

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

**In the Matter of:**

**ELECTRONIC APPLICATION OF BLUEGRASS        )  
WATER UTILITY OPERATING COMPANY, LLC    )  
FOR ADJUSTMENT OF SEWAGE RATES            )        **CASE NO. 2022-00432****

**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC’S  
RESPONSES TO OFFICE OF THE ATTORNEY GENERAL’S  
FIRST REQUEST FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC, (“Bluegrass Water” or the “Company”) by counsel, files its responses to the Office of the Attorney General’s First Request for Information, issued in the above-captioned case on April 28, 2023.

**FILED:        May 12, 2023**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-1:** The filing discloses the number of connections served by Bluegrass at the various systems. A single connection may serve multiple people in a family or at location. To the extent known, identify how many individual customers are served by each Bluegrass system. If such a number is not known, but the Company has a reasonable metric to estimate the number of individuals served, please provide that.

**RESPONSE:** Bluegrass Water is not aware of how many individual customers are served by each Bluegrass Water connection. In general, the Company uses a 2.5x multiplier for each connection to estimate the total number of individual customers served. Please see Exhibit OAG 1-1 for a breakdown utilizing the 2.5x multiplier.

**Witness: Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-2:** List the CPCN approval for each construction project included and proposed to be included in rate base, including the case number and date of the order approving the project.

**RESPONSE:** Please see the following: Case No. 2022-00102 (Order Entered November 7, 2022), Case No. 2022-00046 (Order Entered November 3, 2022), and Case No. 2022-00015 (Order Entered September 1, 2022). Additionally, the Company reserved the right to revise its request for relief in this proceeding upon receiving a CPCN in Case No. 2022-00104, which was granted on March 30, 2023.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-3:** For the systems acquired since the Company's last rate case, provide the rate history to the extent known for the 20 previous years.

**RESPONSE:** Bluegrass Water objects to providing rate history dating back twenty years as overly broad, unduly burdensome, and seeking information that may be irrelevant to whether its proposed rates in this case are fair, just, and reasonable. Subject to and without waiver of this objection, Bluegrass Water is unaware of the rate history for each individual system acquired since the last rate case. Further, Bluegrass Water points out that this information may be available through public records.

**Witness:      Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-4:** Provide detailed calculations and all workpapers related to the annualization of revenues and expenses for Darlington Creek.

**RESPONSE:** For Darlington Creek, the test period expenses were taken by account, multiplied by 12, and then divided by the number of months that Bluegrass Water owned the system (3 months). Please also see Exhibit OAG 1-113, under tab "Darlington Creek Details."

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-5:** Discuss the Company's procurement practices related to fuel, chemicals, and equipment. Specifically, is the Company able to achieve any cost efficiencies by procuring these items in bulk for multiple systems? If not, why not?

**RESPONSE:** Bluegrass will set up local vendors in our accounting system for direct payment, this eliminates procurement markups from operations and maintenance partners. When possible, Bluegrass will set up a regional vendor to provide the referenced services.

**Witness:      Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-6:** For CSWR and Bluegrass, provide calculations demonstrating that any charitable, lobbying/political, advertising, dues or membership fees paid to trade groups or law firms, and business development costs have been removed.

a. For each item of dues or membership fees included above the line, explain whether any portion of the dues / fees are utilized to pay for any of the following expenditures, and if so, provide complete details:

- i. Legislative advocacy;
- ii. Regulatory advocacy;
- iii. Public relations;
- iv. Influencing federal or Kentucky legislation or regulations;
- v. Legislative policy research;
- vi. Regulatory policy research;
- vii. Any media advertising campaigns backing the Company's or the Dues Requiring Organization's advocacy positions;
- viii. Contributions from any Dues Requiring Organizations to third-party organizations and contractors including any of the expenditures identified in the subparts to this question, above.

b. For each item of dues or membership fees included above the line:

- i. Provide any and all documents in the Company's possession that depict how each Dues Requiring Organization spends the dues it collects from the Company.
- ii. Provide a detailed description of the services each Dues Requiring Organization provides to the Company.
- iii. Provide a complete copy of invoices received from each Dues Requiring Organization applicable to the test year.

c. If any affiliate of the Company pays dues to one or more Dues Requiring Organizations, and a jurisdictional portion of those dues are charged back to the

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

Company, explain whether the dues are being recovered in rates, the amounts thereof, and precisely where they can be found in the application.

**RESPONSE: Bluegrass Water objects to this Request as overly broad, unduly burdensome, and seeking information outside the scope of this rate case or information about expenses that are not included in its rate base. Bluegrass Water also objects to the term “regulatory advocacy” as vague and unclear. Moreover, its legal expenses in this rate case are recoverable. Ultimately, utilities like Bluegrass Water “may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person.” KRS 278.030(1).**

**Subject to and without waiver of the foregoing objections, please see the Direct Testimony of Brent Thies, Application Exhibit 10 at page 15, line 14.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-7:** See Schedule BT-13. Describe why ratepayers should not be held harmless from transaction and transition costs that would not have been incurred but for Bluegrass's acquisition of the systems?

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Subject to and without waiver of the foregoing objection, Bluegrass Water believes that Bluegrass Water's acquisition of the systems provided customers with many tangible benefits that more than account for the transaction and transition costs shown in Schedule BT-13. For example, being under CSWR's management allows Bluegrass Water customers to benefit from CSWR's technical, managerial, and financial expertise. CSWR's centralized management structure can achieve economies of scale that would not be available if Bluegrass Water was required to acquire the expertise necessary to perform those same services on a stand-alone basis. Those economies of scale result in lower operating costs, which are reflected in customer rates.

In addition to these economies of scale, CSWR's size and the experience and expertise its employees have gained providing services to more than 800 water and wastewater systems nationwide provide qualitative benefits that are difficult to precisely measure. For example, CSWR uses a Computerized Maintenance Management System (CMMS) program, Utility Cloud, to facilitate field work, inspections, maintenance schedules, and reporting for all affiliate facilities. This allows CSWR to manage data, work, and compliance across plant and distributed field assets. Utility Cloud has been implemented in Kentucky to assist in avoiding compliance and equipment failures by allowing real-time data monitoring across people,

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**machines, and sensors throughout Bluegrass Water's service area. The main benefit that Utility Cloud offers CSWR's affiliates is that the system is a highly configurable, easy-to-use asset management tool that helps all parties distribute work, report on maintenance, and streamline compliance reports. This allows CSWR to build out systems efficiently and immediately begin tracking maintenance and improvements. Features of Utility Cloud that benefit Bluegrass Water include:**

- Automating the completion and submission of compliance reports using the exact field data that crews collect;**
- Using custom accounts, security roles, and user rights to maintain the separation between projects;**
- Managing multiple contractors while storing all CSWR's data in one database;**
- Managing and tracking maintenance history on all assets to assist in identifying potential capital improvement projects;**
- Creating custom alerts as issues arise;**
- Leveraging digital SOPs, manuals, and layouts helping to standardize complex work and to meet regulatory, county, and OSHA requirements;**
- Creating powerful workflows and reports for our compliance objectives;**
- Integrating with the survey database to create a useable asset for field work tracking; and**
- Using real-time data and leveraging analytical tools to trend plant performance.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

Another benefit of Bluegrass Water's affiliation with CSWR is in the area of customer service. CSWR has built, from scratch, customer service systems that provide substantial benefits to Bluegrass Water's customers. Those systems include:

- 24-hour emergency service phone lines for potential service issues;
- On-call emergency service contractor personnel;
- Implementation of a computerized maintenance management system for wastewater and drinking water utility assets;
- Real time remote monitoring to ensure service stability;
- On-line bill-pay options;
- Up-to-date website bulletins about current service status; and
- Service initiation or discontinuance procedures.

Being part of the CSWR affiliate group also gives Bluegrass Water access to capital – especially equity capital – that almost certainly would not be available to such a small company on a stand-alone basis.

Witness:     **Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-8:** Discuss why the Company has estimated cash working capital based on the 1/8<sup>th</sup> method and has failed to perform a lead/lag study despite the Commission's statement in its Order of December 28, 2021 in Case No. 2021-00183 that, "the Commission places Columbia Kentucky and all other utilities on notice that in any future rate cases, a lead/lag study is to be performed and shall exclude noncash items and balance sheet adjustments."

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Subject to and without waiver of the foregoing objection, in Bluegrass Water's prior rate case, the Commission determined that due to Bluegrass Water's size and relative sophistication use of the 1/8th method was reasonable. "Bluegrass Water calculated its cash working capital allowance of \$256,178 by using the 45 day or 1/8th formula methodology, after adjusting for the impacts of Bluegrass Water's proposed adjustments to O&M expenses. While the Commission finds the 1/8th approach to be a reasonable approach for Bluegrass Water, particularly given its size and relative sophistication, and Commission will permit its use in this matter given those factors. . . ." Case No. 2020-00290, August 2, 2021 Order, at 54.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-9:** Discuss why rate case expense should not be reduced in rate base to allow for amortization over a period of time.

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Subject to and without waiver of the foregoing objection, the Company has proposed an amortization period of 3 years. Since the Company has already carried those expenses on its books for months and would get no rate recovery until the implementation of any rate change approved by the Commission, the rate case expenses have not been reduced prior to their addition in rate base.

**Witness:     Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-10:** See Direct Testimony of Theis at 30. Provide authority where the Commission has previously authorized a "positive acquisition adjustment."

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Subject to and without waiver of the foregoing objection, for an example of such authority, please see the Commission proceedings cited in the Direct Testimony of Brent Thies, Application Exhibit 10 at 32.

Witness:     Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-11:** Admit that Bluegrass cannot satisfy the criteria for recovery of acquisition prices above net book value established in the Commission's Order of April 27, 2021 in Case No. 2020-000396 that, "the initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers," because the costs Bluegrass has incurred plus the initial investment have adversely impacted the costs and rates of new and existing customers.

a. If denied explain why this is not the case for new and existing customers.

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Bluegrass Water denies the assertion that it cannot satisfy any legal standard for recovery of its requested relief. Subject to and without waiver of the foregoing objections, please see the Direct Testimony of Brent Thies, Application Exhibit 10 at page 29 – 35. Please also see Response to OAG 1-7.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-12:** Discuss how the Company's proposal to charge late payment fees is consistent with the Commission's statement in its Order of November 20, 2020 in Case No. 2020-00195 that, "the collection of late fees is not recovering an actual cost that the utility incurs, it is purely a punitive exercise that disproportionately affects those customers already unable to pay for service rendered, and the uncontroverted evidence indicates that it has little-to-no effect on a customer's timeliness of payment."

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Bluegrass Water further objects to this Request because there was not a Commission Order issued in Case No. 2020-00195 on November 20, 2020. Bluegrass Water further objects to this Request No. 1-12 because, assuming the Request relates to the Commission Order entered on December 30, 2020, the Request fails to quote the entire passage and provides no indication that any words were removed from the quoted passage. The referenced quotation excludes the relevant clause "For Southeast Daviess District."

Subject to and without waiver of the foregoing objections, Bluegrass Water's proposed late payment fee is consistent with the Commission statement because Bluegrass Water incurs costs when payments are late.

Witness:     **Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-13:** In support of its request for approval to charge a late fee, Bluegrass cites to the approval of a 10% late payment penalty by certain Water Districts. Discuss whether Bluegrass qualifies for the 10% late payment penalty authorization under KRS 278.0154.

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Bluegrass Water further objects to this Request because Bluegrass Water never asserted that it qualified for a late payment penalty under KRS 278.0154.

**Witness: Counsel**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-14:** Discuss the tax status of Bluegrass Water and whether this status supports removing ADIT from rate base.

**RESPONSE:** Bluegrass Water is organized as a Limited Liability Company which has chosen C-Corp status for federal tax filing. The Company has no ADIT related to book/tax timing differences such as accelerated depreciation for tax purposes.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-15:** Discuss generally whether Bluegrass owns and maintains lines between residences and treatment facilities.

- a. Specifically, where does Bluegrass's ownership and authority begin with respect to a system?
- b. Specifically discuss this issue as it relates to the Airview system after reviewing the news report, "Residents in Hardin County neighborhood tired of long-term sewage problem in their backyards," which can be accessed at [https://www.wdrb.com/news/residents-in-hardin-county-neighborhood-tired-of-long-term-sewage-problem-in-their-backyards/article\\_14aae7da-4a90-11ed-b77f-a316169d57af.html](https://www.wdrb.com/news/residents-in-hardin-county-neighborhood-tired-of-long-term-sewage-problem-in-their-backyards/article_14aae7da-4a90-11ed-b77f-a316169d57af.html).
  - i. Does Bluegrass have ownership of the lines at issue and/or the authority to make the repairs to the lines discussed in the report?
  - ii. Has Bluegrass made any repairs to the lines at issue in the report?
    1. If yes, please detail those repairs or replacements.
  - iii. If it has not made repairs or replacements, does Bluegrass plan to make those repairs or replacements?
    1. If yes, detail those plans.
    2. If yes, will it file a CPCN to do so or will it make the repairs without a CPCN?

