

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 WATER AND) 2025-00354
SEWAGE RATES)

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

Bluegrass Water Utility Operating Company, LLC (Bluegrass Water), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on March 2, 2026. The Commission directs Bluegrass Water to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the

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

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

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

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

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Bluegrass Water shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Bluegrass Water's current tariffs and proposed tariffs provided as Exhibit AJS-3A and Exhibit AJS-4A.

a. Confirm that Boyle County should be added to the list of counties that receive sewer services on the coversheet. If not confirmed, explain the response.

b. Confirm that Graves County and Randview, individually, should be removed from the coversheet and Sheet No. 1.2. If not confirmed, explain the response.

c. Confirm that Equestrian Woods Subdivision is also referred to as Springcrest. If not confirmed, explain the response.

2. Refer to the Direct Testimony of Matthew Howard (Howard Direct Testimony). Provide all exhibits and work papers in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

3. Refer to the Howard Direct Testimony, page 7, Table 3. Refer also to the Howard Direct Testimony at 53.

a. Explain if there are any specific business risks that are associated with Bluegrass Water other than size and acquiring troubled water/wastewater systems.

b. Explain the rationale behind applying a business risk adjustment of one percent when the Commission has historically rejected the use of flotation cost adjustments, financial risk adjustments, and explicit size adjustments in Return on Equity (ROE) analyses.

4. Provide a list of Bluegrass Water's regulated affiliates.

a. State where each regulated affiliate is located.

b. Explain whether size adjustments were made by the state regulatory authority in authorizing the affiliate's rate of return.

c. If size adjustments were made, explain what size adjustment was used in the rate of return calculation approved by the state regulatory authority.

5. Refer to the Howard Direct Testimony at 12.

a. For each utility included in the Utility Proxy Group, provide the *Value Line Investment Survey* company profile sheets from October 3, 2025, that support Bluegrass Water's ROE analyses.

b. For each utility included in the Utility Proxy Group, provide the *Value Line Investment Survey* company profile sheets from January 2, 2026, or later if available at the time of the response.

6. Refer to the Howard Direct Testimony at 55. Explain whether Bluegrass Water considered any alternative method to the median market-to-book ratio when conducting its estimated market capitalization analysis.

7. Refer to the Howard Direct Testimony, Exhibit MRH-2. Refer also to Case No. 2022-00432,² final Order at 85.

a. Confirm that in Case 2022-00432, the Commission utilized a hypothetical capital structure comprised of a 50 percent common equity ratio and a 50 percent long-term debt ratio. If not confirmed, explain the response.

b. Explain why Bluegrass Water included Global Water Resources, Inc. in the Utility Proxy Group when its 2024 Total Debt Ratio was 72.01 percent and its 2024 Common Equity ratio was 27.99 percent.

c. Explain the impact that excluding Global Water Resources, Inc. in the Utility Proxy Group would have on Bluegrass Water's ROE analyses.

8. Refer to the Direct Testimony of Aaron Silas (Silas Direct Testimony), pages 6-7.

a. Provide a copy of the Welcome Letter(s) sent to each of the systems Bluegrass Water serves.

² Case No. 2022-00432, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates* (Ky. PSC Feb. 14, 2024), final Order at 85.

b. Provide a copy of the “hard-copy community specific mailers” that were sent to customers in each system from 2020-2025.

9. Refer to the Direct Testimony of Aaron Silas (Silas Direct Testimony), page 9. Explain how Central States Water Resources (CSWR) allocates third-party vendor expenses to Bluegrass Water.

10. Refer to the Silas Direct Testimony, pages 21-23. Provide an updated class equivalencies analysis in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

11. Refer to the Silas Direct Testimony, page 23, lines 1-5. Provide further explanation as to why an updated rate design study was not performed in the preparation of this filing given the significant proposed increase to wastewater revenues of 103.33 percent.

12. Refer to the Silas Direct Testimony, page 23. Provide and explain the cost justification study behind allocating 40 percent of the wastewater revenue requirement to the Delaplain non-residential class in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

13. Refer to the Silas Direct Testimony, page 27. Provide and explain the cost justification study for the proposed \$83.50 inspection fee in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

14. Refer to the Silas Direct Testimony, pages 29-30.

a. Explain how the proposed new tap fee will be calculated on a per instance basis.

b. Provide the calculation of the proposed new tap fee.

c. Explain each cost component used to calculate the “actual cost” for a new connection.

