

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF BLUEGRASS</b>	)	
<b>WATER UTILITY OPERATING COMPANY, LLC</b>	)	
<b>FOR CERTIFICATES OF CONVENIENCE AND</b>	)	
<b>NECESSITY FOR PROJECTS AT THE</b>	)	<b>CASE NO. 2022-00104</b>
<b>DELAPLAIN SITE</b>	)	

**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC’S  
RESPONSES TO COMMISSION STAFF’S FIFTH REQUESTS FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC, (“Bluegrass Water” or the “Company”) by counsel, files its responses to the Commission Staff’s Fifth Requests for Information, issued in the above-captioned case on March 18, 2024.

**FILED: April 15, 2024**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC FOR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR PROJECTS AT THE DELAPLAIN SITE  
CASE NO. 2022-00104

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE COMMISSION STAFF'S FIFTH REQUESTS FOR INFORMATION

**REQUEST NO. 5-1:** Refer to Bluegrass Water's Ordering Paragraph 2 Notice and Request for Approval Pursuant to Ordering Paragraph 3 (Notice), page 2, paragraphs 4-5. Provide a cost breakdown itemized by the three approved projects in the following format:

Total cost of MBBR system per selected bid: \$\_\_\_\_\_.

Total cost of polymer feed/filtration system per selected bid: \$\_\_\_\_\_.

Total cost of road/fencing per selected bid: \$\_\_\_\_\_.

**RESPONSE:** For breakdown of CWS bid please see **CONFIDENTIAL Exhibit PSC 5-1 Bid Evaluation.**<sup>1</sup>

**Total cost of MBBR system per selected bid: \$575,402.**

**Total cost of polymer feed/filtration system per selected bid: \$712,141.**

**Total cost of road/fencing per selected bid: \$32,270.**

**Witness: Jake Freeman**

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<sup>1</sup> Pursuant to 807 KAR 5:001 Section 10, the personal information of individuals who are not parties to this matter and who have not requested to be parties to this matter have been redacted. In addition, a contemporaneously filed Motion for Confidential treatment seeks protection of the confidential bid evaluation information.

## PSC 5-1 ATTACHMENT

This attachment, in its entirety, has been submitted under seal with an accompanying request for confidential treatment.

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**REQUEST NO. 5-2:** Refer to the Commission’s March 30, 2023 final Order granting a CPCN (final Order), pages 10-11, tables reproduced below:

MBBR and alternatives first year cost-benefit analysis:

	Proposed Project	FAS Alternative	Aeration Alternative	Tankage Alternative	Connect to City
Construction Costs	\$ 311,500	\$ 500,000	\$ 750,000	\$ 600,000	\$ 1,340,000
Multiply by: WACC	7.95%	7.95%	7.95%	7.95%	7.95%
Rate Base Effect	\$ 24,764	\$ 39,750	\$ 59,625	\$ 47,700	\$ 106,530
Depreciation	\$ 15,184	\$ 25,000	\$ 37,500	\$ 30,000	\$ 31,953
Annual O&M Expense	\$ 156,961	\$ 156,961	\$ 192,311	\$ 192,311	\$ 735,000
Total Revenue Requirement	\$ 196,909	\$ 221,711	\$ 289,436	\$ 270,011	\$ 873,483
Less: Current Annual O&M Expense	\$ 156,961	\$ 156,961	\$ 156,961	\$ 156,961	\$ 156,961
Total Revenue Requirement Impact	\$ 39,948	\$ 64,750	\$ 132,475	\$ 113,050	\$ 716,522

Polymer feed and tertiary filters and alternatives first year cost-benefit analysis:

	Proposed Project	Tertiary Filters	Separate Tankage Alternative	Connect to City
Construction Costs	\$ 283,200	\$ 418,000	\$ 500,000	\$ 1,340,000
Multiply by: WACC	7.95%	7.95%	7.95%	7.95%
Rate Base Effect	\$ 22,514	\$ 33,231	\$ 39,750	\$ 106,530
Depreciation	\$ 12,749	\$ 20,900	\$ 25,000	\$ 31,953
Annual O&M Expense	\$ 156,961	\$ 156,961	\$ 156,961	\$ 735,000
Total Revenue Requirement	\$ 192,224	\$ 211,092	\$ 221,711	\$ 873,483
Less: Current Annual O&M Expense	\$ 156,961	\$ 156,961	\$ 156,961	\$ 156,961
Total Revenue Requirement Impact	\$ 35,263	\$ 54,131	\$ 64,750	\$ 716,522

a. Provide updated cost-benefit analyses for the proposed projects and the alternatives identified in these tables using cost breakdowns provided in the response to Item 1 above and updated estimated costs of alternatives.

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b. For each alternative identified in these tables, explain why the issues resulting in increased costs identified in Notice, page 2–3, paragraphs 6–9 would or would not affect the estimated costs of each alternative.

c. Provide all documents relied upon to estimate costs of alternative projects.

**RESPONSE:**

**a. Please see the updated cost benefit analysis attached as CONFIDENTIAL Exhibit PSC 5-2a Cost-Benefit Analyses.<sup>2</sup>**

**b. Please see the attached 3rd party capital estimates for the alternative projects provided by an engineering firm with experience in design and construction in the state of Kentucky attached as CONFIDENTIAL Exhibit PSC 5-2b Capital Estimates.<sup>3</sup> As previously discussed, the primary causes of increased costs reflected in the bids, as well as in the updated capital estimates, are significantly increased cost of materials and labor in the economic and business sector from the COVID-19 pandemic, as well as the fact that the geotechnical/soil conditions of the site proved much worse than originally anticipated. The soil conditions mean that any additional structures beyond what exists on the site currently have dramatically higher costs associated with footings than originally planned. This**

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<sup>2</sup> A contemporaneously filed Motion for Confidential treatment seeks protection of the confidential cost-benefit analyses of the proposed project and the alternatives.