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**RESPONSE: Bluegrass Water objects to this Request as it calls for a legal conclusion. Bluegrass Water further objects to the Request to the extent that it requires Bluegrass Water to accept as true any factual allegations contained in any news report.**

**(a) See the definition of Customer's Service Line contained in the current Bluegrass Water wastewater tariff. In addition, please see the various provisions under the tariff section entitled "Service Pipe Connections."**

**(b)(i) As reflected in the tariff sections referenced in (a), the determination of the point at which ownership lies with the customer or Bluegrass Water is fact-based and involves the location of the boundary line. With this in mind, Bluegrass Water notes that, in the article, Mr. Madaris specifically states that "the pipe broke behind my fence on my property." (emphasis added).**

**(b)(ii) and (iii). Bluegrass Water has not proposed, in this case, to change any of the tariff provisions relevant to the determination of customer ownership of the service line.**

**Witness: Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-16:** Please discuss Bluegrass's operations (and/or those of its contractors) related to taking complaints and/or requests for repair.

- a. Discuss all ways a ratepayer may make a complaint or request and all procedures related to receiving and responding to those complaints or requests, including the timing of responses.
- b. Discuss quality assurance checks that are in place to ensure that phone calls, letters, emails, and other messages from ratepayers are promptly returned.

**RESPONSE:** (a) Bluegrass utilizes Nitor, a vendor that takes calls 24/7, 365 days / year which allows the Company to be available for all service requests. In addition, the Company is available for all other inquiries from 7am-7pm CST on Monday through Friday. The customers can reach out to discuss concerns via customer experience hotline and customer experience email. Nitor responds in the moment, or as soon as possible.

(b) Bluegrass evaluates calls from all Nitor representatives on a regular basis. In addition to regularly evaluating phone calls, the company also conducts impromptu evaluations on all correspondence between Nitor and customers.

**Witness:      Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-17:** Discuss Bluegrass's processes for handling and accepting payments made by check through the mail.

- a. Where are payments mailed?
- b. Who processes the mail?
- c. If a ratepayer sends in a letter with information or a request along with payment, who reviews that information or request?

**RESPONSE:** (a) Customer payments made by check are sent to the Company's lockbox account at: PO Box 676395, Dallas, TX 75267-6395 as provided through PNC Bank. The lockbox staff processes all checks received daily and provides reports to the Company.

(b) The mail is processed by employees who work for the PNC lockbox.

(c) The lockbox portal includes a module for correspondence received by lockbox.

The review and request of any/all such customer correspondence is handled by CSWR Corporate office staff. The correspondence module is checked daily and routed internally, as necessary for resolution.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-18:** Does Bluegrass have a physical office in the Commonwealth where ratepayers can pay a bill or discuss an issue with an employee? If so, where are the office(s) located?

**RESPONSE:** No, Bluegrass Water does not have a physical office in the Commonwealth. See Bluegrass Water's Response to OAG 1-17 for where customers can pay bills by mail, in addition to online payment options offered by Bluegrass Water and please see Bluegrass Water's Response to OAG 1-16 for the customer service options offered by Bluegrass Water.

**Witness:**      **Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-19:** Discuss why it makes sense to have a unified rate schedule for systems that utilize different technologies and therefore have varying levels of capital need. For example, the wet well and land application system at Springcrest employs a much different process than the package plants that are more common to the systems owned by Bluegrass. Additionally, the lagoon system at Arcadia Pines is another technology, which differs from a package plant.

**RESPONSE:** In general, the Company directs attention to pages 11-14 of the Direct Testimony of Josiah Cox, as well as the Commission's decision regarding consolidation in Case No. 2020-00290. The Company believes that a unified rate schedule not only provides efficiencies for Bluegrass Water, but that it also facilitates the rehabilitation of distressed systems and mitigates rate impacts at many Bluegrass Water systems. Additionally, because each individual system requires periodic capital improvements at different times, consolidating rates levelizes the effect of discrete changes in costs across systems and over time. The Company also believes that regardless of the different technologies utilized, customers of each individual system receive the same operational quality of service. Bluegrass Water relies upon the same third-party contractor to operate each of its wastewater systems. As such, each wastewater system receives the same level of operational oversight. In addition, each of the CSWR systems receives an identical level of customer service. Specifically, customers for each of the systems receive 24/7 access to personnel to answer service and billing questions and respond to facilities and equipment problems adversely affecting service. Thus, from both an operations and a customer service perspective, Bluegrass Water's wastewater systems and customers receive a substantially

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**similar quality of service, regardless of the specific type of technology utilized to treat the  
wastewater, and should therefore be consolidated.**

**Witness: Josiah Cox**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-20:** Discuss whether Bluegrass has removed costs from rate base related to annual vehicle allowance for CSWR executives as the Commission required in Case No. 2020-00290. If not, explain why not. Also, quantify such vehicle allowance costs by employee allocated or otherwise charged to Bluegrass and included in the revenue requirement request.

**RESPONSE:** The Company has not included any vehicle allowance for CSWR executives or any employees in rate base.

**Witness:     Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-21:** Discuss whether rate base includes any expenses related to management consulting. If so, quantify the amount of Rate Base included in this application associated with management consulting.

**RESPONSE:** Rate base does not include any expenses related to management consulting.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-22:** Regarding Return on Equity, discuss why Mr. D'Ascendis included a 1% "business risk adjustment," in his modeling despite the fact that not two years ago the Commission stated, in Bluegrass's last rate case and where his testimony was at issue, "a business risk or size adjustment has not been approved in the past and the Commission agrees with the Attorney General and the Joint Intervenors that the explicit inclusion is not reasonable as such an adjustment is arbitrary and inflates the model results."

**RESPONSE:** As explained in Mr. D'Ascendis' Direct Testimony, page 48-52, Bluegrass Water faces extraordinary operating risks because the systems it has acquired are mainly troubled water and wastewater systems. In addition, these operating risks are only exacerbated by Bluegrass Water's small size. Consistent with the financial principle of risk and return, as discussed in Mr. D'Ascendis' Direct Testimony, page 50-51, increased relative risk due to small size must be considered in the allowed rate of return on common equity.

Witness:      Dylan D'Ascendis

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-23:** Regarding Return on Equity, define “indicated range of common equity cost rates.”

- a. Explain why the “indicated range of common equity cost rates” excludes the 9.16% rate calculated by Mr. D’Ascendis under the DCF model.

**RESPONSE:** As explained in Mr. D’Ascendis’ Direct Testimony, page 48, the indicated range of common equity cost rates before adjustments is equal to 50 basis points above and below the midpoint of the results: 10.13% to 11.13%, before adjustments. Explained further, Mr. D’Ascendis’ took the average of the low result (9.16% from the DCF) and the high result (12.09% from the RPM), which results in an average of 10.63%. 50 basis points below this midpoint is 10.13%, and 50 basis points above this midpoint is 11.13%.

**Witness:** Dylan D’Ascendis

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-24:** For each system, discuss whether the ratepayer has the authority to have a stand-alone septic system installed at their home, which they pay to have pumped, and may thereby discontinue participation in Bluegrass's treatment system.

**RESPONSE:** Bluegrass Water objects to this request as calling for a legal conclusion. Bluegrass Water further objects to this request as calling for a legal opinion on the relevant laws, regulations, ordinances, and/or deed restrictions that may apply to a ratepayer at each system.

**Witness: Counsel**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-25:** Discuss why it is appropriate to charge a flat rate for ratepayers who have the technology in place for metered service.

**RESPONSE:** Bluegrass believes it is appropriate to charge a flat rate for ratepayers because no wastewater customers have meters installed. Therefore, Bluegrass does not have the information to calculate a usage rate.

**Witness:** Timothy S. Lyons

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-26:** Some ratepayers have complained of bills erroneously showing past due amounts. See complaint of Carl and Lori Wasbutsky of Marshall Ridge filed in this docket on March 20, 2023.

- a. Please discuss this billing issue.
- b. Specifically, discuss whether any ratepayers paid past due amounts that were not legitimate and if so, how this was rectified.
- c. Discuss the Wasbutsky's allegations related to the worsened condition of the lagoon at Marshall Ridge.

**RESPONSE:** (a) **The billing issue incurred for erroneously past due amounts was caused by an error of the original payments not being applied by the bank, thus reflecting in a prior amount due.**

(b) **Any payments were posted to the applicable customer's account and were deducted from the customer's account balance.**

(c) **As required by state regulations, Bluegrass Water visits and inspects its wastewater facilities on a daily basis. The "scum" that is referenced in the Wasbutsky comments is actually duckweed, which is a commonly occurring floating aquatic plant which grows over still or slow-moving bodies of fresh water and wetlands, including most lagoons, ponds and small lakes. It is generally not harmful and can even provide some benefits in lagoon treatment provided it does not form too thick of a layer covering the entire lagoon surface. In amounts similar to those seen at the Marshall Ridge system, it can actually help prevent the formation of algae which could negatively impact treatment performance.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**Bluegrass Water operations does perform some treatment to reduce duckweed on an as needed basis to prevent it from overgrowing on lagoons in a way that could negatively affect treatment processes. The berms and surrounding easements at Marshall Ridge were recently mowed and are scheduled for routine mowing biweekly during the growth season. As the duckweed has not negatively impacted plant performance and the plant is meeting all treatment requirements, Bluegrass Water feels it would be a wasteful expense putting undue burden on ratepayers to install aeration at this facility solely as an aesthetic duckweed control measure. Please also see Exhibit OAG 1-26 for pictures of the Marshall Ridge lagoon.**

**Witness: Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-27:** With respect to each system, discuss whether the ability to meter service currently exists. If it does not, discuss how much it would cost to install equipment necessary to facilitate metered service.

**RESPONSE:** Bluegrass does not own or manage the water meters in the service areas in which Bluegrass provides sewer service.

**Witness:** Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-28:** For each system, provide:

- a. A list of regular maintenance activities performed on the system;
- b. A list of improvements completed since Bluegrass's purchase of the system;
- c. Status of any corrective actions identified by local or state agencies;
- d. Discussion of whether odor issues exist, and if so, the status of elimination of those odor issues.

**RESPONSE:** (a) Please see Exhibit OAG 1-28(a).

(b) Please see Exhibit OAG 1- 28(b) for a list of all assets with a value greater than \$500 (improvements) placed into service since acquisition by Bluegrass Water.

(c) No corrective actions were identified by any external agencies for sites other than the Marshall Ridge system. In the case of the discharging wastewater systems, Bluegrass Water identified and proposed corrective action plans which we submitted to the state, and they were approved by the state. The full correspondence between DOW and Bluegrass water is provided as Exhibit OAG 1-67. The Marshall Ridge system was issued a Notice of Violation by the McCracken County Department for Public Health, that is dated April 5, 2023, but was not received until April 11, 2023 which states that portions of the fencing around the lagoon have gaps between the bottom of the fence and the ground, and that the drip irrigation field exhibited ponding (incorrectly described as overflowing lagoon laterals in the inspection). Field staff performed a follow-up inspection and fencing improvements have been completed. A response has been sent to the Department of Health inspector explaining that fence repairs have been completed, and that the repairs to the drain field will

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

require engineering assessment, design, and additional time to complete repairs/improvements. Please see Exhibit OAG 1-28(c) for copies of the relevant correspondence referenced herein.

(d) Yes, there is an odor issue, however, the odor issues were minimal at the time of the site visit. Bluegrass Water believes that when repairs are made to the drain field, concerns with odors will be eliminated.

**Witness: Todd Thomas / Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-29:** Do you maintain legal agreements with the owners of property through which the infrastructure of your systems run? If so, describe the type of agreement.

**RESPONSE:** To the extent Bluegrass Water infrastructure runs through the property of a property owner, Bluegrass Water maintains legal agreements, either through fee simple acquisition or a legal easement, for the use of the property on which its infrastructure lies. Please also see Bluegrass Water's Response to OAG 1-15.

**Witness:**      **Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-30:** Is it possible that some of the residences utilizing the systems at issue here are not being billed by Bluegrass? If so, how would this occur and what does Bluegrass do to make sure that all residences that utilize the system are identified.

**RESPONSE:** While unlikely, it is possible that residences are not being billed by Bluegrass Water. This would occur if residents move in to a previously unoccupied dwelling and there is a period of time where Bluegrass Water is not aware there is a new resident.

**Witness:      Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-31:** Does Bluegrass consider affordability of its rates when calculating proposed rates?

- a. If so, explain how.
- b. Does Bluegrass maintain or have access to any demographic and/or income data for the ratepayers who utilize its systems? If so, please provide all of that data.

**RESPONSE:** Bluegrass Water objects to this request as calling for a legal conclusion. Bluegrass Water further objects to this request as it misstates the standard established by KRS 278.030(1).

