

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

In the Matter of:

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

**BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC’S
RESPONSES TO SCOTT COUNTY, KENTUCKY’S
FIRST REQUESTS FOR INFORMATION**

Bluegrass Water Utility Operating Company, LLC, (“Bluegrass Water” or the “Company”)
by counsel, files its responses to Scott County, Kentucky’s First Requests for Information, issued
in the above-captioned case on April 28, 2023.

FILED: May 19, 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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-1: Reference: Application, page 3, numbered paragraph 6. Please provide: a. Bluegrass Water's definition of a "stranded investment"; and b. The facts and reasoning serving as the basis for position that Bluegrass Water may seek to recover a potential "stranded investment" associated with the Randview System transaction through rates.

RESPONSE: Bluegrass Water objects to this request to the extent it calls for a legal conclusion. Bluegrass Water further objects to this request to the extent it seeks information protected by the attorney-client privilege and/or the work product doctrine. Subject to and without waiver of the foregoing objections,

(a) In the context of this case, "stranded investment" refers to the cash expenditure Bluegrass Water has incurred related to the Randview plant which will not be fully recovered through the price paid by the buyer.

(b) The Uniform System of Accounts published by the National Association of Regulatory Utility Commissioners contemplates in Accounting Instruction 16 – Utility Plant Purchase or Sold that the amount of asset value remaining after the sale of utility property would be closed to account 114 – Utility Plant Acquisition Adjustment. This account requires submission to the Commission for direction as to its disposition, including inclusion in rate base and future amortization in rates.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-2: Reference: Application, pages 5 and 6, numbered paragraph 20.

Please describe the deliberative process and the complete factual basis and reasoning for the proposal to move all the systems receiving wastewater service from Bluegrass Water to a unified rate schedule through the application in the instant case.

RESPONSE: Bluegrass Water objects to this Request as calling for a legal conclusion. Bluegrass Water further objects to this request to the extent it seeks information protected by the attorney-client privilege and/or the work product doctrine. Subject to and without waiver of the foregoing objections, the rationale underlying the consolidation of small water and wastewater systems is well-established. For instance, please see Bluegrass Water's Response to OAG 1-19 regarding the benefits of a unified rate schedule. There Bluegrass Water referred to pages 11-14 of Mr. Cox' direct testimony as well as the Commission's decision in Case No. 2020-00290.

For instance, as pointed out by Mr. Cox in his Direct Testimony, consolidation into a unified rate schedule provides an opportunity to "mitigate" the increase in this case. In support of this conclusion, Bluegrass Water incorporates Bluegrass Water's Response to AG Data Request 1-2 provided in Case No. 2020-00290 and submitted in the Commission's electronic filing system on January 29, 2021. That analysis shows, on line 24, the proposed consolidated residential rate as well as the residential rate on a system-by-system basis absent consolidation. As reflected there, a system-specific cost-based rate for the Fox Run system would have been \$313.69 as compared to a consolidated residential rate of \$89.58. Similarly, a cost-based rate for Golden Acres would have been \$349.24. Since the Commission had

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

granted consolidation in the last rate case, Bluegrass Water has not replicated this analysis in this case. That said, however, Bluegrass Water has no doubt that system-by-system pricing would lead to rates for certain systems of a similar magnitude.

In addition, please see Bluegrass Water's Response to OAG 1-134 herein regarding the economies of scale that can be achieved through acquisition and consolidation of small water and wastewater systems. In support of that conclusion, Bluegrass Water cites two National Regulatory Research Institute ("NRRI") publications. In addition to those limited NRRI citations, Bluegrass Water also points out that NRRI has also concluded:

Single tariff pricing is another way to encourage mergers. Enabling a uniform rate structure or consolidated rates for systems owned by the same entity may encourage a corporate utility to grow its business by acquiring – whether contiguous or interconnected or not – other systems. With consolidated pricing, customers pay the same price even though their individual system may have unique operating characteristics and needs. Single tariff pricing makes it easier to share costs among larger numbers of customers.¹

Witness: Josiah Cox

¹ *Small Water Systems: Challenges and Recommendations*, National Regulatory Research Institute, February 7, 2008 (citing to *Joint Report of the US EPA and NARUC, Consolidated Water Rates: Issues and Practices in Single Tariff Pricing*, September 1999).

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-3: Reference: Application, page 6, numbered paragraph 21. For each of the five (5) Bluegrass Water residential wastewater systems identified in this paragraph, state whether, and if applicable how, Bluegrass Water considered elements of gradualism, preventing rate shock, economic development, and/or affordability when designing rates proposed for these customers in the instant case.

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). Subject to and without waiver of this objection, please see pages 11-12 of the Direct Testimony of Josiah Cox regarding the ability of system consolidation to mitigate rate increases on particular systems. In addition, please see Bluegrass Water's Response to PSC No. 2-23 regarding Bluegrass Water's willingness to consider a phase-in of any rate increase in this case. In addition, please see Bluegrass Water's Response to PSC No. 2-24 regarding the rationale underlying allocation of costs between metered and unmetered service. Finally, please see Bluegrass Water's Responses to OAG 1-35 regarding the bill impact of Bluegrass Water's proposed allocation of costs between residential and commercial rate classes and OAG 1-65 regarding the basis underlying the apportionment of 77.28% of the revenue requirement to unmetered service and 22.72% to metered service.

