

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

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’s Response to Staff’s Third Request for Information

The Applicant, Bluegrass Water Utility Operating Company, LLC (“Bluegrass”) herewith submits its Response to the Commission Staff’s Third Request for Information. A signed, notarized verification for this Response appears on the following page. The undersigned counsel is responsible for any objection noted for a particular response.

Respectfully submitted,

/s/ Kathryn A. Eckert

Katherine K. Yunker
kyunker@mcbayerfirm.com
Kathryn A. Eckert
keckert@mcbayerfirm.com
MCBRAYER PLLC
201 East Main Street; Suite 900
Lexington, KY 40507-1310
859-231-8780
fax: 859-960-2917
Counsel for Bluegrass Water Utility Operating Company

Bluegrass Water Utility Operating Company, LLC

Verification

I, **Aaron Silas**, Regulatory Case Manager of Central States Water Resources, Inc., the manager of Applicant Bluegrass Operating Company, LLC being duly sworn, state that I prepared or supervised the preparation of the following responses to PSC's Third Request for Information, 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.



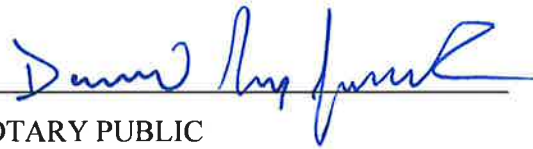
Aaron Silas

STATE OF MISSOURI)

COUNTY OF St. Louis)

Subscribed, sworn to, and acknowledged this 7th day of NOV., 2022, before me, a Notary Public in and before said County and State.

My Commission expires: 5/4/24



NOTARY PUBLIC

{seal}



Request

1. For each of the following alternative to the MBBR system proposed in the application, provide the estimated construction costs, the estimated annual depreciation expense associated with the alternative, and any change to annual Operational & Maintenance (O&M) Expenses the alternative would have compared to current levels.
 - a. IFAS fixed film attached growth system;
 - b. Additional conventional aeration tankage;
 - c. MBBR in a separate tank;
 - d. Connecting to the city of Georgetown.
-

Response

- a. Please see Bluegrass's responses to 1 PSC 8 and 2 PSC 1. The anticipated operational costs for the IFAS alternative will be essentially the same as the selected MBBR option. Specifically, as reflected in the response and attachment to 1 PSC 19, under both the selected MBBR option and the IFAS alternative operational costs are estimated to be \$156,961.89. The anticipated construction cost is estimated to be \$500,000 or greater. The Useful Life is estimated at 20 years and depreciation (calculated from capital and useful life) is estimated at \$25,000 per year.
- b. Please see Bluegrass's responses to 1 PSC 8 and 2 PSC 1. The anticipated operational costs for this project will be essentially the same as the selected MBBR option (\$156,961.89) except that the additional aeration option would result in additional blowers and, therefore, higher electrical costs. Specifically, the two additional blowers under the additional aeration option would increase electrical costs by approximately \$35,350 (\$17,675 annual electric cost / blower * 2 additional blowers). Therefore, the operating cost for the additional aeration tankage option would be \$192,311,89 as compared to

\$156,961.89 for the MBBR selected alternative. The anticipated construction cost is estimated at \$750,000 (or greater). The Useful Life is estimated at 20 years with estimated Depreciation (calculated from capital and useful life) at \$37,500 per year.

- c. Please see Bluegrass's responses to 1 PSC 8 and 2 PSC 1. The anticipated operational costs for this project will be essentially the same as the option of the additional conventional aeration tankage (discussed above) as it would result in two additional blowers needed to run the existing plant and the new MBBR. Therefore, the annual operating cost for this alternative would be \$192,311.89. The anticipated construction cost is \$750,000 (or greater). The estimated Useful Life is 20 years. The estimated depreciation (calculated from capital and useful life) is \$30,000 per year.
- d. Please see Bluegrass's responses to 1 PSC 8 and 31 and 2 PSC 1. The anticipated operational costs for this project will be significantly lower than the operations cost for the other options as the system would only require operations for a new lift station instead of the full treatment plant. That said, however, a new operational cost in the form of the pass-through treatment cost would more than offset the savings on direct operations cost. Specifically, as discussed in 1 PSC 31, Bluegrass estimates an annual treatment cost from the city of Georgetown of \$735,000 (discussed in 1 PSC 31). The anticipated cost is estimated at \$1,340,000 based on: (1) new lift station construction cost of \$300,000, (2) 2 miles of main at \$70 per foot including easement negotiation at \$740,000, and (3) decommissioning cost of existing plant at \$300,000). The estimated Useful Life would be 50 years for mains and 30 years for lift station. Estimated depreciation (calculated from

capital and useful life weighting the decommissioning cost across the lift station and main costs) is \$31,953 per year.

Request

2. For each of the following alternative to the solids handling enhancements proposed in the application, provide the estimated construction costs, the estimated annual depreciation expense associated with the alternative, and any change to annual O&M Expenses the alternative would have compared to current levels
 - a. Tertiary filters;
 - b. Secondary clarifier in additional tankage;
 - c. Connecting to the city of Georgetown.
-

Response

- a. Please see Bluegrass's responses to 1 PSC 17 and 2 PSC 2. The anticipated operational costs for this project will be essentially the same as the selected option which was calculated to be \$156,961.89 previously submitted in 1 PSC 19 (assuming this would be paired with the selected MBBR Project). The primary difference between the tertiary filters option and the selected solids handling alternative is that Bluegrass was able to get an excellent deal on lightly used (essentially still new) versions of the solids handling equipment. Therefore, while the operating cost of the solids handling and tertiary filters options are essentially identical, the tertiary filter alternative carries a much higher capital cost. The estimated anticipated construction cost is \$418,000 (or greater). The estimated Useful Life is 20 years. Estimated depreciation (calculated from capital and useful life) would be \$20,900 per year.
- b. Please see Bluegrass's responses to 1 PSC 17 and 2 PSC 2. The anticipated operational costs for the secondary clarifier option will be essentially the same as the selected MBBR option with solids handling treatment. As previously explained, this was calculated to be \$156,961.89. That said, however, the secondary clarifier alternative may also require

pumping from the existing clarifier to the secondary clarifier. If such pumping is ultimately determined to be necessary, then such pumping would necessarily result in additional electrical expense. For now, it will be assumed that such pumping is not necessary and can instead be accomplished with an air lift running on the current plant blowers and no additional pumping expense. The anticipated construction cost is estimated at \$500,000 (or greater). The estimated Useful Life is 20 years. Estimated depreciation (calculated from capital and useful life) would be \$25,000 per year.

- c. Please see Bluegrass's responses to 1 PSC 8 and 31 and 2 PSC 1. The anticipated operational costs for the connection to Georgetown option will be significantly lower than the operations cost for the other options as the system would only require operations for new lift station instead of the full treatment plant. That said, however, a new operational cost (estimated at \$735,000) in the form of the pass-through cost from the city would more than offset the savings on direct operations cost (discussed in 1 PSC 31). The anticipated cost is estimated at \$1,340,000 based on: (1) new lift station construction cost of \$300,000, (2) 2 miles of main at \$70 per foot including easement negotiation at \$740,000, and (3) decommissioning cost of existing plant at \$300,000). Useful Life is estimated at 50 years for mains and 30 years for the lift station. Depreciation (calculated from capital and useful life weighting the decommissioning cost across the lift station and main costs) is estimated at \$31,953 per year.