<sup>3</sup> A contemporaneously filed Motion for Confidential treatment seeks protection of the confidential capital estimates for the alternative projects.

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**also meant that any of the alternatives which relied on the installation of additional tankage have seen more dramatic increases in costs when compared to the proposed project, in which the only new structure was the infrastructure for the filter equipment.**

- c. Please see the attached 3rd party capital estimates for the alternative projects provided by an engineering firm with experience in design and construction in the state of Kentucky attached as CONFIDENTIAL Exhibit PSC 5-2b Capital Estimates as well as the breakdown of the lowest bid attached as CONFIDENTIAL Exhibit PSC 5-1 Bid Evaluation.**

**Witness: Jake Freeman / Brent Thies**

## PSC 5-2 ATTACHMENTS

These attachments, in their entirety, have been submitted under seal with an accompanying request for confidential treatment.

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**REQUEST NO. 5-3:** Refer to Bluegrass Water's Application, page 4–5, paragraphs 11 and 13, and Bluegrass Water's responses to Commission Staff's First Request for Information, Item 2 (21 Design Engineering Memo).

a. State whether identifying subsurface conditions and flood zones were within 21 Design's scope of work in preparing its engineering memo, recommendations, and cost estimates, if any.

b. Identify any person or entity that was responsible for preparing cost estimates for the proposed projects.

c. Identify any person or entity that was responsible for identifying subsurface conditions and flood zones for the proposed projects.

**RESPONSE:**

**a. It is always the Company's intent to align engineering activities with key project milestones and regulatory approvals, as to optimize the use of resources and minimize unnecessary expenses, ultimately benefiting rate payers. With this in mind, if this information has not been made available by previous ownership, it would typically be outside the scope of the third-party engineering due diligence process. Recognizing that including this level of analysis is typically not necessary, especially in the context of the preliminary phase prior to acquisition, undertaking this analysis at such a preliminary point would only result in unnecessarily inflating engineering costs and future rate burdens for many projects that do not actually require this analysis.**



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- b. The estimates for the alternatives both in the initial CPCN filing and in the updates provided for these data requests were completed by 21 Design Group, Inc.**
- c. This identification of subsurface conditions and flood zones occurred during the final design phase (after the CPCN approval but prior to bid letting) and was completed by 21 Design.**

**Witness:      Jake Freeman**

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**REQUEST NO. 5-4:** Refer to Notice, Exhibit B. State the date, if any, on which the selected bid expires, or if a contract has been executed, provide a copy of the contract.

**RESPONSE:** The bid that is the subject of this Notice expired on February 8, 2024, and the contract has not been awarded due to the bids coming in significantly higher than the previously provided capital estimates as well as the need to communicate with the Commission prior to award. While Bluegrass Water has been notified by CWS that it would extend the bid for an additional 30 days beyond April 12, 2024 (May 12, 2024), additional regulatory review that extends this case beyond the May 12, 2024, bid deadline may necessitate the need to solicit another round of bids. For this reason, Bluegrass Water desires to complete this process as expeditiously as possible and receive approval for this bid. That all said, however, Bluegrass Water anticipates that, despite the expired bid, a subsequent round of bids will be comparable to the bid that is the subject of this Notice.

**Witness:      Jake Freeman**

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**Verification**

I, Jake Freeman, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

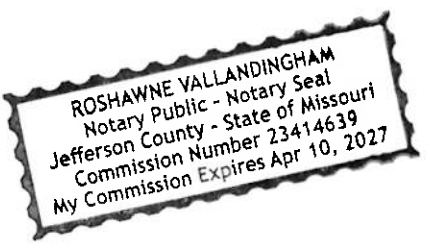
Name: Jake Freeman  
Title: ENGINEERING DIRECTOR

Date: 4/15/24

State of Missouri )  
County of St. Louis )

Subscribed, sworn to, and acknowledged this 15<sup>th</sup> of April, 2024, before me, a Notary Public, in and before said County and State.

My Commission expires: 04-10-2027



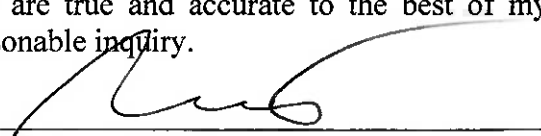
Rosshawne Vallandingham  
Notary Public

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**Verification**

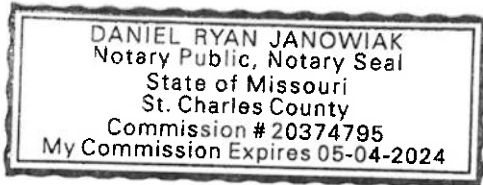
I, Brent Theis, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

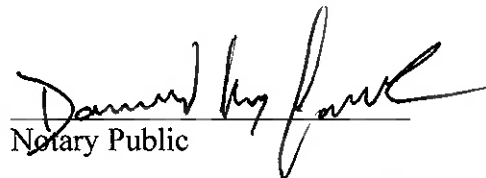
  
Name: Brent Theis  
Title: Vice President  
Date: 4/15/24

State of Missouri )  
County of St. Louis )

Subscribed, sworn to, and acknowledged this 15<sup>th</sup> of April, 2024, before me, a Notary Public, in and before said County and State.

My Commission expires: 5/4/24



  
Notary Public