Witness: Josiah Cox / 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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-4: Reference: Application, page 6, numbered paragraph 22. Please explain the basis for Bluegrass Water maintaining a “multifamily unit rate, which only affects the Brocklyn system.”

RESPONSE: **The Brocklyn system is the only system served by Bluegrass Water in which a multifamily unit is a customer of Bluegrass Water.**

Witness: Aaron Silas

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-5: Reference: Application, page 6, numbered paragraph 23. Please provide:

- a. The derivation of the fixed monthly charge for the commercial customers of the Delaplain system including any supporting workpapers;
- b. The derivation of the usage charge for the commercial customers of the Delaplain system including any supporting workpapers;
- c. The rationale for using both a fixed monthly charge and a usage charge for the commercial customers of the Delaplain system; and
- d. State whether, and if applicable how, Bluegrass Water considered elements of gradualism, preventing rate shock, economic development, and/or affordability when designing rates proposed for the commercial customers of the Delaplain system

RESPONSE: (a) Please see Application Exhibit 11. Please also see Bluegrass Water's response to PSC 2-24 and OAG 1-65.

(b) Please see Application Exhibit 11. Please also see Bluegrass Water's response to PSC 2-24 and OAG 1-65.

(c) Please see Bluegrass Water's Response to PSC No. 2-24 and Bluegrass Water's Response to OAG 1-65.

(d) Bluegrass Water objects to subsection (d) as calling for a legal conclusion. Bluegrass Water further objects to this request as it misstates the standard established by KRS 278.030(1). Please also see Response to SC 1-3.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

Witness: Timothy S. Lyons as to subparts (a) – (c)

Josiah Cox as to subpart (d)

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-6: Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 8, lines 19 through 22. Please fully explain the basis and rationale of Bluegrass Water's decision for seeking "to unify the terms of service and consolidate rates statewide" through the proposals in the instant Application.

RESPONSE: Please see Bluegrass Water's Response to OAG No. 1-19. Please also see Bluegrass Water's Response to PSC No. 2-23 and Response to SC No. 1-2.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-7: Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 11, lines 21 through 23. Please specifically identify both the Bluegrass Water's systems that are the "worst systems" as well as those systems falling within the subset category of "some of the worst systems" as the phrases are used in the statement "the expenditures and investments necessary to bring some of the worst systems into compliance" in this testimony.

RESPONSE: Bluegrass Water objects to this Request as it incorrectly characterizes and takes out of context the Direct Testimony of Josiah Cox. Subject to and without waiver of the foregoing objections, please see Response to PSC No. 2-3 regarding Bluegrass Water's purchase of typically troubled systems with existing compliance issues. Please also see CONFIDENTIAL Exhibits OAG 1-70(b), 1-71(b), 1-72(b), 1-73(b), 1-74(b), 1-75(b), 1-76(b), 1-77(b), 1-78(b), 1-79(b), 1-80(b), 1-81(b), 1-82(b), 1-83(a), 1-84(b), 1-85(a), 1-86(a), 1-87(a), and 1-88(b) for the Engineering Memorandums detailing the state of disrepair of the systems acquired by Bluegrass Water.

Please also see the Commission's March 30, 2023 Order entered in Case No. 2022-00104, Pages 3-4, for a recitation of the multiple environmental violations at the Delaplain Disposal system due to the state of disrepair of the Delaplain Disposal system when acquired by Bluegrass Water, including the 66 exceedance violations noted by the Environmental Protection Agency since July 2019. Please also see Bluegrass Water's March 16, 2023 Supplemental Response filed in Case No. 2022-00104 for a copy of the letter from the Division of Water refusing to allow Bluegrass Water to connect new customers at the Delaplain Disposal facility, including for a new economic development project in Scott County,

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

Kentucky, due to the existing exceedance violations. The CPCN granted in Case No. 2022-00104 is designed to bring the Delaplain Disposal system into compliance, which Bluegrass Water believes will benefit the public health and economic development of Scott County, Kentucky.

Witness: Josiah Cox and 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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-8: Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 12, lines 6 through 15. Please refer to page 9 of the Public Service Commission's August 2, 2021, Order in Case No. 2020-00290, and fully explain how the period of time since Mr. Cox's representation in that proceeding (documented through the Commission's Order in Case No. 2020-00290) is sufficient to support a proposal for a unified rate in the instant case.

RESPONSE: Bluegrass Water objects to this Request because it is unclear to what representation of Mr. Cox the question refers because Page 9 of the Commission Order includes many different Bluegrass Water statements presented in Case No. 2020-00290. Bluegrass Water further objects to this Request because the portions of the Commission Order cited related to intervenor arguments that Bluegrass Water should be required to file a rate case based on a historical test year, which Bluegrass Water has done in this proceeding.