15. Refer to the Silas Direct Testimony, pages 29-30. Explain and provide examples of any other wastewater and/or water utility in the Commonwealth of Kentucky that establishes new connections using “actual costs” per customer instead of a set fee.

16. Refer to the Silas Direct Testimony, pages 29-30. Explain how Bluegrass Water will track and account for the “actual cost” to establish new connections.

17. Refer to the Silas Direct Testimony, pages 30-31. Provide the cost justification study for the proposed two new non-recurring charges in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

18. Refer to the Post Case filing in Case No. 2022-00432 filed January 28, 2026.

a. Provide the exhibit in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

b. Explain what actions Bluegrass Water has taken to reduce the number of customers who make late payments on a monthly basis.

c. Explain whether Bluegrass Water intends to reach out to customers with recurring late payments.

d. If Bluegrass Water has made efforts to contact customers regarding recurring delinquent bills, provide copies of any mailings or a summary of those efforts.

19. Refer to the Direct Testimony of Caitlin O'Reilly (O'Reilly Direct Testimony) at 8.

a. Confirm that Bluegrass Water utilizes the Personal Consumption Expenditures (PCE) Price Index in its annual internal budgeting process.

b. If not confirmed, provide a narrative explanation as to how Bluegrass Water budgets its expenses on an annual basis and explain how that budgeting process is reflected in the test year for all expenses which utilized the PCE Price Index.

20. Refer to the O'Reilly Direct Testimony, page 8, lines 7–11, which states that the PCE Price Index was utilized to project maintenance and administrative costs.

a. Explain why the PCE Index, which is described as taking a broader, more comprehensive approach than the Consumer Price Index (CPI), was chosen specifically for these utility-specific cost categories.

b. Provide a comparison of the impact on the revenue requirement if the standard CPI had been used in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

21. Refer to the O'Reilly Direct Testimony, page 8, lines 1–6, which states the property taxes are projected using a rate of 0.00109 multiplied by future capital plant in service. Explain if this calculation accounts for depreciation and amortization, if tax is applied to the gross plant value.

22. Refer to the O'Reilly Direct Testimony, page 28, in which Bluegrass Water proposes to amortize rate case expense over a three-year period.

a. Explain the impact of a longer amortization period on ratepayers.

b. Explain whether Bluegrass Water anticipates unrecovered rate case expense in a subsequent proceeding. If so, explain the impact of extending the amortization period.

23. Refer to the Direct Testimony of Brent Theis (Theis Direct Testimony), page 11 and Case No. 2022-00104, March 30, 2023 and May 9, 2024 Orders.³ Explain why Bluegrass Water did not request approval of the material change in project costs once its estimated construction costs increased by approximately \$900,000.

24. Refer to the Theis Direct Testimony, page 11.

a. Provide the status of the Delaplain project.

b. Provide the citations to the record and identify any amounts included in the base period and forecasted test year for the Delaplain project.

25. Refer to the Theis Direct Testimony, page 26, lines 16-21. Provide an explanation as to how the consolidation of small system acquisitions into CSWR creates economies of scale for the following services:

- a. Legal
- b. Engineering
- c. Accounting
- d. Human Resources
- e. Customer Experience
- f. Any other Business Service

26. Refer to the Theis Direct Testimony, page 21.

a. Provide what capital projects, along with the estimated costs and estimated timeline, will be completed by March 31, 2026, for both water and wastewater systems.

³ Case No. 2022-00104, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for Certificates of Convenience and Necessity for Projects at the Delaplain Site* (Ky. PSC Mar. 30, 2023 and (Ky. PSC May 9, 2024).

b. Provide what capital projects, along with the estimated costs and estimated timeline, will be completed after March 31, 2026, but on or before January 2027 for both water and wastewater systems.

27. Refer to the Theis Direct Testimony, page 40. Explain what investments were made to the Randview system and provide a list of the correlating expenses totaling \$173,410.