**Witness:** Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-32:** Does Bluegrass maintain any data on the property values of the residences served by its systems?

- a. If so, please provide that data.
- b. Discuss whether Bluegrass has any data on the impact of its rate increases on property values.

**RESPONSE:** (a) The Company conducts an analysis of property values prior to acquiring a given system. The Company does not, however, revisit these values at a later date. Please see Exhibit OAG 1-32 for the values collected.

(b) The Company does not collect or maintain data on the impact of its rate increases on property values.

**Witness:** Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-33:** Provide copies of all Permits, Notices, Citations, Notices of Violation, Orders, and all correspondence relating to the same issued to or regarding Bluegrass's systems. This includes those documents issued by any agency of the Commonwealth of Kentucky or through a local government agency. These shall include the agencies of the Energy and Environment Cabinet and the County Health Departments for the jurisdiction of the systems.

**RESPONSE:** Please see Exhibit OAG 1-33 (which is provided in 4 subparts).  
Please also see Exhibit OAG 1-28(c) and Exhibit OAG 1-34.

**Witness:** Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-34:** Please describe the condition of the Marshall Ridge system.

- a. Is the system still experiencing overflows?
- b. Provide all correspondence and documentation that has been exchanged with the McCracken County Health Department related to this issue.
- c. Provide all documentation and correspondence exchanged with the McCracken County Attorney related to this issue.
- d. Provide all documentation and correspondence exchanged the Division of Water related to this issue.
- e. If the overflows have not been remedied, please discuss the plan for addressing those.
- f. Discuss whether ratepayers are impacted if and when Bluegrass is ordered to pay fines or penalties associated with identified violations.
- b. Provide a detailed timeline for each instance where Bluegrass was contacted by the McCracken County Health Department related to these issues and each time when Bluegrass responded.

**RESPONSE:** (a) Yes, the overflow issue is still present.

(b) Correspondence and documentation from McCracken County Health Department and Bluegrass Water has been provided as Exhibit OAG 1-28(c).

(c) No such communication between McCracken County Attorney and Bluegrass exists related to this issue.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(d) No such communication between the Division of Water and Bluegrass exists related to this issue.**

**(e) Bluegrass plans to design a new leach field for the facility as the investigation conducted found the current leach field pipes unsalvageable.**

**(f) No fines have been issued for Marshall Ridge.**

**(g) On April 11, 2023 Bluegrass received a Notice to Correct Violations from the Commonwealth of Kentucky Cabinet for Health and Family Services signed by Crystal Stevenson of the McCracken County Health Department. No prior communications were received regarding the Marshall Ridge plant. On May 2, 2023 a Bluegrass EHS team member conducted a field reconnaissance to gather additional information for engineering. The response was emailed and sent overnight on May 10, 2023. These documents are provided as part Exhibit OAG 1-34 (which is provided in 15 subparts).**

**Witness: Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-35:** See Comment from Aichi Forge USA, filed in this docket on April 3, 2023. Did Bluegrass perform any analysis on the bill impacts for commercial customers that would result from the proposal? If so, please provide that analysis.

- a. How many commercial ratepayers are served by the Bluegrass systems?
- b. What will be the revenue impact of the proposed rate increases to those commercial customers?
- c. Did Bluegrass conduct any stakeholder outreach to commercial ratepayers related to the rate proposal? If yes, please describe and if any correspondence or presentations exist related to that outreach, please provide.

**RESPONSE:** Please see Exhibit TSL-4 to the Direct Testimony of Timothy S. Lyons for a bill impact analysis.

- (a) There are 39 commercial customers currently being served by Bluegrass Water.
- (b) Please see Exhibit TSL-4 to the Direct Testimony of Timothy S. Lyons for the revenue impact of the Company's proposed changes to the commercial customers.
- (c) Bluegrass Water did not conduct stakeholder outreach to the commercial ratepayers regarding the proposed rate increase.

**Witness:** Todd Thomas / Timothy S. Lyons

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-36:** Has Bluegrass received correspondence providing feedback on the proposed rate increase directly that has not been filed as a public comment or request to intervene in this docket? If yes, please provide copies of all comments and correspondence.

**RESPONSE:** Bluegrass Water has not received direct correspondence providing feedback on the proposed rate increase that has not been filed as a public comment or request to intervene in this docket.

**Witness:** Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-37:** Provide the current capital expenditure budget for Bluegrass for the  
period 2023 – 2026, further split by system.

**RESPONSE:** Please see Exhibit OAG 1-37 attached hereto.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-38:** Provide all documentation in the Applicant's possession supporting the reasonableness of the proposed rates from the perspective of the customer.

**RESPONSE:** Bluegrass Water objects to this Request as calling for a legal conclusion. Subject to and without waiver of the foregoing objection, Bluegrass Water directs attention to the testimony and exhibits provided in this case.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-39:** Provide all documentation in the Applicant's possession that suggests the proposed rates are affordable.

**RESPONSE:** Bluegrass Water objects to this request as containing an improper legal conclusion that is inconsistent with KRS 278.030. Subject to and without waiver of the foregoing objections, for the reasons set forth in the testimony and exhibits provided in this case, Bluegrass Water's proposed rates are fair, just and reasonable.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-40:** Regarding the PSC order in Docket No. 2020-00290, dated  
August 2, 2021, provide the following:

- a. Identify all accounting entries made to Plant in Service and Accumulated  
Depreciation resulting from this order.
- b. Provide a description for each entry identifying how such account balances were  
determined.

**RESPONSE:** No accounting entries were made as a result of the PSC order in Docket  
No. 2020-00290.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-41:** Identify the portion of plant in service included in this filing, by account, by operating system that was acquired by Bluegrass. This response would exclude capital expenditures incurred by Bluegrass subsequent its ownership of the various systems.

**RESPONSE:** Please see **CONFIDENTIAL Exhibit OAG 1-41.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-42:** Identify the portion of Accumulated Depreciation included in this filing, by account, by operating system associated with plant acquired by Bluegrass. This response would exclude Accumulated Depreciation related to capital expenditures made by Bluegrass subsequent to its acquisition of the various Kentucky systems.

**RESPONSE:** Please see **CONFIDENTIAL Exhibit OAG 1-41.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-43:** Identify the Direct Labor, Capital Investment and Gross Revenue of each CSWR affiliate through 2022. Provide the underlying support for this data and confirm that this data is that which is used to allocate CSWR common costs to Bluegrass Water.

**RESPONSE:** Bluegrass Water objects to this Request as overly broad and unduly burdensome. The CSWR affiliates are not at issue in this proceeding and are regulated by distinct sovereigns. Subject to and without waiver of the foregoing objections, please see Exhibit OAG 1-43 (which is provided in 8 subparts).

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-44:** Identify all open PSC dockets involving affiliates of Bluegrass Water or CSWR as of December 31, 2022. Provide an explanation of each open docket, including identification of the applicable jurisdiction and the status of the case as of April 1, 2023.

**RESPONSE:** Bluegrass Water objects to this Request as overly broad and unduly burdensome. Bluegrass Water is the only CSWR affiliate operating utility in Kentucky, and the remaining affiliates of CSWR are not subject to Commission jurisdiction. Subject to and without waiver of the foregoing objections, the only open case outside of this proceeding involving Bluegrass Water is Case No. 2022-00216 (an application for a CPCN to install remote monitoring technology and for a waiver from the requirement to conduct daily site visits).

Witness: Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-45:** Provide the monthly customer count of CSWR by jurisdiction for the period December 2021 through the most recent date available. Please include a definition of how the Company defines customers for purposes of this response. Please update this response as new information becomes available.

**RESPONSE:** Bluegrass Water objects to this Request as overly broad and unduly burdensome. The CSWR affiliates are not at issue in this proceeding and are regulated by distinct sovereigns. Subject to and without waiver of the foregoing objections, as of April 2023, the total customer count for operating utilities managed by CSWR was 140,978 and Bluegrass Water made up 3,588 of those customers. Please also see Exhibit OAG 1-45 for monthly customer count by service area.

For the purposes of this response Bluegrass Water defines customers as those who are part of a system that has closed on acquisition by the end of that month.

Witness: Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-46:** Regarding business development expense, provide the following:

- a. Identify all business development costs that have been excluded from the pending application and explain how such costs were determined. Identify each employee, including their department, and any outside contractors whose costs were excluded from this filing.
- b. Identify the accounts and amounts charged to business development expense annually for calendar years 2020 through 2022 and monthly for the period January, 2023 through March, 2023.
- c. For any employee whose costs are identified and charged to Business Development Expense during 2022, provide the employee's job description and all job descriptions for those employees whom the "Business Development" employee reports to.
- d. Confirm that no costs allocated through the Massachusetts formula are assigned to the business development function. If this is not confirmed, identify the amount of such common costs assigned to the Business Development function by month for the period January, 2020 through March, 2023.

**RESPONSE:** Bluegrass Water objects to this request as overly burdensome and not seeking information related to this proceeding. Subject to and without waiver of the foregoing objections, Bluegrass Water does not currently recover any business development expense through its rates, and Bluegrass Water does not seek to recover any business development expense in this proceeding. As to subparagraph (d), as was explained in the

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**Direct Testimony of Brent Thies, Bluegrass Water no longer uses the Massachusetts formula  
to allocate costs.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-49:** Provide a copy of all workpapers relied upon by the Company in preparing its rate application and related filings with cell references intact.

**RESPONSE:** Bluegrass Water objects to this Request as overly broad and unduly burdensome. Bluegrass Water also objects to the extent the Request seeks information protected by the attorney-client privilege.

Subject to and without waiver of the foregoing objections, please see the workpapers of Tim Lyons attached to the Application as Exhibit 11. Please also see PSC 2-1 for the workpapers of Dylan D'Ascendis and PSC 2-17 for the Exhibits attached to the Direct Testimony of Brent Thies.

**Witness:** Brent Thies/ Dylan D'Ascendis / Timothy S. Lyons

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-50:** Provide a copy of all Exhibits in excel format with cell references and formulas intact.

**RESPONSE:** Bluegrass Water objects to this Request as overly broad and unduly burdensome, as not all Exhibits are produced in Excel format and/or do not use cell references or formulas. Subject to and without waiver of the foregoing objections, a copy of all exhibits utilizing the Excel program that utilize formulas are provided in Response to PSC 2-17. Please also see Response to PSC 2-1 and the workpapers of Timothy S. Lyons attached to the Application as Exhibit 11.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-52:** For each contractor whose costs are included in the proposed revenue requirement, provide the following:

- a. A copy of the contract entered into between the contractor and a) CSWR or b) Bluegrass.
- b. The amount of contractor costs a) directly incurred by Bluegrass, or b) allocated to Bluegrass by month in 2022.
- c. For those contractor costs allocated to Bluegrass, identify the allocation methodology relied upon.
- d. A copy of each contractor's invoice for December, 2022
- e. Each contractor's costs included in the proposed revenue requirement.

**RESPONSE:** (a) Please see Exhibit 22 to the Application and Exhibit PSC 2-19.

- (b) Please see Bluegrass Water's Response to PSC No. 2-21.
- (c) Please see Bluegrass Water's Response to PSC No. 2-21.
- (d) Please see Bluegrass Water's Response to PSC No. 2-21.
- (e) Please see Bluegrass Water's Response to PSC No. 2-21.

**Witness:** Brent Thies / Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-56:** Refer to page 3 of the application. Identify the following  
regarding the Randview System:

- a. Monthly revenue generated by the system, including the number of customers by month;
- b. Operating and Maintenance costs direct charged to the system.
- c. Operating and Maintenance costs allocated to the system.
- d. Plant in Service by account for the period December 31, 2021 through the most recent period available.
- e. Accumulated Depreciation associated with each plant account for the period December 31, 2021 through the most recent period available.
- f. Provide all adjustments to the pending rate increase proposal, by revenue requirement component Bluegrass would support in the event the Commission approves the transfer.
- g. Describe compensation Bluegrass will receive from the City of Mayfield if the transaction is approved.
- h. Identify the amount of costs that may be "stranded" if the transaction is approved and explain how such costs were determined.

**RESPONSE:** (a) Please see Exhibit OAG 1-56 (which is provided in 2 subparts).

(b) Please see Exhibit OAG 1-56.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

(c) **No O&M costs have been allocated to Randview. O&M expenses are directly charged to the applicable system.**

(d) **Please see Exhibit OAG 1-56.**

(e) **Please see Exhibit OAG 1-56.**

(f) **Please see Exhibit OAG 1-56.**

(g) **Bluegrass Water will receive \$100,000 from the City of Mayfield.**

(h) **Please see Exhibit OAG 1-56.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-57:** For each commercial customer on the Delaplain system provide the metered usage by month for the period January 2021 through the most recent information available.

