

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“Attorney General”), and submits these Data Requests to Bluegrass Water Utility Operating Company, LLC (hereinafter “Bluegrass” or “company”) to be answered by January 29, 2021 and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the companies receive or generate additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that

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

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda

of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the

control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

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Respectfully submitted,

DANIEL J. CAMERON
ATTORNEY GENERAL



J. MICHAEL WEST
LAWRENCE W. COOK
ANGELA M. GOAD
JOHN G. HORNE II
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE, SUITE 200
FRANKFORT, KY 40601
PHONE: (502) 696-5433
FAX: (502) 564-2698
Michael.West@ky.gov
Larry.Cook@ky.gov
Angela.Goad@ky.gov
John.Horne@ky.gov

Certificate of Service and Filing

Pursuant to the Commission's Orders dated March 16, 2020 and March 24, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on January 14, 2021, an electronic copy of the forgoing was served by e-mail to the following. A physical copy of the filing will be submitted to the Commission once the State of Emergency has ceased.

Katherine K. Yunker
kyunker@mcbryerfirm.com

Kathryn A. Eckert
keckert@mcbryerfirm.com

this 14th day of January, 2021.

A handwritten signature in blue ink, appearing to read "Katherine K. Yunker".

Assistant Attorney General

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Data Requests

1. For each of the communities listed in paragraph 6 on pages 3-4 of the application, provide the following information:
 - a. The name and location of the system.
 - b. The number of customers in the system.
 - c. The type of utility services provided to the customers of that system.
 - d. The date on which the company obtained ownership of the system.
 - e. Identify all costs associated with the transfer of ownership, including the sale price for the system.
 - f. Provide a copy of each agreement by which the Company acquired each system at issue, or identify the location in the record where that agreement has been provided if it has already been provided.
 - g. Describe the physical state of the system at the time the company obtained ownership.
 - h. Describe in detail all improvements/renovations to the system since the company obtained ownership.
 - i. Describe all planned improvements/renovations for each system.
 - j. Identify all costs associated with the completed and contemplated improvements/renovations. Also, provide a breakout of all such improvements/renovations performed during the test year that have been placed into rate base.
 - k. Identify all operation and maintenance (“O&M”) needs and requirements for the system.
 - l. Identify all costs associated with system O&M.
 - m. Identify the number of unsold lots in each system.
 - n. Explain whether there is any new home construction in any of the neighborhoods that the Company provides utility service to, and if so, specify how many new customers will be coming onto the system.
2. Provide an analysis, including specifying rates, terms, and tariffs that each system would be assigned if the costs of service were limited to the system being served and the company were not proposing unified rates as discussed at App. Exh. 8-A, Cox Testimony at 73.
3. Describe the relationship between the company and Midwest Water Operations, LLC, including but not limited to describing any affiliation, common owners, and/or board members.
4. Describe the relationship between the company and Nitor Billing Services, LLC, including but not limited to describing any affiliation, common owners, and/or board members.
5. Identify all costs associated with installation and operation of remote monitoring at each

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system.

6. Discuss whether remote monitoring is necessary for the operation of a basic sewage plant and identify other cases where the Commission has approved costs related to remote monitoring.
7. Identify and describe all penalties and/or fines paid to local, state, and/or federal regulators related to the systems and discuss whether those have been included in the costs of service. Provide a discussion on the Company's perspective of whether the shareholders should be responsible for any portion of such penalties and/or fines.
8. With regard to cash working capital:
 - a. Identify cases where the Commission has recently allowed a 45-day convention or similar mechanism for cash working capital.
 - b. Identify cases where the Commission has recently required a lead/lag study and/or set cash working capital at \$0.
 - c. Discuss why the Commission should not require the company to complete a lead/lag study.
 - d. Discuss the cost of a lead/lag study.
9. With regard to the revenue requirement and utility plant in service (UPIS):
 - a. Discuss whether UPIS for the forecasted test year includes all improvements for each system as detailed in the testimony of Jacob Freeman.
 - b. Specifically, are all necessary improvements as detailed in the testimony of Jacob Freeman to be recovered in a single year?
 - c. If not, discuss the schedule over which those costs will be recovered through rates.
10. Identify all cases where the Commission granted a return on equity in excess of 9.5% over the past two years.
11. Provide the approved return on equity for each of Bluegrass' affiliated companies, and identify the state in which the companies are located in.
12. Provide workpapers for any calculations made related to the proposed cost of debt.
13. Identify all cases where the Commission granted a company-specific business risk adjustment to return on equity over the past three years.
14. Discuss how compensating the company for company-specific business risks results in just rates for customers.
15. Discuss why customers of systems which are comparatively less-distressed should be

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required to compensate the company for risk associated with its business decision to also purchase comparatively more-distressed systems.