28. Refer to the Theis Direct Testimony, page 44, lines 1-8. Provide the calculation of the percentage Bluegrass Water used to determine the \$15,181 return on investment.

29. Refer to the Theis Direct Testimony, page 45, lines 20-26.

a. Explain the basis for a bad debt rate of 1 percent.

b. Provide Bluegrass Water's annual actual bad debt expense for 2021 through 2025. Include separate water and waste water operations in response. Provide this response in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected

30. Refer to the Theis Direct Testimony, page 50.

a. Provide the amount of monthly late payment revenues collected for each month for November and December 2025.

b. Provide the percentage of customers assessed a late fee, monthly, for years 2024 and 2025.

31. Refer to the Theis Direct Testimony, page 52. Explain how the expected late fees of \$51,983 for the forward-looking test period were determined. Provide this

response in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected

32. Refer to the Direct Testimony of Jake Freeman (Freeman Direct Testimony).

a. Provide compliance reports, by quarter, for all Bluegrass Water systems for the past five years.

b. For each system that Bluegrass Water services, state whether it is in compliance with all applicable health and environmental regulations. If Bluegrass Water is not in compliance with all health and environmental regulations, provide a list by system of which regulations Bluegrass Water is out of compliance and the regulations to which the noncompliance apply.

33. Refer to the Direct Testimony of Emily Harlow (Harlow Direct Testimony), Exhibit EMH-1. Provide a detailed explanation for the decline in residential sewer customer counts for the years 2023, 2024, and 2025.

34. Refer to the Harlow Direct Testimony, page 9, lines 6-10. State if there were any outliers in the 2022–2024 data that required normalization, or if it is a straight mathematical average.

35. Refer to the Harlow Direct Testimony, page 19, lines 6-7, in which it states that “new connection fees (tap fees) are recorded as Contributions in Aid of Construction (CIAC) and therefore do not affect net income or the revenue deficiency.” Explain whether the associated depreciation expense of those specific assets has been excluded from the revenue requirement.

36. Refer to the Harlow Direct Testimony, page 21, lines 7-8 and 26. Confirm that, since there is no historical late fee data for water operations, the 1.93 percent frequency rate derived from wastewater was used as the basis for the number of customers who paid after their due date. If yes, explain why this rate is considered a reliable predictor for water operations. If not, explain how the frequency rate was derived.

37. Refer to the Howard Direct Testimony, pages 5-6. Explain the shift toward more expensive equity financing which proposed a common equity ratio increase from 47.81 percent in the Base Year to 50.80 percent in the Test Year.

38. Refer to the Direct Testimony of Todd Thomas (Thomas Direct Testimony), Exhibit TT-3 and the Application, Exhibit 9 (Financial Workbook). The total operations & maintenance (O&M) pro forma adjustment for the Test Year is \$2,473,551. Explain how much of this figure is allocated to fixed contract fees versus the Additional Work rates.

39. Refer to the Thomas Direct Testimony, Exhibit TT-3. Explain how a 3 percent escalator is calculated between contract years.

40. Refer to the Thomas Direct Testimony, page 14, lines 7-14. Explain what is expected to happen with the operator contract after April 2027.

41. Refer to the Thomas Direct Testimony, page 18. Explain how the duties of the Regional Manager, who also acts as a primary in-person customer representative, are allocated to avoid duplicative costs for ratepayers since Clearwater is responsible for interfacing with customers with service issues.

42. Refer to the Thomas Direct Testimony, pages 22-25, which states that the EHS team oversees PFAS sampling and Lead and Copper Rule (LCR) compliance and the EPA requires initial monitoring by April 2027. State if the ongoing laboratory fees and

staff time for these federally mandated samplings are embedded in the Clearwater Monthly Fee or the CSWR Environmental, Health, and Safety (EHS) Team overhead.

43. Refer to Freeman Direct Testimony, pages 7-10.

a. Provide all Notices of Violations issued by the Division of Water that over the last three years for water quality violations related to any system operated by Bluegrass Water.

b. Provide all Agreed Orders with the Division of Water still in effect involving any system operated by Bluegrass Water.

