

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

*Electronic* Application of Bluegrass Water )  
Utility Operating Company, LLC for an )  
Adjustment of Rates and Approval of )  
Construction )

Case No. 2020-00290

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**Objection and Response to  
Commission Staff’s Fourth Request for Information**

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The undersigned counsel on behalf of Applicant, Bluegrass Water Utility Operating Company, LLC (“Bluegrass”), herewith interposes a general objection to the Commission Staff’s Fourth Request for Information. The Commission’s scheduling order initially provided for two rounds of data requests to Bluegrass, in January and February 2021; the 2/8/21 Order amended the schedule to allow for another set of requests for information, in March 2021. No Order provides for a fourth set of requests. Bluegrass has been preparing for the formal hearing in this matter scheduled to begin May 18, 2021, as well as attending to its continuing service and regulatory duties. It cannot additionally provide full responses to all these extra requests for information.

Nonetheless, and subject to the foregoing general objection, Bluegrass has endeavored to provide herewith information responsive to data requests in the Commission Staff’s Fourth Request for Information and will try to be prepared with additional information at the hearing in this matter. Bluegrass also respectfully notes that questions and information requests made in the course of a hearing might be included in formal, written post-hearing data requests, and that a schedule for such requests and responses thereto is often worked out near the close of the hearing.

A signed, notarized verification for this Response appears on the following page. The undersigned counsel is responsible for the general objection above and for any objection noted for a particular response.

Respectfully Submitted,

/s/ Kathryn A. Eckert

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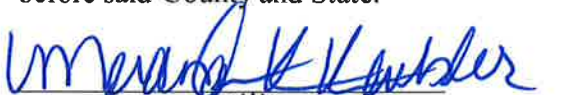

**VERIFICATION**

STATE OF MISSOURI                    )  
  )  
COUNTY OF ST. LOUIS                )

I, Mike Duncan, Vice President of Central States Water Resources, Inc., the manager of Applicant Bluegrass Water Utility Operating Company, LLC being duly sworn, state that I prepared or supervised the preparation of the following responses to the Commission Staff's Fourth Request, and that the matters and things set forth in the responses are true and correct to the best of my knowledge, information and belief formed after reasonable inquiry.

  
Mike Duncan

Subscribed and sworn to this 11 th day of May 2021, before me a Notary Public in and before said County and State.

  
Notary Public            MERANDA K. KEUBLER  
My Commission Expires  
November 13, 2022  
St. Louis County  
Commission #14631487

(SEAL)  
My Commission expires: 11/13/2022

### **Request**

1. Refer to the Application, Exhibit 1-A, Bluegrass Water's proposed Water Tariff 1, Revised Sheet No. 2.
    - a. Provide cost justification based upon the document found in Appendix A for the proposed Late Payment Penalty.
    - b. Provide cost justification based upon the document found in Appendix A for the proposed Returned Check Charge.
    - c. Provide cost justification based upon the document found in Appendix B for the proposed Connection Charge.
    - d. Provide cost justification based upon the document found in Appendix B for the proposed Reconnection Charge.
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### **Response**

See general objection stated on the cover page for the Response.

**Request**

2. For the proposed nonrecurring charges for water customers listed below, provide the number of occurrences forecasted, the forecasted collection, and support for the forecasted number of occurrences.
    - a. Connection Charge;
    - b. Residential Late Payment Penalty;
    - c. Non-Residential Late Payment Penalty;
    - d. Reconnection Charge; and
    - e. Returned Check Charge.
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**Response**

See general objection stated on the cover page for the Response.

### **Request**

3. Refer to the Application, Exhibit 1-B, Bluegrass Water's proposed Sewer Tariff 2, Original Sheet No. 5.
    - a. Provide cost justification based upon the document found in Appendix A for the proposed Late Payment Penalty.
    - b. Provide cost justification based upon the document found in Appendix A for the proposed Returned Check Charge.
    - c. Provide cost justification based upon the document found in Appendix B for the proposed New Tap Fee.
    - d. Provide cost justification based upon the document found in Appendix A for the proposed Field Collection Fee
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### **Response**

See general objection stated on the cover page for the Response.