**RESPONSE:** Please see **CONFIDENTIAL Exhibit OAG 1-57** (which is provided in 18 subparts) for metered usage. Please note that meter reads prior to March 2021 and after August 2022 are unavailable.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-58:** Provide monthly general ledger O&M balances for the period July  
1, 2020, through March 31, 2023.

**RESPONSE:** Please see Exhibit OAG 1-58 attached hereto.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-59:** Provide a copy of the two most recent tax returns of Bluegrass.

Within each return identify the amount of Repair Deductions taken, if any.

**RESPONSE:** Please see **CONFIDENTIAL Exhibit OAG 1-59 for Bluegrass Water's 2020 Tax Return. The 2021 return was provided as CONFIDENTIAL Application Exhibit 24.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-60:** Regarding Exhibit DWD-1, page 1 of 2, footnote 1 indicates the capitalization ratios were provided by the Company. Provide all support for the capitalization ratios used within this Exhibit.

**RESPONSE:** Please see Exhibit OAG 1-60.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-61:** Provide the audited financial statements of US Water, LLC for the periods 2021 and 2022. If audited financial statements are not prepared, provide unaudited financial statements for the most recent two fiscal years.

**RESPONSE:** Bluegrass Water objects to this Request as seeking the records of a non-applicant that is not its direct parent.

**Witness:** Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-62:** Provide all supporting documents underlying the data  
contained in Exhibit DWD-3.

**RESPONSE:** Please see Bluegrass Water's Response to PSC No. 2-1.

**Witness: Dylan D'Ascendis**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-63:** Provide the date each Bluegrass system was acquired by  
CSWR.

**RESPONSE:** Bluegrass Water objects to this Request because CSWR does not own  
any of the systems in Kentucky. Subject to and without waiver of the foregoing objection,  
the date Bluegrass Water acquired each system is as follows:

<b>FACILITY</b>	<b>DATE OF PURCHASE</b>
<b>Kingswood</b>	September 2019
<b>Persimmon Ridge</b>	September 2019
<b>Brocklyn</b>	September 2019
<b>Airview</b>	September 2019
<b>Lake Columbia</b>	September 2019
<b>LH Treatment</b>	September 2019
<b>Fox Run</b>	September 2019
<b>Golden Acres</b>	September 2019
<b>Great Oaks</b>	September 2019
<b>Timberland</b>	April 2020
<b>River Bluffs</b>	May 2020
<b>Arcadia Pines</b>	November 2020
<b>Carriage Park</b>	November 2020
<b>Marshall Ridge</b>	November 2020
<b>Randview</b>	November 2020
<b>Delaplain Disposal</b>	February 2021
<b>Herrington Haven</b>	February 2021
<b>Springcrest Sewer</b>	February 2021
<b>Woodland Acres</b>	March 2021
<b>Darlington Creek</b>	March 2022

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-64:** Provide a breakdown of Other Revenues of \$14,462 by  
component as reflected on page 6 of Mr. Lyon's testimony.

**RESPONSE:** Please refer to "Application Exhibit 11 – Lyons Workpapers –  
Cost of Service Analysis", tab "WW Income." Other revenues consist of \$14,244 related to  
Account 532 (Customers Forfeited Discounts), and \$217 related to Account 536  
(Miscellaneous Operating Revenues).

**Witness:** Timothy S. Lyons

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-65:** Provide an explanation and all documentation supporting the apportionment of 77.28% of the revenue requirement to unmetered service, and 22.72% to metered service.

**RESPONSE:** The Company's proposed approach to recover 77.28 percent of the proposed revenue requirement of \$3.7 million from unmetered service customers and 22.7 percent from metered service customers reflects bill impact and cost of service considerations. First, the Company presently recovers 81.51 percent of current revenues from unmetered service customers and 18.49 percent from metered service customers. Thus, as an initial matter, the proposed approach reflects a shift in the revenue requirement of 4.2 percent from unmetered service customers to metered service customers. Second, rates for most unmetered service customers approximately doubled in the Company's recent rate increase in Docket No. 2020-00290, while rates for metered service customers remained unchanged. Thus, the proposed approach helps mitigate the proposed increase on most unmetered service customers whose rates would otherwise increase to 21.9 percent without the shift rather than the proposed 15.6 percent with the shift. Third, the Company plans to expand its wastewater treatment facilities in Delaplain to meet a growing demand for wastewater treatment services, a significant portion of which is from metered service, commercial and industrial customers.

Witness: Timothy S. Lyons

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-66:** Refer to Mr. Thies' testimony beginning on page 36. Has the Company adjusted its test period revenue to reflect its proposal to implement a late payment charge and returned check charge to those districts in which such fees are not charged? If not, identify the amount of revenue, which would have been generated if such fees had been in effect in 2022. Provide supporting documentation for the calculation.

**RESPONSE:** Bluegrass Water does not have an adjustment to its test period revenue to reflect proposed late payment charges or returned check charges. Please see Exhibit OAG 1-66 attached hereto.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-67:** 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 table on page 7 of the Direct Testimony of Jacob Freeman.

**RESPONSE:** As described at pages 4-6 of Mr. Freeman's testimony, Bluegrass Water preemptively enters into agreed orders with the Division of Water ("DOW") when acquiring systems which will require improvements to achieve compliance with permit limits and other regulatory requirements. Bluegrass Water finds that such an approach is preferable to waiting for enforcement actions related to noncompliance resulting from poor stewardship or lack of reinvestment in systems under previous ownership. As a result, DOW has agreed with Bluegrass Water's proposed improvement plans and corrective action plans rather than issuing correspondence "requiring" Bluegrass to implement improvements. Since none of the correspondence with DOW "requires that improvements or repairs be made," none of the correspondence from DOW is responsive to this question. Nonetheless, please find attached as CONFIDENTIAL Exhibit OAG 1-67 (in 2 subparts) all correspondence related to these agreed orders from the DOW.

**Witness:      Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-68:** Please provide a corrected version of page 76 of 81 of the Direct Testimony of Jacob Freeman. The one provided as Exhibit 5 is formatted incorrectly and does not show up entirely on the page.

**RESPONSE:** Bluegrass Water hereby provides as Exhibit OAG 1-68 a copy of page 76 of the Direct Testimony of Jacob Freeman.

**Witness:      Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-69:** Refer to the Direct Testimony of Jacob Freeman. Please  
provide the following information regarding the table on page 6:

- a. Does the table accurately describe and list all wastewater systems owned and operated by Bluegrass Water?
- b. Are there any other wastewater systems in Kentucky that Bluegrass Water is in the process of acquiring or in discussions to acquire? If so, please discuss the status of these discussions and provide any related reports and written and electronic communication.
- c. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of any of these systems being considered for acquisition.

**RESPONSE: Bluegrass Water objects to OAG Request 1-69(b) and (c) to the extent they call for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-69(b) and (c) as premature and outside the scope of this rate case; they will be addressed if/when Bluegrass Water seeks Commission approval for any acquisitions.**

**(a) In the as-filed version of Mr. Freeman's testimony, there is no table on page 6. That said, however, Bluegrass Water interprets this data request to refer to the table on page 7 of that testimony. The table lists all the Bluegrass wastewater systems.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-70:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, Kingswood is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE: Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-70(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-70(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.**

**(a) Please see pages 39-43 of the Direct Testimony of Josiah Cox and pages 21-23 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the Kingswood system upon acquisition and the work needed to bring that system into environmental compliance.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-70(b) for the system condition  
evaluation prepared by 21 Design for the Kingswood facility.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST 1-71:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, Lake Columbia is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE:** Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-71(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-71(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.

(a) Please see pages 43-49 of the Direct Testimony of Josiah Cox and pages 23-25 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the Lake Columbia system upon acquisition and the work needed to bring that system into environmental compliance.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-71(b) for the system condition  
evaluation prepared by 21 Design for the Lake Columbia facility.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-72:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, LH Treatment is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE: Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-72(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-72(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.**

**(a) Please see pages 49-52 of the Direct Testimony of Josiah Cox and pages 26-27 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the LH Treatment system upon acquisition and the work needed to bring that system into environmental compliance.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-72(b) for the system condition  
evaluation prepared by 21 Design for the LH Treatment facility.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-73:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, Timberland is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE: Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-73(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-73(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.**

**(a) Please see pages 34-39 of the Direct Testimony of Josiah Cox and pages 18-21 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the Timberland system upon acquisition and the work needed to bring that system into environmental compliance.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-73(b) for the system condition  
evaluation prepared by 21 Design for the Timberland facility.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-74:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, Arcadia Pines is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE:** Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-74(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-74(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.

(a) Please see pages 6-7 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the Arcadia Pines system upon acquisition and the work needed to bring that system into environmental compliance.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

(b) Please see **CONFIDENTIAL Exhibit OAG 1-74(b)** for the system condition  
evaluation prepared by 21 Design for the Arcadia Pines facility.

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-75:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, Carriage Park is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE:** Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-75(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-75(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.

(a) Please see pages 10-12 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the Carriage Park system upon acquisition and the work needed to bring that system into environmental compliance.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-75(b) for the system condition  
evaluation prepared by 21 Design for the Carriage Park facility.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-76:** Refer to the table on page 7 of the Direct Testimony of Jacob Freeman. While 13 of the 20 wastewater utilities listed are discussed in greater detail in the subsequent testimony, Marshall Ridge is not. Please provide the following regarding this Wastewater system:

- a. A discussion of the condition of this wastewater utility and supporting documentation.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.

**RESPONSE:** Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-76(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-76(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.

(a) Please see pages 27-29 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of the Marshall Ridge system upon acquisition and the work needed to bring that system into environmental compliance.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

(b) Please see **CONFIDENTIAL Exhibit OAG 1-76(b)** for the system condition  
evaluation prepared by 21 Design for the Marshall Ridge facility.

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-77:** Refer to the Direct Testimony of Jacob Freeman, p. 9-10

discussing the Brooklyn Wastewater System. Please provide the following:

- a. Current EEC CAP
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- c. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.
- d. Describe any discussions with the City of Richmond on interconnecting the system and associated reports or analysis. Provide copies of all related written or electronic communication.

**RESPONSE: Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-77(c) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-77(c) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.**

**(a) All correspondence and updates related to the Brooklyn Agreed Order and Corrective Action Plan are produced in Response to OAG 1-67, including the final CAP update, submitted on March 14, 2023, disclosing that all planned construction activities were completed.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-77(b) for the system condition evaluation prepared by 21 Design for the Brocklyn facility. Please also see pages 14-19 of the Direct Testimony of Josiah Cox and pages 8-10 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 for a description of the condition of Brocklyn upon acquisition and the work needed to bring that system into environmental compliance.**

**(d) In communication with the City of Richmond, the City proposed that, in addition to Bluegrass Water building its own lift station and force mains to connect to the City of Richmond system, as well as completing and demonstrating I&I repairs/improvements in the Brocklyn collection system, Bluegrass Water would also be required to invest \$750,000 to upgrade the Richmond lift station at which the connection would be made. In addition, Richmond estimated that there would be a pass-through rate in excess of \$75 per customer before costs related to the continued operations and maintenance of the collection system and new lift station. This would represent a much higher rate burden to customers when compared to the rehabilitation work performed at the facility which has brought the facility into compliance with permit requirements. Please see Exhibit OAG 1-77(d) for the communications with Richmond and the letter to the Division of Water demonstrating the advantage of the rehab project.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-78:** Refer to the Direct Testimony of Jacob Freeman, p. 74-81 and Schedule JF-5 regarding the Darlington Creek Wastewater system. Please provide the following:

- a. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- b. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.
- c. All reports, inspections, memos or related communication provided by Bluewater's third-party engineer at the time of acquisition.
- d. Any and all updates to compliance history in Schedule JF-5 on a current and ongoing basis.

**RESPONSE:** Similar to its Objection to OAG Request No. 69(b) and (c), Bluegrass Water objects to OAG Request 1-78(b) to the extent it calls for information protected by the attorney-client privilege and work-product doctrine. In addition, Bluegrass Water objects to OAG Request 1-78(b) as premature and outside the scope of this rate case; any projects requiring a CPCN will be addressed if/when Bluegrass Water seeks approval from the Commission for such CPCN.

(a) Please see CONFIDENTIAL Exhibit OAG 1-78(a) for the system condition evaluation prepared by 21 Design for the Darlington Creek facility.

(c) Please see CONFIDENTIAL Exhibit OAG 1-78(a).

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

(d) Schedule JF-5 is a direct printout of the publicly available Detailed Facility Report from the Environmental Protection Agency's ECHO (Enforcement and Compliance History Online). A current version of this report can be accessed any time via the following web address: <https://echo.epa.gov/detailed-facility-report?fid=KY0105325>. This web address can be used to access any detailed facility report for NPDES regulated wastewater facilities and drinking water system regulated as a public water system by replacing the permit number at the end of the hyperlink with the NPDES permit number or Public Water System ID.