16. Identify all Commission authority supporting the establishment of a uniform rate schedule for utilities serving rate-payers located in disparate locations.
17. Discuss generally why customers should be required to compensate the company for its business decision to purchase comparatively risky assets.
18. Provide a copy of the loan documents for the loan referenced by Jennifer Nelson in her testimony at page 9 line 12 to the extent that loan has been finalized.
19. Provide a copy of loan documents for all loans obtained by the company.
20. Discuss the criteria for rating utility debt and apply that criteria to the assets held by the company.
21. Identify the highest five costs of debt rates approved by the Commission in the past two years.
22. Discuss whether substantial investments in improvements to currently-distressed systems in the near term will result in rates in out-years after those improvements have been funded and depreciated which do not accurately reflect the cost of service.
23. Provide any correspondence from the Kentucky Division of Water requiring that improvements or repairs be made to any and all of the systems identified in the application.
24. Describe why it would not be advantageous to customers to set a separate rate for each individual sewer system.
25. Provide a copy of all of the agreements between the Company and/or its parent and the previous owners of the systems listed in paragraph 6 on page 3-4 of the application.
26. Describe whether the Company achieved any savings in the transactions in which it acquired the systems due to substandard condition of those systems and the need for improvements.
27. Describe whether the previous owners of the systems breached agreements with customers which required the previous owner to maintain the condition of the system.
28. Provide copies of any agreements between previous owners of the systems and system customers to the extent the company has access to those.

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29. Describe whether and why rates should be set in perpetuity when many of the costs presenting the basis for those rates are one-time or short term-improvements required to bring a system back to acceptable and operable condition.
30. At App. Exh. 6, the Company represents contractor costs of \$4,133 per month per plant site for Midwest Water Operations, LLC and \$1 per customer per month for Nitor Billing Services, LLC. Those amounts appear to be inconsistent with the compensation to be provided to those companies pursuant to the agreements appearing at App. Exh. 16-a, 16-b, and 16-c. Please explain those discrepancies and clearly and definitively represent the respective costs described by those representations.
31. Some commenters have indicated that prior to the Company's acquisition of system(s), those systems maintained cash reserves (ex. A \$45,000 reserve for Carriage Park). Explain in detail whether any cash reserves existed for any acquired systems and if those reserves were transferred to the control or access of the Company or associated entities pursuant to the acquisitions(s).
32. Please discuss whether the Company considered the rate-making concepts of "rate shock" and "gradualism" when making the requests contained within the application. If so, specifically quantify the degree to which the Company's proposal reflects such consideration.
33. Identify and quantify all capital expenditures included in the calculation of rate base for which construction has not begun.
34. Discuss whether the Company is in compliance with all requirements of the Commission as directed in Case No. 2020-00028, including any and all requirements related to its debt to equity ratio.
35. See testimony of Jacob Freeman at App. Exh. 8-C. For all cost estimates provided for improvements, provide workpapers if any were created in the estimation of those costs.
36. See testimony of Jacob Freeman at App. Exh. 8-C. Describe what constitutes "Construction Design and Investigative Services" as used through the testimony and identify who would perform those services.
37. See testimony of Jacob Freeman at App. Exh. 8-C. Discuss why the cost of installing a mission alarm and smoke testing varies from system to system.
38. See testimony of Jacob Freeman at App. Exh. 8-C, p. 33, 38, 41, and 43. Confirm that "Mission Monitoring" should read "Mission Monitor Installation." If not, describe why monitoring should constitute a construction item.

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39. Provide a document identifying compensation and benefits for all CSWR, LLC employees.
40. Provide a document identifying compensation for all Bluegrass employees.
41. Provide workpapers demonstrating that allocation of administrative costs from CSWR, LLC to the Company.
42. Identify accumulated depreciation balances for all systems at the time they were acquired.
43. Identify all depreciation schedules for all systems.
44. Confirm that a proxy group for the Company does not exist for the purpose of setting cost of debt.
45. Why should the Commission use B-rated or CCC-rated utility debt as a proxy for the purposes of cost of debt when the improvements to be made by the company based on the proposed rate structure should theoretically leave the Company in a strong financial position with stable assets that are no longer “distressed”?
46. Has the Company obtained and/or is the Company seeking any funds/grants from federal and/or state sources which have been or will be made available to drinking water and/or wastewater facilities? If so, identify the source and amount of those funds/grants. If not and funds/grants are available for which the Company is eligible, explain why the Company is foregoing those opportunities.
47. Explain in detail how the Company has complied with KRS 278.2201 to 278.2213 regarding affiliate transactions.
48. Provide a copy of any and all cost allocation manual(s) related to the operations of CSWR, LLC, Bluegrass Water, and/or affiliates.