**Request**

4. For the proposed sewer tariff nonrecurring charges listed below, provide the number of occurrences forecasted, the forecasted collection, and support for the forecasted number of occurrences.
    - a. Residential Late Payment Penalty;
    - b. Non-Residential Late Payment Penalty;
    - c. Reconnection Charge;
    - d. Returned Check Charge;
    - e. New tap Fee; and
    - f. Field Collection Fee.
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**Response**

See general objection stated on the cover page for the Response.

### **Request**

5. Refer to Bluegrass Water's responses to Commission Staff's Second Request for Information, Item 1(c), attachment 2 PSC 01c.xlsx.
    - a. Identify the dollar amounts in each line item of the SG&A Forecasted Period Budget in 2 PSC 01c.xlsx that Bluegrass Water identifies as BD Expense.
    - b. Explain how Bluegrass Water forecasted those BD expenses.
    - c. For each line item of the Total Corporate SG&A budgets other than Admin & Human Resources, identify and explain all adjustments Bluegrass Water made to the amount in the 2020 Budget to project the amounts in each line item in the Forecasted Period Budget, and explain why Bluegrass Water made such adjustments.
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### **Response**

- a. See worksheet labeled *4 PSC 5a* in the separately-provided Excel workbook with file name *4 PSC 05.xlsx*.
- b. These costs represent the salaries of employees whose primary focus is work related to CSWR, LLC's efforts to expand existing customer bases and expansion into new jurisdictions. CSWR, LLC forecasted the expenses by using the then current compensation costs of the subject employees and estimating any changes to those costs based on expected salary adjustments and increases to benefit costs.
- c. See worksheet labeled *4 PSC 5b* in the separately-provided Excel workbook with file name *4 PSC 05.xlsx*.



**Request**

6. For each employee listed in confidential attachment PSC 2-14.xlsx, provide a spreadsheet listing their starting salary, their actual salary as of December 31, 2020 (or at separation if they were separated before December 31, 2020), and their start date and, if applicable, date of separation.
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**Response**

See general objection stated on the cover page for the Response.

### **Request**

7. Refer to Bluegrass Water's response to Commission Staff's Third Request for Information, Item 12.
    - a. Provide CSWR's actual travel expense for 2018, 2019, and 2020, and provide an itemized breakdown of those costs for each year by vendor.
    - b. Identify each trip to Kentucky in 2019, 2020, and 2021 for which travel expenses were incurred by CSWR, describe the reason for the trip, identify those who traveled to Kentucky, and provide an itemized breakdown of the costs for each such trip.
    - c. For each vendor or individual listed in response to Item 12(b) or (c), provide a narrative description of all services provided by each vendor or individual.
    - d. Provide all invoices from 2019 to present for any of the vendors or individuals listed in response to Item 12(b) or (c).
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### **Response**

See general objection stated on the cover page for the Response.

**Request**

8. Refer to BGUOC2020RateCase-Schedule\_CE4.xlsx at Tab Base & Forecast Detail.
    - a. Provide the amount of expense for Elasticity, LLC included in account 923.600 for each month from January 2020 through August 2020.
    - b. Provide the amount of expense for Elasticity, LLC included in account 634.000 for August 2020.
    - c. Provide all retainer reconciliations received from Elasticity, LLC from January 1, 2020, to present.
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**Response**

- a. Please refer to information provided in response to 4 PSC 09, particularly the detail in the separately-provided Excel spreadsheet/workbook with file name *4 PSC 09e.xlsx*.
- b. Please refer to information provided in response to 4 PSC 09, particularly the detail in the separately-provided Excel spreadsheet/workbook with file name *4 PSC 09e.xlsx*.
- c. None.

## Request

9. Refer to BYupdate-Schedule\_CE4.xlsx filed by Bluegrass Water.
    - a. Identify who provided the Manage Consult and IT services for sewer and water by providing their name, job title, and employer.
    - b. Identify any specific Manage Consult and IT services such persons provided; explain the scope of the services they provided; and explain how those services differed from services provided by or through CSWR.
    - c. Provide all contracts and invoices for the Manage Consult and IT services identified in BYupdate-Schedule\_CE4.xlsx.
    - d. Explain how Bluegrass Water projected the cost of the Manage Consult and IT services in the forecasted period, including specifically the basis for each adjustment between the base and forecasted periods.
    - e. Provide the amount of expense for each Manage Consult or IT vendor, by account and month, included in accounts 923.600, 923.900, 634.000, and 634.100 for each month from January 2020 through December 2020.
    - f. Explain in detail each basis for any change between BYupdateSchedule\_CE4.xlsx and BGUOC2020RateCase-Schedule\_CE4.xlsx.
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## Response

