Commission concluded that KRS 278.020 does not apply to a utility's acquisition of a municipal utility system, and neither was Commission approval necessary. However, those decisions rested upon a flawed reading of KRS 278.020 and an incorrect rejection of the Commission's plenary powers in general to ensure that utilities provide adequate and reasonable service at fair, just, and reasonable rates. The Commission's previous decision to not enforce KRS 278.020(1)(a) to certain acquisitions is a not a bar to the Commission altering its

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<sup>50</sup> *Kentucky Public Service Com'n v. Commonwealth ex rel. Conway*, 324 S.W.3d 373, 380 (Ky. 2010).

interpretation of KRS 278.020 and the Commission will hereafter require its approval before a utility may acquire the system of a nonjurisdictional utility.<sup>51</sup>

We find, however, that Bluegrass Water's acquisition of Arcadia Pines, Carriage Park, Marshall Ridge, and Randview should be approved. Bluegrass Water has provided sufficient information regarding the state of each of the systems it seeks to acquire, including the known problems with the system, the actions necessary to repair the systems, and adequate financial information. The evidence of record supports the Commission's decision that the acquisition of Arcadia Pines, Carriage Park, Marshall Ridge, and Randview will not impair Bluegrass Water's ability to provide reasonable and adequate service, to either those customers no Bluegrass' current customers.<sup>52</sup>

We further find that KRS 278.300(1) is not applicable to the transactions proposed in the Application. Bluegrass Water is not issuing any new evidences of indebtedness to

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<sup>51</sup> The Commission is not required to continue with a flawed interpretation of its statutes or powers. See, *N.L.R.B. v. Baltimore Transit Co.*, 140 F.2d 51, 54-55 (4th Cir. 1944) (stating: "Whatever may be the effect of quasi-judicial determinations of administrative agencies (*Cf. Arizona Grocery Co. v. Atchison, etc., R. Co.*, 284 U.S. 370, 389, 52 S.Ct. 183, 76 L.Ed. 348), it is well settled that the principle of res adjudicata has no application to their exercise of other powers. 30 Am.Jur. p. 930; *Pearson v. Williams*, 202 U.S. 281, 26 S.Ct. 608, 50 L.Ed. 1029; *Tagg Bros. & Moorehead v. United States*, 280 U.S. 420, 445, 50 S.Ct. 220, 74 L.Ed. 524; *State Corp. Comm. v. Wichita Gas Co.*, 290 U.S. 561, 569, 54 S.Ct. 321, 78 L.Ed. 500; *St. Joseph Stock Yards Co. v. United States*, 298 U.S. 38, 64, 56 S.Ct. 720, 80 L.Ed. 1033. An administrative agency, charged with the protection of the public interest, is certainly not precluded from taking appropriate action to that end because of mistaken action on its part in the past. *Cf. Federal Communications Commission v. Pottsville Broadcasting Co.*, 309 U.S. 134, 145, 60 S.Ct. 437, 84 L.Ed. 656; *Houghton v. Payne*, 194 U.S. 88, 100, 24 S.Ct. 590, 48 L.Ed. 888. Nor can the principles of equitable estoppel be applied to deprive the public of the protection of a statute because of mistaken action or lack of action on the part of public officials. *United States v. San Francisco*, 310 U.S. 16, 32, 60 S.Ct. 749, 84 L.Ed. 1050; *Utah Power & Light Co. v. United States*, 243 U.S. 389, 409, 37 S.Ct. 387, 61 L.Ed. 791; *United States v. City of Greenville*, 4 Cir., 118 F.2d 963, 966."

<sup>52</sup> A utility cannot change an established practice or precedent without explanation. See *GTE v. Revenue Cabinet*, 889 S.W.2d 788, 792 (Ky. 1994) ("This Court has held that interpretation of a statute made by an administrative agency, once made and applied over a long period of time, cannot be unilaterally revoked by the agency."); *Hagan v. Farris*, 807 S.W.2d 488, 490 (Ky. 1991). The Commission has adequately explained in this Order its reasons for deviating from past practices. Furthermore, to the extent that this new interpretation is applied to the instant proceeding, the Commission notes that the Applicants suffer no prejudice because the Commission is granting the relief requested in the Application.

acquire Arcadia Pines, Carriage Park, Marshall Ridge, or Randview, nor is Bluegrass Water assuming any obligations associated with any of the systems. As the Agreements make no provision for the purchase amount to be paid over an extended period of time, it does not constitute an evidence of indebtedness. KRS 278.300(1) does not require prior Commission review or approval of the proposed transaction. As no statutory requirement or authority for Commission approval of the transfer of ownership of the wastewater assets of Arcadia Pines, Carriage Park, Marshall Ridge, or Randview exists, we find that the portion of the Application requesting Commission approval is moot.

#### Approval for Tariff Revisions to Bluegrass Water's Tariff

Due to the transferors not having tariffs on file with the Commission which could be adopted by Bluegrass Water, Bluegrass Water proposes revisions to its existing tariff to establish rates for the systems proposed to be acquired when the transactions have closed. The proposed new sheets for Bluegrass Water's tariff will set initial rates for customers in the acquired systems' service areas at the existing levels established for each acquired system.<sup>53</sup> Bluegrass Water asserts that the proposed rates and other terms of service meet the criteria of KRS 278.030. The general terms and conditions in Bluegrass Water's tariff are uniform for all its systems, and were subject to Commission review before becoming effective November 20, 2019. The Bluegrass Water wastewater tariff does not have unified rates for the monthly flat service fee and instead charges customers on the respective systems at the applicable pre-acquisition rate per month.