Witness: Jacob Freeman

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-79:** Refer to the Direct Testimony of Jacob Freeman, p. 44-54  
and Schedule JF-2 and JF-3 regarding the Herrington Haven Wastewater system, please provide  
the following:

- a. Any and all updates to compliance history in Schedule JF-2 on a current and ongoing basis.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system both in preparation for the Case No. 2022-00102 filing or since.
- c. All major work items and related costs completed outside the scope of work anticipated in the Case No. 2022-00102 filing.
- d. Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00102:
  - i. Latest project schedule.
  - ii. Latest cost estimate and projected final cost.
  - iii. Identify all contractors, vendors, suppliers, etc. and their responsibility and the related purchase orders or contracts associated with each major piece of equipment or construction activity.
  - iv. Describe the process used to select contractors, vendors, suppliers, etc. Provide any documentation of bidding, responses and bid evaluations.
  - v. Provide any and all major changes to the project and supporting documentation, change orders etc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- vi. Describe how the project is managed and provide any associated contractual agreements for project management.
- vii. Provide any and all project management or project status written or electronic reports provided by or to Bluegrass Water to the present and on an ongoing basis.
- viii. Provide updates to this information on a periodic basis as schedules, suppliers, vendors, contractors, project managers, estimated costs and cost projections, and scope changes.

**RESPONSE: For its responses to OAG Request No. 1-79, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request No. 1-79(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine. Subject to and without waiver of the foregoing objections,**

**(a) Schedule JF-2 is a direct printout of the publicly available Detailed Facility Report from the Environmental Protection Agency's ECHO (Enforcement and Compliance History Online). A current version of this report can be accessed any time via the following web address: <https://echo.epa.gov/detailed-facility-report?fid=KY0053431>. This web address can be used to access any detailed facility report for NPDES regulated wastewater facilities and drinking water system regulated as a public water system by replacing the permit number at the end of the hyperlink with the NPDES permit number or Public Water System ID.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-79(b) for the system condition evaluation prepared by 21 Design for the Herrington Haven facility. In addition, please see pages 48-51 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290.**

**(c) No major work will be performed apart from what was approved in the CPCN case.**

**(d)(i) Please see CONFIDENTIAL Exhibit OAG 1-79(d) (provided in 15 subparts) for the projected lead times on completing work and the date by which work must be completed for the awarded contractor. (This project was bid out and awarded with the CPCN approved work at Herrington Haven, Woodland Acres, and Persimmon Ridge)**

**(d)(ii) Please see CONFIDENTIAL Exhibit OAG 1-79(d) for the “not to exceed” cost for the project and materials for the awarded contractor.**

**(d)(iii) Bluegrass Water does not function as the General Contractor on these construction projects and instead bids work and assigns projects to a General Contractor. As a result only one contractor exists encompassing all of the work and procurement associated with the approved CPCN project. The awarded contract is included in CONFIDENTIAL Exhibit OAG 1-79(d).**

**(d)(iv) Bidding is handled through Bluegrass Water's third-party Construction Management partner. All associated documents for the Brocklyn selection process are attached in CONFIDENTIAL Exhibit OAG 1-79(d).**

**(d)(v) No changes have been issued to date.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(d)(vi) Internal CSWR staff and a third-party Construction Management partner review and approve all construction related submittals and review and approve work completed. The third-party Construction Management firm is L. Keeley. The contract with L. Keeley is attached as part of CONFIDENTIAL Exhibit OAG 1-79(d).**

**(d)(vii) No formal reports are issued. A real time system is utilized to track projects via a dashboard.**

**(d)(viii) Updates will be provided as any major changes occur in the management of the approved CPCN work.**

**Witness:       Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-80:** Refer to the Direct Testimony of Jacob Freeman, p. 10-11 and p. 32-34 and Schedule JF-1 regarding the Delaplain Disposal Wastewater system. Please provide the following:

- a. Any and all updates to compliance history in Schedule JF-1 on a current and ongoing basis.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system both in preparation for the Case No. 2022-00104 filing or since.
- c. All major work items and related costs completed outside the scope of work anticipated in the Case No. 2022-00104 filing.
- d. Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00104:
  - i. Latest project schedule.
  - ii. Latest cost estimate and projected final cost.
  - iii. Identify all contractors, vendors, suppliers, etc. and their responsibility and the related purchase orders or contracts associated with each major piece of equipment or construction activity.
  - iv. Describe the process used to select contractors, vendors, suppliers, etc. Provide any and all documentation of bidding, responses and bid evaluations.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- v. Provide any and all major changes to the project and supporting documentation, change orders etc.
- vi. Describe how the project is managed and provide any and all associated contractual agreements for project management.
- vii. Provide any and all project management or project status written or electronic reports provided by or to Bluegrass Water to the present and on an ongoing basis.

**RESPONSE: For its responses to OAG Request No. 1-80, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request No. 1-80(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.**

**Subject to and without waiver of the foregoing,**

**(a) Schedule JF-1 is a direct printout of the publicly available Detailed Facility Report from the Environmental Protection Agency's ECHO (Enforcement and Compliance History Online) as of February 24, 2023. A current version of this report can be accessed any time via the following web address: <https://echo.epa.gov/detailed-facility-report?fid=KY0079049>. This web address can also be used to access a detailed facility report for any NPDES regulated wastewater facilities or drinking water system regulated as a public water system by replacing the permit number at the end of the hyperlink with the NPDES permit number or Public Water System ID.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-80(b) for the evaluation of the system condition prepared by 21 Design for the Delaplain Disposal facility. Please also see pages 32-44 of the Direct Testimony of Jacob Freeman.**

**(c) No major work items will be performed outside of that approved in the CPCN case.**

**(d) Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00104:**

**(i) Final Project Schedule will be completed with award of bid work. Work is expected to be completed by EOY 2024, provided that equipment lead times can be met.**

**(ii) Final Project costs will be finalized with award of bid work.**

**(iii) To date, the Delaplain project has not been let for bid. As a result, no contractors have been identified.**

**(iv) Bidding is handled through Bluegrass Water's third-party Construction Management partner. All associated documents for the selection process are attached in CONFIDENTIAL Exhibit OAG 1-79(d).**

**(v) No changes have been made to date.**

**(vi) Internal CSWR staff and a third-party Construction Management partner review and approve all construction related submittals and review and approve work completed. The third-party Construction Management firm is L.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**Keeley. The contract with L. Keeley is included with CONFIDENTIAL Exhibit OAG  
1-79(d).**

**(vii) No formal reports are issued. A real time system is utilized to track  
projects via dashboard. Updates will be provided as any major changes occur in the  
management of the approved CPCN work.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-81:** Refer to the Direct Testimony of Jacob Freeman, p. 59-74 and Schedule JF-4 regarding the Woodland Acres Wastewater system, please provide the following:

- a. Any and all updates to compliance history in Schedule JF-4 on a current and ongoing basis.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system both in preparation for the Case No. 2022-00015 filing or since.
- c. All major work items and related costs completed outside the scope of work anticipated in the Case No. 2022-00015 filing.
- d. Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00015:
  - i. Latest project schedule.
  - ii. Latest cost estimate and projected final cost.
  - iii. Identify all contractors, vendors, suppliers, etc. and their responsibility and the related purchase orders or contracts associated with each major piece of equipment or construction activity.
  - iv. Describe the process used to select contractors, vendors, suppliers, etc. Provide any and all documentation of bidding, responses and bid evaluations.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- v. Provide any and all major changes to the project and supporting documentation, change orders etc.
- vi. Describe how the project is managed and provide any and all associated contractual agreements for project management.
- vii. Provide any and all project management or project status written or electronic reports provided by or to Bluegrass Water to the present and on an ongoing basis.

**RESPONSE: For its responses to OAG Request No. 1-81, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request No. 1-81(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.**

**Subject to and without waiver of the foregoing,**

**(a) Schedule JF-4 is a direct printout of the publicly available Detailed Facility Report from the Environmental Protection Agency's ECHO (Enforcement and Compliance History Online) as of February 24, 2023. A current version of this report can be accessed any time via the following web address: <https://echo.epa.gov/detailed-facility-report?fid=KY0091600>. This web address can also be used to access any detailed facility report for NPDES regulated wastewater facilities or drinking water system regulated as a public water system by replacing the permit number at the end of the hyperlink with the NPDES permit number or Public Water System ID.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(b) Please see CONFIDENTIAL Exhibit OAG 1-81(b) for the evaluation of the system condition System prepared by 21 Design for the Woodland Acres facility. Please also see the Direct Testimony of Jacob Freeman at 60-74.**

**(c) No major work will be performed outside of that approved in the CPCN case.**

**(d) Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00015:**

**(i) Please see Exhibit OAG 1-79(d) for the projected lead times on completing work and the date by which work must be completed for the awarded contractor. (This project was bid out and awarded with the CPCN-approved work at Herrington Haven and Persimmon Ridge).**

**(ii) Please see Exhibit OAG 1-79(d) for the "not to exceed" cost for the project and materials for the awarded contractor.**

**(iii) Bluegrass Water does not function as the General Contractor on these construction projects, but instead bids work and assigns projects to a General Contractor. As a result, only one contractor exists encompassing all of the work and procurement associated with the approved CPCN project. The awarded contract is included in CONFIDENTIAL Exhibit OAG 1-79(d).**

**(iv) Bidding is handled through Bluegrass Water's third-party Construction Management partner. All associated documents for the selection process are attached in CONFIDENTIAL Exhibit OAG 1-79(d).**

**(v) No changes have been made to date.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

(vi) **Internal CSWR staff and a third-party Construction Management partner review and approve all construction related submittals and review and approve work completed. The third-party Construction Management firm is L. Keeley. The contract with L. Keeley is included in CONFIDENTIAL Exhibit OAG 1-79(d).**

(vii) **No formal reports are issued. A real time system is utilized to track projects via dashboard. Updates will be provided as any major changes occur in the management of the approved CPCN work.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-82:** Refer to the Direct Testimony of Jacob Freeman, p. 28-29

regarding the Persimmon Ridge Wastewater system please provide the following:

- a. Documentation of KPDES permit exceedances since acquisition by Bluegrass Water and on an ongoing basis.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system both in preparation for the Case No. 2022-00046 filing or since.
- c. All major work items and related costs completed outside the scope of work anticipated in the Case No. 2022-00046 filing.
- d. Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00046:
  - i. Latest project schedule.
  - ii. Latest cost estimate and projected final cost.
  - iii. Identify all contractors, vendors, suppliers, etc. and their responsibility and the related purchase orders or contracts associated with each major piece of equipment or construction activity.
  - iv. Describe the process used to select contractors, vendors, suppliers, etc. Provide any and all documentation of bidding, responses and bid evaluations.
  - v. Provide any and all major changes to the project and supporting documentation, change orders etc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- vi. Describe how the project is managed and provide any and all associated contractual agreements for project management.
- vii. Provide any and all project management or project status written or electronic reports provided by or to Bluegrass Water to the present and on an ongoing basis.

**RESPONSE:** For its responses to OAG Request No. 1-82, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request No. 1-82(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.

**Subject to and without waiver of the foregoing objections,**

(a) Please see the attached Effluent Exceedances Report from the EPA ECHO system detailing effluent exceedances since Bluegrass water took ownership of the Persimmon Ridge system in September, 2019. For updated information, please visit the following hyperlink which will by default run the Effluent Exceedances report for the most recent 12 months of available data: [https://echo.epa.gov/trends/loading-tool/reports/effluent-exceedances?permit\\_id=KY0090956](https://echo.epa.gov/trends/loading-tool/reports/effluent-exceedances?permit_id=KY0090956).

(b) Please see CONFIDENTIAL Exhibit OAG 1-82(b) for the system condition evaluation prepared by 21 Design for the Persimmon Ridge facility. Please also see the Direct Testimony of Jacob Freeman at pages 28-29.

(c) No major work will be performed outside of that approved in the CPCN case.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(d) Regarding the scope of work encompassed by the approved CPCN in Case No. 2022-00046:**

**(i) Please see CONFIDENTIAL Exhibit OAG 1-79(d) for the projected lead times on completing work and the date by which work must be completed for the awarded contractor. (This project was bid out and awarded with the CPCN-approved work at Herrington Haven and Woodland Acres).**

**(ii) Please see CONFIDENTIAL Exhibit OAG 1-79(d) for the “not to exceed” cost for the project and materials for the awarded contractor.**

**(iii) Bluegrass Water does not function as the General Contractor on these construction projects and instead bids work and assigns projects to a General Contractor. As a result, only one contractor exists encompassing all of the work and procurement associated with the approved CPCN project. The awarded contract is include in CONFIDENTIAL Exhibit OAG 1-79(d).**

**(iv) Bidding is handled through Bluegrass Water's third-party Construction Management partner. All associated documents for the Persimmon Ridge selection process are attached in the attached CONFIDENTIAL Exhibit OAG 1-79(d).**

**(v) No changes have been made to date.**

**(vi) Internal CSWR staff and a third-party Construction Management partner review and approve all construction related submittals and review and approve work completed. The third-party Construction Management firm is L.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**Keeley. The contract with L. Keeley is included in CONFIDENTIAL Exhibit OAG  
1-79(d).**

**(vii) No formal reports are issued. A real time system is utilized to track  
projects via dashboard. Updates will be provided as any major changes occur in the  
management of the approved CPCN work.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-83:** Refer to the Direct Testimony of Jacob Freeman, p. 54-60

regarding the Springcrest Sewer system. Please provide the following:

- a. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- b. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.
- c. All reports, inspections, memos, or related communication provided by Bluewater's third-party engineer at the time of acquisition.
- d. Any and all updates to compliance history on a current and ongoing basis.