- a. Management Consulting and IT services for both sewer and water were provided by:
  - James Fallert, Consultant for James Fallert Consultant LLC
  - PH Enterprises LLC — William Pulliam and Kevin Hammond
  - Elasticity LLC
  - Starnik Systems
  - TnT Technologies
  - Mission Communications
- b. The Management Consulting and IT services provided by the vendors and persons listed in part (a) are as follows:

- James Fallert provided regulatory accounting consulting services. Mr. Fallert has decades of experience in regulatory accounting and provided consulting services around certain acquisition accounting, tax and various other accounting issues particular to regulated entities. No CSWR staff have experience of the same length or scale as Mr. Fallert.
- PH Enterprises provided consulting services related to the transition of wastewater operations services. The services were provided by William Pulliam and Kevin Hammond. Their historical knowledge of purchased systems exceeded that of CSWR employees.
- Elasticity LLC provided professional communications support services including public relations, community relations, media communications, print materials production and web marketing services. It provides CSWR, LLC and its subsidiaries with access to services and expertise that are not available internally.
- Starnik Systems provided subscription-fee-based IT services in the form of software-as-a-service, for the billing software system used by Bluegrass and other CSWR utility subsidiaries. No other systems exist within CSWR, LLC to manage billing, payment records, and customer information.
- TnT Technologies provided the cellular network connection — not a service available from CSWR itself — to allow Mission Communication units to be connected to remote monitoring services.

- Mission Communications provided real-time remote monitoring on a continuous basis for various components of operational equipment. This is not a service otherwise provided by or through CSWR, LLC.
- c. Please see the contracts and invoices provided in response to 3 PSC 03(c).
- d. CSWR, LLC projected costs for the forecast period based on costs incurred in the base period. Each of the adjustments made between the base and forecast period reflect higher costs incurred for service provided by the vendors listed in part a during the period of September-December 2020.
- e. For the requested information, please refer to the separately provided Excel workbook with the file name *4 PSC 9e.xlsx*.
- f. The changes between *BYupdate-Schedule\_CE4.xlsx* and *BGUOC2020RateCase-Schedule-CE4.xlsx* result from costs incurred during the period of September-December 2020 and which had not been budgeted as part of the original version of Schedule CE4. These costs include regulatory accounting consulting, tax preparation fees, increased fees for communications consulting and higher costs for access to the Starnik billing software. The communications consulting costs and the increased costs to the Starnik billing software relate directly to the acquisitions made by Bluegrass Water and the resultant increase in customers.

### **Request**

10. Refer to the Notice of Filing re Proposed Financing Application filed by Bluegrass Water on April 13, 2021, and the attachment thereto. Provide an update regarding the status of Bluegrass Water's efforts to obtain financing.
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### **Response**

Bluegrass asked that what is now Case No. 2021-00128 be opened for it to seek KRS 278.300 financing approval for debt financing from a particular bank lender. Bluegrass provided a proposed term sheet from the intended lender under seal and with a request for confidential treatment as part of its 2/26/21 response to 1 INT 07(b) in this case. This potential loan and the efforts of Bluegrass's parent entity (CSWR) to obtain debt financing were also discussed in the responses to 1 PSC 25 and 1 INT 05, and referenced in the response to 1 AG 18.

As reported in the Notice re Status of Proposed Application filed in Case No. 2021-00128 and filed with a Notice of Filing in this case on April 13, 2021, the Commission's order affirming the decision to exclude the four Case No. 2020-00297 acquired systems from the rate adjustment requested in this case had caused the intended lender to reassess the situation. That lender decided not to renew its offer/proposal to lend; with the rates for the four 2020-00297 systems at the present levels (unadjusted), Bluegrass will still be in a net cash flow negative situation.

CSWR had already begun searching for alternatives and has identified another bank that may be willing to provide debt capital in a sufficient amount and on economically feasible terms. Bluegrass hopes to be in a position to file an application seeking Commission approval of a

debt financing proposal within 60 days, although the outcome of this case may affect the company's ability to secure a loan proposal for which to seek the Commission's approval.