44. Refer to Application, Exhibit 9 (Financial Workbook), Cash Working Capital (CWC) calculation.

a. Explain why Bluegrass Water should use 45 days for the Lead-Lag factor

b. Address the degree of precision of the 1/8 method in comparison to a lead-lag study.

45. Refer to the Application, Exhibit 9 (Financial Workbook), Balance Sheet Summary.

a. Provide a balance sheet separated by water and waste water.

b. Explain the drivers of the \$602,204 reduction in Other Non-Current Assets between the base period and the forecasted period.

c. Explain the drivers of the \$655,465 increase in Depreciation Reserve between the base period and the forecasted period.

d. Explain the drivers of the \$988,732 reduction in Payable to Associated Companies between the base period and the forecasted test period.

e. Explain the drivers of the \$3,085,666 increase in Paid-in Capital between the base period and the forecasted test period.

f. Explain the drivers of the \$3,091,258 reduction in Retained Earnings between the base period and the forecasted test period.

46. Refer to Application, Exhibit 9 (Financial Workbook), Capital Structure. Payable to Associated Companies carries a cost of 8.5 percent, which is significantly higher than the Long-Term Debt cost of 6.7 percent.

47. State whether this 8.5 percent aligns with benchmarked market rates for similar risk-adjusted utility management services. Provide the names of the affiliated companies and the associated amount of debt.

48. Refer to the Application, Exhibit 9 (Financial Workbook), Summary of the Income Statement (IS). The total general and administrative (G&A) is forecasted at \$1,081,278 for the Test Year. Explain what percentage of this expense is dedicated to the managerial oversight provided by CSWR affiliates.

49. Refer to the Application, Exhibit 9 (Financial Workbook), Summary of IS. Explain the Test Year Interest Expense of \$847,998 and its associated components.

50. Refer to the Application, Exhibit 9 (Financial Workbook), Summary of IS. Explain the \$120,091 adjustment to Amortization of Regulatory Expense.

51. Refer to the Application, Exhibit 9 (Financial Workbook), RB TY 13-month Avg. Provide the location and amount(s) of each acquisition adjustments.

52. Refer to the Application, Exhibit 9 (Financial Workbook), RB TY 13-month Avg. and Case No. 2022-00432, Feb. 14, 2024 Order, page 42.⁴ Provide the drivers of the approximately \$9 million increase to plant in service between the test year in Case No. 2022-00432 and the beginning of the forecasted period in this case.

53. Refer to Case No. 2022-00432, Feb. 14, 2024 Order at 58. Confirm that Bluegrass Water bid out the operator contract for all systems together. If not confirmed, explain the response.

54. Provide the amount of expenses allocated to Bluegrass Water for business development and explain how this amount was determined.

55. Provide the location and amounts of any capital or expense related to remote monitoring.

56. Refer to the Direct Testimony of Josiah Cox (Cox Direct Testimony), pages 17-18.

a. Provide a detailed table that compares the cost-based rates of the Commonwealth Wastewater Systems, Yung Farm Estates, and Magruder Village service areas on a system-specific basis and consolidated basis.

b. Provide the subsidization amounts in relation to Bluegrass Water's other systems for the base and test periods for each of the three newly acquired facilities.

57. Refer to the Cox Direct Testimony, page 19. Provide a detailed table that identifies the cross-subsidization among the respective systems.

⁴ Case No. 2022-00432, *Electronic Application of Bluegrass Water Utility Operating Company, LLC for an Adjustment of Sewage Rates* (Ky. PSC Feb. 14, 2024).

58. Refer to Freeman Direct Testimony, page 5, points (3) and (4), and pages 14-118. Provide copies of the receipts, invoices or other forms of verifiable payments made for all capital improvements for each system and categorize by system and date.

a. From February 27, 2023, the date Bluegrass Water tendered its application in Case No. 2022-00432, to December 11, 2025, the date Bluegrass Water tendered its application this matter.

b. From the purchase date for the three new systems, to December 11, 2025.

59. To the extent that Bluegrass Water customers have metered water usage, provide a quote from each appropriate/applicable water utility serving Bluegrass Water customers as to what it would cost for Bluegrass Water to obtain that monthly water usage data for each service territory. Consider this an ongoing request.



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DATED FEB 13 2026

cc: Parties of Record

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