**RESPONSE:** For its responses to OAG Request No. 1-83, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request 1-83 as premature and outside the scope of this rate case. In addition, Bluegrass Water objects to OAG Request No. 1-83(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.

**Subject to and without waiver of the foregoing objections,**

(a) Please see CONFIDENTIAL Exhibit OAG 1-83(a) for the system condition evaluation prepared by 21 Design for the Springcrest Sewer facility. Please also see the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290, at pages 51-53.

(c) Please see CONFIDENTIAL Exhibit OAG 1-83(a).

(d) The facility is regulated by the Jessamine County Department of Health.

**There is no regular compliance reporting required for the facility. To Bluegrass Water's**

Bluegrass Water's Response to OAG 1-83

Page 1 of 2

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**knowledge, the County has not recently performed an inspection of the system or identified any compliance issues. Improvements have been implemented to bring the facility into a proper working order rather than in direct response to any specific noncompliance or enforcement action.**

**Witness:      Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-84:** Refer to the Direct Testimony of Jacob Freeman, p. 23-25  
and the discussion on pages 26-28 of the August 2, 2021 Commission Order in Case No. 2020-  
00290 regarding the Airview Wastewater system, please provide the following:

- a. Any and all updates to the CAP with EEC discussed in Case No. 2020-00290, or subsequent compliance history to date and on an ongoing basis.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system provided in Case No. 2020-00290 or since.
- c. All major work items and related costs completed outside the scope of work anticipated in the Case No. 2020-00290 filing.
- d. Regarding the scope of work encompassed by the approved CPCN in Case No. 2020-00290:
  - i. Latest project schedule.
  - ii. Latest cost estimate and projected final cost.
  - iii. Identify all contractors, vendors, suppliers, etc. and their responsibility and the related purchase orders or contracts associated with each major piece of equipment or construction activity.
  - iv. Describe the process used to select contractors, vendors, suppliers, etc. Provide any and all documentation of bidding, responses and bid evaluations.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- v. Provide any and all major changes to the project and supporting documentation, change orders etc.
- vi. Describe how the project is managed and provide any and all associated contractual agreements for project management.
- vii. Provide any and all project management or project status written or electronic reports provided by or to Bluegrass Water to the present and on an ongoing basis.

**RESPONSE: For its responses to AG Request No. 1-84, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request No. 1-84(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.**

**Subject to and without waiver of the foregoing objections,**

**(a) All CAP work has been completed at the Airview system. The final compliance letter submitted on March 14, 2023 has been attached and the full set of correspondence with EEC is included in CONFIDENTIAL Exhibit OAG 1-67. For current compliance status, please see Exhibit OAG 1-84(a) attached hereto or visit the following web address for the most current available version of this report: <https://echo.epa.gov/detailed-facility-report?fid=KY0045390>.**

**(b) Please see CONFIDENTIAL Exhibit OAG 1-84(b) for the system condition evaluation prepared by 21 Design for the Airview facility. Please also see the Direct**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**Testimony of Josiah Cox at pages 7-13 and the Direct Testimony of Jacob Freeman at pages 4-6 filed in Case No. 2020-00290.**

**(c) No major work has been completed outside of that detailed in Case No. 2020-00290.**

**(d) Regarding the scope of work encompassed by the approved CPCN in Case No. 2020-00290:**

**(i) All work anticipated in 2020-00290 has been completed.**

**(ii) Please refer to pages 4-5 of the Direct Testimony of Jacob Freeman filed in in Case No. 2020-00290.**

**(iii) All work was performed by Midwest Water Operations.**

**(iv) Work was performed by the operations contractor. Rates for work were reviewed in the process of awarding the operations contract to Midwest Water Operations.**

**(v) The only significant change from that envisioned at pages 4-5 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290 was the utilization of the existing lagoon cell for flow equalization rather than installing a new equalization storage tank.**

**(vi) This project was managed internally and there are no additional agreements associated with construction management.**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(vii) The project is complete.**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-85:** Refer to the Direct Testimony of Jacob Freeman, p. 26  
regarding the Fox Run Sewer system. Please provide the following:

- a. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- b. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.
- c. All reports, inspections, memos, or related communication provided by Bluewater's third-party engineer at the time of acquisition

**RESPONSE:** For its responses to OAG Request No. 1-85, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request 1-85(b) as premature and outside the scope of this rate case. In addition, Bluegrass Water objects to OAG Request No. 1-85(b) and (c) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.

**Subject to and without waiver of the foregoing objections,**

**(a) Please see CONFIDENTIAL Exhibit OAG 1-85(a) for the system condition evaluation prepared by 21 Design for the Fox Run facility. Please also see the Direct Testimony of Josiah Cox at pages 19-24 and pages 12-14 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290.**

**(c) Please see CONFIDENTIAL Exhibit OAG 1-85(a).**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-86:** Refer to the Direct Testimony of Jacob Freeman, p. 27-28

regarding the Golden Acres Sewer system. Please provide the following:

- a. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- b. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.
- c. All reports, inspections, memos, or related communication provided by Bluewater's third-party engineer at the time of acquisition.

**RESPONSE:** For its responses to OAG Request No. 1-86, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request 1-86(b) as premature and outside the scope of this rate case. In addition, Bluegrass Water objects to OAG Request No. 1-86(b) and (c) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.

**Subject to and without waiver of the foregoing objections,**

(a) Please see CONFIDENTIAL Exhibit OAG 1-86(a) for the system condition evaluation prepared by 21 Design for the Golden Acres facility. The facility was also discussed in the Direct Testimony of Josiah Cox at pages 25-29 and pages 14-16 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290.

(c) Please see CONFIDENTIAL Exhibit OAG 1-86(a).

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-87:** Refer to the Direct Testimony of Jacob Freeman, p. 21-23

regarding the Great Oaks Sewer system. Please provide the following:

- a. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system.
- b. Any and all reports, studies, analysis, or other written documentation prepared by or for Bluegrass Water in anticipation of filing a CPCN with the Commission.
- c. All reports, inspections, memos, or related communication provided by Bluewater's third-party engineer at the time of acquisition.

**RESPONSE:** For its responses to OAG Request No. 1-87, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request 1-87(b) as premature and outside the scope of this rate case. In addition, Bluegrass Water objects to OAG Request No. 1-87(b) and (c) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.

**Subject to and without waiver of the foregoing objections,**

**(a) Please see CONFIDENTIAL Exhibit OAG 1-87(a) for the system condition evaluation prepared by 21 Design for the Great Oaks facility. The facility was also discussed in the Direct Testimony of Josiah Cox at pages 29-34 and pages 16-18 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290.**

**(c) Please see CONFIDENTIAL Exhibit OAG 1-87(a).**

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-88:** Refer to the Direct Testimony of Jacob Freeman, p. 11-21 and the discussion on pages 32-35 of the August 2, 2021 Commission Order in Case No. 2020-00290 regarding the River Bluffs Wastewater system, please provide the following:

- a. All history of non-compliance with environmental regulations discussed in Case No. 2020-00290, or subsequent compliance history to date and on an ongoing basis.
- b. All Bluegrass Water sponsored engineering contracts, studies, inspections or reports that have been prepared to evaluate the condition of the system provided in Case No. 2020-00290 or since.
- c. All major work items and related costs completed both within and outside the scope of work anticipated in the Case No. 2020-00290 filing.
- d. Regarding the scope of discussed in Case No. 2020-00290 or subsequently identified:
  - i. Latest project schedule.
  - ii. Latest cost estimate and projected final cost.
  - iii. Identify all contractors, vendors, suppliers, etc. and their responsibility and the related purchase orders or contracts associated with each major piece of equipment or construction activity.
  - iv. Describe the process used to select contractors, vendors, suppliers, etc. Provide any documentation of bidding, responses and bid evaluations.
  - v. Provide any and all major changes to the project and supporting documentation, change orders etc.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- vi. Describe how the project is managed and provide any and all associated contractual agreements for project management.
- vii. Provide any and all project management or project status written or electronic reports provided by or to Bluegrass Water to the present and on an ongoing basis.

**RESPONSE:** For its responses to OAG Request No. 1-88, Bluegrass Water respectfully directs the parties to its filings in Case No. 2022-00102. In addition, Bluegrass Water objects to OAG Request No. 1-88(b), (c), and (d) to the extent they call for information protected by the attorney-client privilege or work-product doctrine.

Subject to and without waiver of the foregoing objections,

(a) For compliance status and history, please see Exhibit OAG 1-88(a) or visit the following web address for the most current available version of this report: <https://echo.epa.gov/detailed-facility-report?fid=KY0043150>.

(b) Please see CONFIDENTIAL Exhibit OAG 1-88(b) for the system condition evaluation prepared by 21 Design for the River Bluffs facility. The facility was also discussed in the Direct Testimony of Josiah Cox at pages 56-59 and pages 33-34 of the Direct Testimony of Jacob Freeman filed in Case No. 2020-00290. Finally, River Bluffs was also discussed in the Direct Testimony of Jacob Freeman filed in this proceeding, starting on page 11.

(c) Please see Exhibit OAG 1-88(c).

(d) Regarding the scope of discussed in Case No. 2020-00290 or subsequently identified:

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

(i) All work envisioned by the testimony in Case No. 2020-00290 has been completed.

(ii) The latest cost estimates were reflected on pages 33-34 of the Direct Testimony of Jacob Freeman in Case No. 2020-00290.

(iii) All work was performed by Midwest Water Operations.

(iv) Work was performed by the operations contractor. Rates for work were reviewed in the process of awarding the operations contract to Midwest Water Operations.

(v) The only significant change from the originally projected work presented in Case No. 2020-00290 was the scope of steel repairs required to ensure the structural integrity, function, and operator safety of the plant. This was discussed in the Direct Testimony of Jacob Freeman and Josiah Cox filed in Case No. 2020-00290.

(vi) This project was managed internally and there are no additional agreements associated with construction management.

(vii) The project is complete.

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-89:** Refer to the Direct Testimony of Jacob Freeman, p. 8, describing how Wastewater system projects are identified and executed. Please provide all purchase orders issued for construction projects and include the documentation showing CSWR's identification of the project, the third- party engineering consultant's bid package sent to the third- party construction manager, the received bids from local contractors and the recommendation used to issue the purchase order, and identify all parties involved, for the following wastewater systems.

- a. Kingwood
- b. Persimmon Ridge
- c. Brocklyn
- d. Airview
- e. Lake Columbia
- f. LH Treatment
- g. Fox Run
- h. Golden Acres
- i. Great Oaks
- j. Timberland
- k. River Bluffs
- l. Arcadia Pines
- m. Carriage Park
- n. Marshall Ridge
- o. Delaplain Disposal

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

- p. Herrington Haven
- q. Springcrest Sewer
- r. Woodland Acres
- s. Darlington Creek

**RESPONSE:** The approach to project management referred to in this question is the current method which was implemented for projects which began after Case No. 2020-00290. The documentation requested therefore only exists for the systems which have projects requiring CPCN approval and bid work. All documentation related to those projects is included among CONFIDENTIAL Exhibit OAG 1-79(d).

**Witness:      Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-90:** Please provide documentation of all current and previously completed corrective action plans with the EEC that Bluegrass Water has undertaken since its acquisition of Kentucky wastewater systems.

**RESPONSE:** All correspondence and updates related to the Agreed Orders and Corrective Action Plans are included in CONFIDENTIAL Exhibit OAG 1-67.

**Witness: Jacob Freeman**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-91:** Refer to Schedules JF-1, JF-2, JF-3 and JF-5, please provide a copy of all similar detailed Facility Reports under the EPA ECHO system for all Bluegrass water wastewater systems in Kentucky not already provided in the referenced schedules.