### **Request**

11. a. Provide the distance between each system owned by Bluegrass Water and the closest point at which the systems of each of those systems could be attached to the sewage service providers with the nearest known facilities, assuming the providers had capacity, and identify the sewer service provider with the nearest known facilities.
  - b. State whether Bluegrass Water obtained an estimate or otherwise investigated what it would cost to connect any of its systems to the facilities of another sewer provider, regardless of whether it is the closest, and if so, provide that estimate, explain the circumstances under which it was obtained, and state why it was decided not to connect to the system. If not, explain why no such investigation was made.
  - c. State whether Bluegrass Water has had any communication with a city, county, or other entity in which they indicated that Bluegrass Water could attach one or more of its systems to the collection system of the city, county, or other entity for treatment, and if so, describe any such communications and when they occurred.
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### **Response**

Subject to the general objection, Bluegrass herewith notes that verified responses were provided to similar questions in cases seeking approval of its acquisition of sewer utility systems (Case Nos. 2019-00104, 2019-00360, and 2020-00297) and in its Verified Application for necessary approvals relating to acquisition of wastewater systems not previously subject to Commission jurisdiction (Case No. 2020-00028). For responsive information, please refer to:

- Case No. 2019-00104, responses to 1 PSC 01(h) and AG post-hearing request 04
- Case No. 2019-00360, responses to 1 PSC 01(h, i)
- Case No. 2020-00028, Application ¶¶ 14, 20, 27, & 37
- Case No. 2020-00297, responses to 1 PSC 06(h, i), 2 PSC 02, and 2 PSC 03

There has been further consideration and inquiry by Bluegrass about connection/attachment possibilities (for example, with respect to the Brocklyn system), but without any commitment

or continued interest on the part of a third-party sewage service provider (city, county, or other entity).

**Request**

12. Provide the projected customer count for each system listed in Schedule OHA1 for each month from April 2021 through April 2022.

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**Response**

CSWR does not project customer counts or growth, other than to use current counts in its forecasts or other projections; therefore, the “projections” Bluegrass can provide are simply recent customer statistics. Please see the attached chart (KY2020-290\_BW\_1080) for the connection counts as of March 31, 2021, in the various currently operating systems listed in Schedule OHA1. In addition, the plan is for CSWR-affiliate companies (Great River, Redbird, and AZ-CSWR,<sup>1</sup> respectively) to acquire approximately

- 7,000 connections in Mississippi,
- 7,000 connections in North Carolina, and
- 3,200 connections in Arizona

in the period from April 2021 through April 2022. The attached chart does not account for any changes outside of the counts provided.

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<sup>1</sup> “AZ-CSWR” was a place-holder entity name; the full name of the affiliate to make the Arizona acquisitions is Cactus State Utility Operating Company, LLC.

## Operating Companies

### MO CSWR

#### Confluence Rivers

- Water: 2,504
- Sewer: 2,395

#### Elm Hills

- Water: 137
- Sewer: 680

#### Hillcrest

- Water: 247
- Sewer: 252

#### Osage

- Water: 372
- Sewer: 392

#### Raccoon Creek

- Sewer: 529

#### Indian Hills

- Water: 669

### AR CSWR

#### Eagle Ridge

- Sewer: 254

#### Flushing Meadows

- Sewer: 295

#### Hayden's Place

- Sewer: 122

#### Oak Hill

- Sewer: 198

#### Sebastian Lake

- Water: 120
- Sewer: 99

#### St. Joseph Glen

- Sewer: 451

### KY CSWR

#### Bluegrass

- Water: 344
- Sewer: 3,064

### LA CSWR

#### Magnolia

- Water: 12,967
- Sewer: 23,052

### TX CSWR

#### Grasslands

- Water: 2,487
- Sewer: 220

### TN CSWR

#### Limestone

- Water: 401
- Sewer: 354

**Request**

13. Provide an update to 2-PSC-05c.xlsx and 2-PSC-07c.xlsx through March 2021.

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**Response**

For updates to 2-PSC-05c.xlsx and 2-PSC-07c.xlsx, respectively, please refer to the tabs/worksheets labeled *Sewer* and *Water* in the separately provided Excel workbook with the file name *4 PSC 13.xlsx*.

**Request**

14. Provide all requests for proposals, if any, for work on capital projects on Bluegrass Water's systems all responses thereto.
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**Response**

See general objection stated on the cover page for the Response.

**Request**

15. Provide all invoices for work on Bluegrass Water's systems that was capitalized.

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**Response**

See general objection stated on the cover page for the Response.