Bluegrass Water is proposing the same for the service fees to customers on the systems in the instant case. Bluegrass Water argues that in comparing the rate schedules

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<sup>53</sup> Verified Application at 19.

in Bluegrass Water's filed tariff, the proposed recurring rates for the four systems are "fair, just, and reasonable" in accordance with KRS 278.030(1) because (a) the filed tariff rates are set at the level in the tariff of the respective transferor utility as of the date of the acquisition, (b) those rates had been subject to Commission review, and (c) the lowest flat fee currently tarified for Bluegrass Water's existing systems is \$28.84 per month, which is higher than the existing \$15 to \$25 charge per month for the four systems proposed to be acquired.<sup>54</sup> Bluegrass Water goes on to assert the following as indicative that the recurring per month flat fees proposed for the acquired systems are fair, just, and reasonable: (1) the existing rate was established by a non-profit corporation and has been paid by users who are also members of the non-profit; (2) the proposed flat fee for each system is substantially lower than the initial rate approved in a recent case in which the Commission established initial rates for a small wastewater utility<sup>55</sup> and the tarified rates for other systems with a small number of users; (3) standing alone, the fixed charge by Bluegrass Water's third-party contractor for operations and maintenance service of \$4,133 per plant site per month would yield a range of per-user monthly charges from \$165.32 for the 25 customers in the Arcadia Pines system to \$75.15 for the 55 customers of the Randview system.

The Bluegrass Water wastewater tariff is also not unified regarding late payment fee, connection fees, or tap-on charges. Instead, Bluegrass Water charges customers on those systems it has acquired any applicable pre-acquisition rate, which Bluegrass

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<sup>54</sup> Verified Application at 19-20.

<sup>55</sup> Bluegrass Water references Case No. 2015-00306, *Application of Bush Gardens Enterprises, LLC for Approval of Initial Sewer Rates Pursuant to the Alternative Rate Filing Procedures for Small Utilities and Tariff* (Ky. PSC Mar. 24, 2016) in which the Commission established an initial monthly flat rate of \$123.65.

Water proposes to do in the instant case. The nonrecurring rate for a late payment charge (10 percent per annum) on the four systems is equivalent to the late payment charge in Bluegrass Water tariffed rates for its existing systems.<sup>56</sup> In addition, the existing and proposed nonrecurring rates for tap-on charges are similar to the charges for new taps, reconnections, and terminations for Bluegrass Water's existing systems.<sup>57</sup> The rates proposed are also uniform throughout the respective area and are available to all users or provide "suitable and reasonable classifications of its service, patrons and rates" in accordance with KRS 278.030(3). There is no data source for preparing a full rate application or alternate rate filing to establish initial tariffed rates for customers on these systems. The current owners and operators of the systems are not among the KRS 278.010(3) "utilities" regulated by the Commission and neither report operations, expense, or revenue data to the Commission on a regular basis nor keep their books in accordance with the Uniform System of Accounts applicable to public utilities. As a result, Bluegrass Water does not have years of data from its own operation of the system in requesting to set initial rates. The proposed tariff revisions would go into effect simultaneously with the closing on the wastewater service facilities, so there is no gap in service or tariff coverage for the affected users.

The proposed changes in Bluegrass Water's tariff do not affect its existing customers' rates or other terms of service. As a part of its plan to integrate its Kentucky systems, Bluegrass Water anticipates that by mid-2021 it will be filing proposed revisions and adjustments to establish a unified tariff with uniform rates through its service area.

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<sup>56</sup> Verified Application at 20.

<sup>57</sup> *Id.*

Bluegrass Water advises that it will file for a general rate adjustment of the rates for the four subject systems – individually, as a group, or as part of a wider adjustment – within 15 months of the last acquisition closing on the Arcadia Pines, Carriage Park, Marshall Ridge, and Randview facilities, when Bluegrass Water will have a full year of data from owning and operating those systems.

The Commission finds that the proposed initial rates for the acquired systems will be fair, just, and reasonable and should be approved. We base this finding on a variety of factors, notably that the rates are currently being charged to the systems' customers and that the rates are lower than any existing rates for Bluegrass Water's current customers. We also accept these rates based upon Bluegrass Water's assertion that it will file in mid-2021 for a unified rate for its various systems.

In Case No. 2019-00104 and Case No. 2019-00360, the Commission imposed certain conditions on Bluegrass Water regarding its acquisition of jurisdictional utilities. Many of those conditions are not applicable to the current proposed transactions because the systems to be acquired are not currently under the Commission's jurisdiction. However, upon closing of the transactions, the systems will be jurisdictional to the Commission due to their ownership by Bluegrass Water. The Commission finds that it should impose the post-closing requirements as discussed below.

Several of the engineering reports noted 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.

In addition to the reports above, we will also require Bluegrass Water to maintain its records in such a way as to be able 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 systems as well as the reasonableness of the expenses and practices in any future ratemaking proceeding.

We also find that the imposition of the following post-closing conditions is necessary to ensure that the proposed transaction is in the public interest. 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. Pursuant to KRS 278.020(1)(a), Arcadia Pines, Carriage Park, Marshall Ridge, and Randview are granted a Certificate of Public Convenience and Necessity to provide utility service to and for the public.

2. Bluegrass Water's Application of Commission approval of acquisition of certain wastewater systems is granted.

3. The initial rates proposed by Bluegrass Water are approved.

4. Within ten days of completion of the transfer of Arcadia Pines, Carriage Park, Marshall Ridge, and Randview to Bluegrass Water, Bluegrass Water shall notify the Commission in writing of the date that each transfer occurred.

5. One month 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 any violations or citations for the preceding month.

6. 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 any violations or citations for the preceding month.

7. 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.

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

9. 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.

10. 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.

11. Within 20 days of the close of the acquisition of each system, Bluegrass Water shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates approved in this Order.

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

By the Commission

ENTERED  
JUN 19 2020 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2020-00028

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