**RESPONSE:** Please see Exhibit OAG 1-91 for all current EPA ECHO detailed facility reports for each NPDES regulated (discharging) wastewater facility. These reports do not exist for non-discharging facilities, as they are not federally regulated. Up to date detailed facility reports for NPDES regulated wastewater systems can be accessed any time by adding the NPDES permit number to the end of the following web address:  
<https://echo.epa.gov/detailed-facility-report?fid=>

Witness: Jacob Freeman

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-92:** Refer to p. 8-9 of the Direct Testimony of Todd Thomas, please provide the current contract with Midwest Water Operations, LLC to operate Bluegrass Water and Wastewater systems in Kentucky. Documents should include all current addendums, supplements, revisions or other changes since Bluegrass began Kentucky operations.

**RESPONSE:** Please see Bluegrass Water's Responses to PSC Request Nos. 2-19 and 2-20.

**Witness: Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-93:** Refer to p. 8-9 of the Direct Testimony of Todd Thomas, regarding Midwest Water Operations, LLC operations Bluegrass Water and Wastewater systems in Kentucky, please provide copies of all wastewater related billing and associated details of activities, work done and purchases since July 1, 2021.

**RESPONSE:** Please see Bluegrass Water's Response to PSC No. 2-21.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-94:** Refer to p. 7-9 of the Direct Testimony of Todd Thomas, regarding Midwest Water Operations, LLC operations Bluegrass Water and Wastewater systems in Kentucky, please provide the details regarding Midwest Water Operations LLC that are required for an RFQ and RFP respondent in Schedules TT-2 and TT-3.

**RESPONSE:** Please see Exhibit OAG 1-94.

**Witness: Todd Thomas**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-95:** Refer to p. 9-10 of the Direct Testimony of Todd Thomas,  
regarding the utilization of Utility Cloud for Bluegrass Wastewater systems in Kentucky, please  
provide the following:

- a. Reports for work orders generated during the test year. Report should include details related to initiation, approval, modification, completion, costs and equipment used or purchased.
- b. Printouts in .pdf or other easily assessable electronic media of all mapping.
- c. An example of how customer service requests are entered and documented through the work order process.

**RESPONSE:** (a) Please see Exhibit OAG 1-95(a).

(b) Please see Exhibit OAG 1-95(b).

(c) Please see Exhibits OAG 1-96(c).

**Witness:** Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-96:** Refer to p. 13-16 of the Direct Testimony of Todd Thomas, regarding the utilization of Nitor Billing Service, LLC for Bluegrass Wastewater systems in Kentucky, please provide the following:

- a. Description and 3 actual examples of documentation involved in how Nitor implements involuntary service shut-offs.
- b. Description and 3 actual examples of documentation involved in how Nitor initiates service requests.
- c. Information provided to builders wanting to connect dwellings under construction.
- d. Information regarding Nitro that would be provided if Nitro were to complete an RFQ and RFP in Schedules TT-2 and TT-3.

**RESPONSE:** (a) Bluegrass Water has not performed any service shut-offs, therefore there is not documentation to provide.

(b) Please see the "Start or Stop Service" section in the following:  
<https://www.centralstateswaterresources.com/bluegrass-water>.

(c) Please see Exhibit OAG 1-96 attached hereto.

(d) Nitor has not completed an RFP and RFQ similar to Schedules TT-2 and TT-3, therefore there is no information to provide.

**Witness:** Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-97:** Refer to Schedules TT-2 and TT-3 of the Direct Testimony of Todd Thomas and the Direct Testimony of Jacob Freeman, p. 7-9, please provide information that would be needed to complete an RFQ and an RFP for the third-party engineering consultants, third-party construction managers, and local contractors including names and addresses, that Bluegrass Water has used to perform wastewater construction projects in Kentucky.

**RESPONSE:** The information required for the RFQ and RFP for contract operations bidding is described in the bid forms attached to the Direct Testimony of Todd Thomas as Schedule TT-2 and TT-3. The RFPs for capital improvement projects are handled on a project-by-project basis and have been provided as part of CONFIDENTIAL Exhibit OAG 1-79(d).

**Witness:** Jacob Freeman / Todd Thomas

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-98:** Refer the Direct Testimony of Brent Thies, p.19-20 and the  
Direct Testimony of Todd Thomas p. 13-17, please provide the following:

- a. Explain the different functions of Nitor and Muni-Link, both during the test year and since.
- b. It appears the functions provided by Nitor and Muni-link overlap. Explain how they do not.
- c. Has Nitor's role changed as described in the Direct Testimony of Todd Thomas with the implementation of Muni-Link?
- d. Do Nitor and Muni-Link provide redundant services?
- e. Describe how Bluegrass uses Muni-Link.
  - i. Is it used by Nitor or direct employees of Bluegrass for billing?
- f. Provide a detailed step-by-step description of how billing data is gathered and input into Muni-link and then how that data is used to issue bills and collect payments.

**RESPONSE:** (a) Nitor serves as the customer service call center contractor. Muni-Link is the software provider for the customer information system.

(b) Other than providing access to the cloud-based software system, Muni-Link provides no services. Nitor employs individuals as call center representatives and manages that function.

(c) No.

(d) No, Nitor provides customer service and uses Muni-Link software as a customer information database.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**(e) Bluegrass uses Muni-Link as its database for customer information and billing system.**

**(i) Both Nitor and employees of CSWR use Muni-Link.**

**(f) Customer usage data is captured using SPMR software (Smart phone meter reading app) and/or Badger radio Read Software. Contract Operators enter the usage information into SPMR. The data is exported from those systems and imported into the billing software (Muni-Link) by a staff billing specialist. Recognizing the importance of accurate billing information, as well as the fact that bills communicate other information important to the customer, the billing process and information to be displayed on a customer's bill is approved by multiple departments. The usage data and the bill calculations go through a review process that is overseen by the billing manager. Bills are then generated out of Muni-link by a billing specialist. The final bills, including any non-billing messaging, are then reviewed by a customer experience specialist. Once approved, the bills are then uploaded to the print and mail vendor, Infosend. Infosend prints and processes the bill for mailing within 1-2 business days.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-99:** Refer to the response to P.S.C. Staff Request No. 1. Provide the composite Massachusetts allocation factors, for each of the three components for the most recent eight quarters, further split by state jurisdiction.

**RESPONSE:** Bluegrass Water objects to this Request as incorrectly characterizing Bluegrass Water's Response to PSC 1-1. As was explained in the Direct Testimony of Brent Thies, Bluegrass Water no longer uses the Massachusetts formula to allocate costs. Subject to and without waiver of the foregoing objections, please see Exhibit OAG 1-43. Please also see the Cost Allocation Manual produced in Response to PSC 1-1.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-100:** Refer to the response to P.S.C. Staff Request No. 1. Identify the composite Massachusetts allocation percentage(s) which are incorporated in the underlying revenue requirement request. For each distinct quarterly Massachusetts allocation percentage incorporated in the filing, quantify the amount of allocated charges included in the proposed revenue requirement.

**RESPONSE:** As was explained in the Direct Testimony of Brent Thies, Bluegrass Water no longer uses the Massachusetts formula. Pursuant to the Company's Cost Allocation Manual, CSWR, LLC currently uses a three-factor methodology to allocate costs. As a result, the proposed revenue requirement contains no amounts utilizing the Massachusetts allocation percentage.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-101:** Refer to the response to P.S.C. Staff Request No. 1. Provide  
the total costs subject to the Massachusetts allocation for the most recent eight quarters.

**RESPONSE:** Please see Bluegrass Water's Response to OAG Request No. 1-100.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-102:** Refer to the response to P.S.C. Staff Request No. 1. For purposes of developing the Massachusetts allocation percentages does the operating expenses relied upon in developing the ratio including all operating expenses, including those costs previously allocated using the Massachusetts formula from the prior quarter? If not, please provide a comprehensive discussion of how operating expenses are defined for purposes of computing the Operating Expense ratio within the Massachusetts formula.

**RESPONSE:** Please see **Bluegrass Water's Response to OAG Request No. 1-100.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-104:** Provide the monthly headcount of CSWR employees for  
the period January, 2020 through March 31, 2023.

**RESPONSE:** Please see Exhibit OAG 1-104.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-105:** Provide the monthly total costs for the vendors a) Nitor and  
b) Muni-Link by month for the period January 2020 through March 2023 along with the accounts  
charged.

**RESPONSE:** Please see Exhibit OAG 1-105 attached hereto.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-106:** Provide the costs allocated to Bluegrass associated with the Nitor and Muni-Link contracts by month for the period January 2020 through March 2023 and indicate the method used to allocate such costs to the various CSWR entities. If such costs were allocated using an indirect allocation method rather than the Massachusetts formula, provide the underlying supporting data which was used to develop the ratio.

**RESPONSE:** Ongoing Muni-Link and Nitor costs are direct charged to Bluegrass Water as shown in Exhibit OAG 1-105. Any cost allocated to Bluegrass Water related to Nitor or Muni-Link are associated with implementation and training. Amounts allocated to Bluegrass are shown in the Overhead Allocation Factors in the workpapers provided in Exhibit OAG 1-43 pursuant to the Company's Cost Allocation Manual. The total costs of Muni-Link and Nitor Implementation and training are outlined in Exhibit OAG 1-106 attached hereto.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-107:** Provide all internal analysis and/or cost benefit calculations performed which support entering into the Muni-Link contract provided as Exhibit PSC 1-12.

**RESPONSE:** No formal analysis or cost benefit calculations were performed underlying this decision. The Starnik contract expired in 2022 consistent with the end of its stated 3-year term. CSWR recognized the need for changes to its CIS systems and negotiated with Starnik to make changes before sourcing a new CIS, Muni-Link. Ultimately, Muni-Link has proven to have a much better customer portal and better integration with other software at a lower cost. Additionally, Muni-Link's subscription fee and set up fees are lower than that for Starnik.

Witness: Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-108:** Refer to Confidential Exhibit PSC 1-12. Confirm that the Implementation, Training and Data Conversion Fee, while three separate fees, are not representative of on-going charges.

**RESPONSE:** The Implementation, Training and Data Conversion fee is a one-time charge and is not an ongoing charge, nor is it representative of on-going charges.<sup>1</sup>

**Witness: Brent Thies**

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<sup>1</sup> While the exhibit referenced in this data request is subject to a pending confidentiality motion, the Company does not believe the request itself (or the response) contains confidential information. Consequently, while it appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-109:** Refer to Confidential Exhibit PSC 1-12. Identify the amounts charged for Implementation, Training and Data Conversion Fees charged to Bluegrass. Identify the month and accounts charged.

**RESPONSE:** Please see Bluegrass Water's Response to Request No. OAG 1-106. Amounts allocated to Bluegrass Water are shown in the Overhead Allocation Factors in the workpapers provided in Exhibit OAG 1-43 pursuant to the Company's Cost Allocation Manual.<sup>2</sup>

**Witness: Brent Thies**

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<sup>2</sup> While the exhibit referenced in this data request is subject to a pending confidentiality motion, the Company does not believe the request itself (or the response) contains confidential information. Consequently, while it appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-110:** Refer to Confidential Exhibit 24. Describe the efforts, if any,  
to claim the Employee Retention Tax Credit for federal income tax purposes.

**RESPONSE:** Bluegrass Water has no employees. CSWR, LLC researched its  
eligibility for the Employee Retention Tax credit and determined that it was ineligible under  
the provisions of Section 2301 of the CARES Act, which is the act that authorized the  
Employee Retention Tax Credit program.<sup>3</sup>

**Witness:** Brent Thies

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<sup>3</sup> While the exhibit referenced in this data request is subject to a pending confidentiality motion, the Company does not believe the request itself (or the response) contains confidential information. Consequently, while it appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-111:** Provide the underlying support for the Repairs and  
Maintenance deduction of \$22,198 taken on the Bluegrass 2021 return.

**RESPONSE:** Please see Exhibit OAG 1-111 attached hereto.<sup>4</sup>

**Witness: Brent Thies**

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<sup>4</sup> While the exhibit referenced in this data request is subject to a pending confidentiality motion, the Company does not believe the request itself (or the response) contains confidential information. Consequently, while it appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-112:** Please refer to Confidential Exhibit 22. Please quantify the amount of Nitor Set up fees included in the proposed revenue requirement. Identify such costs by month and account charged.

**RESPONSE:** Please see Exhibit OAG 1-112 for Nitor Set Up Fees for the total setup cost that were included in acquisition related cost and are being amortized. The total cost of these fees included in the revenue requirement is \$918.<sup>5</sup>

**Witness:** Brent Thies

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<sup>5</sup> While the exhibit referenced in this data request is subject to a pending confidentiality motion, the Company does not believe the request itself (or the response) contains confidential information. Consequently, while it appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-113:** Refer to Exhibit 25. Provide a complete explanation with supporting workpapers for each Known and Measurable Adjustment made in column E of the Exhibit in Excel format. The excel documents should be provided with cell references intact.

**RESPONSE:** Please see Exhibit OAG 1-113. Please also see Bluegrass Water's Response to PSC Request No. 2-17.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-114:** Refer to the Direct Testimony of Brent Thies. Provide a copy  
of all Exhibits sponsored by Mr. Theis in excel format with cell references intact.

**RESPONSE:** Please see **Bluegrass Water's Response to PSC Request No. 2-17.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-116:** Refer to page 13 of the Direct Testimony of Brent Thies.  
Provide the analytical support for the use of a 1% bad debt expense level. Include in this response  
a comprehensive explanation describing the process used to charge accounts to bad debt expense.

**RESPONSE:** The percentage and the methodology have been reviewed by  
management and deemed sufficient based upon their experience in the industry until such  
time as the company has more historical, post-COVID-19, data on collections and past due  
balances.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-117:** Describe the accounting process used to account for the collection of revenue associated with accounts receivable that have previously been charged to bad debt expense.

**RESPONSE:** Bluegrass maintains an allowance for doubtful accounts. An accrual is made to the allowance every month. Direct write-offs occur annually and reduce the allowance by a net amount.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-118:** Provide the monthly expense recordings associated with Injuries and Damages, either related to employee or properly related incidents for the period January 2020 through March 2023. Identify any such costs that were either jointly billed or allocated to Bluegrass.

**RESPONSE:** None.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-119:** Provide a copy of the single insurance policy held by CSWR  
for property, general liability and environmental liability as described on page 13 of the Direct  
Testimony of Brent Thies.

**RESPONSE:** Please see **CONFIDENTIAL Exhibit OAG 1-119.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-120:** Regarding property, general liability and environmental liability insurance coverage, identify the monthly charges recorded on the books of Bluegrass that were a) direct charged, b) jointly allocated, or c) allocated using the Massachusetts formula, by month for the period January 2020 through March 2023.

**RESPONSE:** Please see Exhibit OAG 1-120. Insurance expense is directly charged to Bluegrass Water. Pursuant to the Company's Cost Allocation Manual, the cost of property insurance is charged based on the respective values of covered property as a proportion of the total covered property value of the Company. No charges are allocated to Bluegrass Water utilizing the Massachusetts formula.

Witness: Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-122:** Provide all supporting documentation for the adjustment to annualize customer information and billing system costs described on page 19 of Mr. This's testimony.

**RESPONSE:** Please see Exhibit OAG 1-122.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-123:** Provide all supporting documentation for the adjustment to  
true-up Property Tax Expense to the level actually paid during the test period as discussed on page  
20 of Mr. Theis' testimony.

**RESPONSE:** Please see Exhibit OAG 1-123.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-124:** Provide all supporting documentation for the adjustment to exclude, adjust and annualize overhead expenses allocated to Bluegrass from CSWR as described on page 20 of Mr. Theis' testimony. Provide a comprehensive explanation identifying specifically which costs were a) excluded, b) adjusted, and c) annualized within this adjustment.

**RESPONSE:** Please see Exhibit OAG 1-124 for the detailed calculation of the adjustment made to allocated overhead expenses.

(a) Excluded expenses include those expenses that relate to business development costs, including salary expenses; expenses that were associated with other jurisdictions; or expenses incurred for charitable, civic, legislative, or advertising purposes.

(b) Expenses that were adjusted included analysis of employee timesheets to confirm that payroll costs were properly allocated. Finally, the overhead allocation was adjusted for the change in allocation methodology that began in Q1-2022. Please see the Company's Cost Allocation Manual (Exhibit PSC 1-1) for a detailed description of the cost allocation methodology.

(c) While overhead expenses were examined for annualization, no adjustments for annualization were made in arriving at the revenue requirement.

Witness: Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-125:** Provide all supporting documentation for the adjustment to  
annualize the:

- a) revenue; and
- b) expense associated with the Darlington Creek service area. Provide a  
comprehensive explanation of how this adjustment was quantified.

**RESPONSE:** Please see Bluegrass Water's Response to OAG 1-4.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-126:** Identify whether the Bluegrass tax return is prepared on a  
cash or accrual basis.

**RESPONSE:** Bluegrass Water's tax return is prepared on an accrual basis.

**Witness:** Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-127:** Provide a listing of accrued expenses as of June 30, 2021 and June 30, 2022, respectively. For each accrued expense item, provide an explanation of the nature of the accrual, the account charged and the amount of the accrual.

**RESPONSE:** Please see Exhibit OAG 1-127.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-128:** Refer to Confidential Exhibit BT-13 and specifically the column titled Acquisition Related Costs. For each acquisition identified in this Exhibit, provide a breakdown of the related Acquisition related costs identifying the following; a) contractors utilized indicating the nature of contractor services provided, b) employee time charged, including the job title of each employees whose costs were included within the acquisition and c) identification of all other costs.

**RESPONSE:** The referenced items relate to legal & engineering acquisition cost. No employee time is included in these costs. Please see Exhibit OAG 1-128.<sup>7</sup>

**Witness: Brent Thies**

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<sup>7</sup> While the exhibit referenced in this data request is subject to a pending confidentiality motion, the Company does not believe the request itself (or the response) contains confidential information. Consequently, while it appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-129:** Provide the rationale and any known Kentucky PSC precedent for inclusion of three years of approved CPCN budgeted capital expenditures in Rate Base.

**RESPONSE:** Bluegrass Water objects to OAG Request No. 1-129 as asking for a legal conclusion and analysis. Subject to and without waiver of the foregoing objection, Bluegrass Water states that it does not seek to recover three years of capital expenditures in a single year. Bluegrass Water seeks a revenue requirement that will allow it to recover its known and measurable capital expenditures each year. The Commission has previously explicitly rejected attempts to limit the time period of known and measurable adjustments. "The Commission further finds that Mr. Kollen's proposal to limit the post-test year adjustments to the 12-month period ending December 31, 2020, is also not reasonable. This is because 807 KAR 5:001, Section 16(1) does not specify a time limitation on a proposed adjustment to a historical test year period, but rather that the adjustment must be based upon known and measurable changes." Case No. 2021-00358, April 8, 2022 Order, at 8. As the Commission has already approved the projects by granting a CPCN and the projects are required to ensure the provision of safe and adequate service, Bluegrass Water has requested the inclusion of the projects as known and measurable changes.

Witness: Brent Thies

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-130:** Provide the supporting documentation and underlying calculations in excel format (with cell references intact) associated with the table values provided on the bottom of page 26 of Mr. Thies' testimony supporting adjustments related to Delaplain, Remote Monitoring, Site visit waiver and the Randview sale.

**RESPONSE:** Please see Exhibit OAG 1-130 attached hereto. Please also see Bluegrass Water's Response to PSC 1-32(a).

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-131:** Refer to Mr. Thies' testimony on page 27 and specifically the sentence beginning on line 14; "Where detailed annual reports were available, Bluegrass Water adjusted the balances for any known and measurable changes that have occurred since the annual report was filed, and used the adjusted values to create acquisition date accounting entries on its books.

**RESPONSE:** Bluegrass Water objects to this Request as not calling for a response.

**Witness:** Counsel

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-132:** Refer to Mr. Thies' testimony on pages 29 and 30 specifically related to the \$698,456 associated with acquired Land and Land Rights. Please confirm that these values reflect the difference between the appraised market value of Land and Land Rights and the underlying purchase price assigned to these assets. If this is not what is represented in this table, please provide a comprehensive explanation defining how this amount was determined.

**RESPONSE:** The referenced \$698,456 is the portion of purchase price that was above the historic net book values of the Delaplain and River Bluffs systems. In both acquisitions, a property appraisal was obtained and was used to support the assignment of the \$698,456 to the NARUC account for land and land rights. The total of the appraisals was higher than \$698,456 but the values were prorated so that the amount recorded would not exceed purchase price. The total book value recorded at acquisition is equivalent to the purchase price.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-133:** Refer to Mr. Thies' testimony on page 33. Provide the support for the conclusion that the impact on rates from inclusion of the requested recovery of the Acquisition Premium is only 2.7%.

**RESPONSE:** Please see Exhibit OAG 1-133 attached hereto.

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-134:** Refer to Mr. Thies' testimony on pages 33 and 34 related to the achievement of economies of scale. Is the conclusion that economies of scale have been achieved based upon an analysis of the operating costs of Bluegrass compared with the cumulative operating costs of the individual utilities prior to CSWR acquisition? If so, provide the underlying analysis supporting this definition of economies of scale. If the achievement of economies of scale is defined by Mr. Thies in some other manner, define how the term is used in his testimony and provide the underlying analysis supporting the conclusion that economies of scale have been achieved.

**RESPONSE:** The discussion of economies of scale found on pages 33 and 34 of Mr. Thies' testimony is generally designed to compare the operating costs of a fully functioning system both before and after acquisition by Bluegrass. In this regard it is important to recognize that the system needs to be viewed in a "fully functioning" manner. For instance, a system that has been abandoned by prior ownership or has experienced failed mechanical systems will have very little operating cost (i.e., electricity, chemicals, etc.). Once acquired by Bluegrass, however, and systems restored to a fully functioning level, operating costs will necessarily be higher for that system relative to its previously deteriorated condition. As such, a comparison of the operating costs of a system that was not operating to that same system post-acquisition in an improved, functional state would necessary be an apples to oranges comparison. Therefore, a true comparison of operating costs and a

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**determination of whether economies of scale are created must be an apples-to-apples comparison and must assume that the system was operated properly prior to acquisition.**

**The economies of scale referenced at pages 33-34 is not based upon any specific Bluegrass Water analysis. Instead, the achievement of economies of scale through acquisition and consolidation is well established in the water and wastewater industry. For instance, as long ago as 30 years, the National Regulatory Research Institute pointed out that one of the problems regarding the viability of water and wastewater systems is that a “smaller customer base means economies of scale are not at the same level as the larger companies.”<sup>8</sup> In that same publication, NRRI concluded that “regulators must recognize that only an entity with strong water management skills and technical expertise, greater financial flexibility, and the ability to employ economies of scale can solve the troubled water company problem.”<sup>9</sup> Still again, “[b]ecause viability seems inexorably linked to economies of scale, there is a strong interest in consolidation solutions.”<sup>10</sup>**

**More recently, NRRI discussed the need for achievement of economies of scale for small water companies.**

**Small size is not an advantage when it comes to water system efficiency, reliability, economies of scale, and long-term sustainability. It costs small utilities more per unit volume of production to operate their systems. Small systems tend to pay higher prices for materials and supplies because the quantity they require is relatively small. They have fewer customers over which to spread costs. In most cases, small water systems were built to serve residents of a small community or a single housing development. There may**

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<sup>8</sup> *Viability Policies and Assessment Methods for Small Water Utilities*, the National Regulatory Research Institute, Publication 91-17, issued June 1992, at page 4.

<sup>9</sup> *Id.* at page 5.

<sup>10</sup> *Id.* at page 85.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**be few, if any, commercial or industrial customers to spur production to more economically efficient levels.<sup>11</sup>**

**Given the inherent obstacles to small water systems achieving economies of scale, many state utility commissions have implemented policies to spur consolidation. "In the context of small water systems, some commissions set aside this concern [acquisition premiums] in the hopes of attracting acquirers able to exploit economies of scale associated with owning multiple systems."<sup>12</sup>**

**Bluegrass' experience, and that of its corporate parent, is consistent with that of the National Regulatory Research Institute. Specifically, Bluegrass' acquisition and consolidation of small, troubled water and wastewater systems allows for the achievement of economies of scale. For instance, as discussed at page 32 of Mr. Thies' testimony, he concludes that the acquisition and consolidation of approximately 800 systems across 11 states has resulted in the achievement of economies of scale with regard to the provision of "legal, accounting, human resources, customer experience, and other business services by CSWR that would not otherwise be accessible to the individual stand-alone distressed water / wastewater company." Additional economies of scale are realized in the procurement of insurance and computer software. Still again, economies of scale are achieved in the procurement of O&M services for 20 Kentucky systems rather than on a single system basis.**

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<sup>11</sup> *Small Water Systems: Challenges and Recommendations*, the National Regulatory Research Institute, Publication 08-02, issued February 7, 2008, at page 9.

<sup>12</sup> *Id.* at page 15.

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**Finally, economies of scale result in the procurement of third-party engineering and construction services.**

**Bottom line, as NRRI recognized, “smaller customer base means economies of scale are not at the same level as the larger companies.” Through the acquisition of 20 wastewater systems across Kentucky, Bluegrass has been able to bring such economies to its customers.**

**Witness: Brent Thies**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

**REQUEST NO. 1-135:** Does CSWR submit an annual federal tax return? If so,  
provide a copy of the CSWR return for 2021.

**RESPONSE:** Bluegrass Water objects to this request as outside the scope of this rate  
case and therefore irrelevant and overly broad.

**Witness: Counsel**

ELECTRONIC APPLICATION OF BLUEGRASS WATER UTILITY OPERATING  
COMPANY, LLC FOR ADJUSTMENT OF SEWAGE RATES  
CASE NO. 2022-00432

BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE  
OFFICE OF ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION

As to Objections,

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