Subject to and without waiver of the foregoing objection, Bluegrass Water has owned the LH Treatment facility in Scott County, Kentucky since September 2019 and the Delaplain system in Scott County, Kentucky since February 2021. As a result, the proposed unified rate includes operation of both facilities by Bluegrass Water for the duration of the historical test year. *See* Case No. 2020-00290, Aug. 2, 2021 Order, at 9-10 ("Bluegrass Water argued that in context the statement is to distinguish such a rate filing from one based on the past owners historical expenses. . . . The Commission agrees with Bluegrass Water . . .").

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-9: Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 13, lines 13 and 14. Please fully define and/or describe each of the time frames (length by months or years, etc.) corresponding to Mr. Cox's phrases "short run" and "longer-term" as those phrases are used in his testimony.

RESPONSE: Bluegrass Water objects to this Request because it calls for speculation as to when major repairs or replacements may become necessary, which may not be determined with certainty. Subject to and without waiver of the foregoing objections, the terms "short run" and "longer-term" are not capable of an exact time definition.

Rather, they are simply relative terms to describe the time over which systems will need upgrades and repairs to distribution and treatment systems. As such, the term "short run" will be largely dependent on the condition of the system at the time that it was acquired by Bluegrass Water. Therefore, systems in a more distressed condition or relying on processes that are incapable of meeting effluent permit limits will necessarily need repairs and replacements in the "short term." In contrast, systems that do not require these immediate repairs and replacements will nonetheless still eventually need repairs and replacements over the "longer term" as systems deteriorate or permit limits are tightened thus requiring process improvements. Please also see Bluegrass Water's Response to SC No. 1-7 for a reference to Engineering Memorandums detailing the condition of systems and the need for upgrades for the Bluegrass Water systems.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-10: Reference: Application, Exhibit 2, Direct Testimony of Josiah Cox, page 14, lines 4 through 6. Please identify and quantify, by quarter, for the period beginning January 1, 2020 through the end of the test-year in the instant application, the “economies of scale” Bluegrass Water has been able to achieve.

RESPONSE: Please see the Response to OAG 1-134. As stated there, the reference to economies of scale is not based upon a quantitative analysis. As such, there is not a quarterly quantification of economies of scale as sought in this Request. Rather, the achievement of economies of scale, as referenced in Bluegrass Water testimony and data request responses, is based upon the widespread understanding over the past three decades that acquisition and consolidation of small systems leads to economies of scale. In this regard, please see the National Regulatory Research Institute publications referenced in OAG 1-134.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-11: Reference: Application, Exhibit 5, Direct Testimony of Jacob Freeman, pages 10 and 11; and page 31, lines 14 through 20. Please provide any update or amendment to this testimony necessary for any developments since Bluegrass Water tendered the instant application.

RESPONSE: The referenced sections of testimony refer solely to the Delaplain Wastewater system. The testimony in this case was filed simultaneous with the instant application. As such, that testimony, most importantly pages 32-44 of Mr. Freeman's testimony, provides a thorough discussion of the Delaplain system upon acquisition as well as the improvements sought through the CPCN Case No. 2022-00104. Since the filing of this rate application, the Delaplain CPCN application was granted on March 30, 2023. In addition, since the filing of this rate application, the work envisioned by the Delaplain CPCN application was approved by EEC/DOW via construction permit application. Bluegrass Water is in the process of preparing the bid package for these Delaplain system improvements.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-12: Reference: Application, Exhibit 5, Direct Testimony of Jacob Freeman, page 39, lines 3 through 5. Please fully explain:

- a. How Bluegrass Water is “working to resolve these issues,” and
- b. How Bluegrass Water will “hold accountable commercial connections” as stated in the testimony.

RESPONSE: The referenced testimony refers to issues identified in Bluegrass Water’s pre-acquisition visits to the Delaplain Wastewater facility. During those visits, it was noted that the influent wastewater smelled of oil / paint thinner; contained maintenance rags in the bar screen; and had an oil sheen. As further reflected in that testimony, Bluegrass Water concluded that this was indicative of service agreement violations with some of the Delaplain commercial connections. Those service agreements are contained in the Industrial / Commercial Rules and Regulations contained in the Bluegrass Water wastewater tariff (Original Sheet No. 27).

As reflected there, the purpose of those tariff provisions is to ensure that industrial / commercial users “take no action which would prevent the Utility from complying with the requirements of the Commonwealth of Kentucky’s Division of Water of the Natural Resources and Environmental Protection Cabinet (“DOW”). Included in that tariff are prohibitions on items that can be placed into wastewater by commercial customers. Ultimately, the tariff provides Bluegrass Water with the authority to terminate service, after a reasonable attempt to obtain compliance, for failure to comply with the discharge requirements.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

(a) **Bluegrass Water has cleaned up the trash from the facility to address the immediate issue. In addition, Bluegrass Water has sent letters (in some cases two letters where no response was received) with a “user information form” for commercial customers to complete to identify business activities occurring at the site. The purpose of these “user identification forms” is to identify any business activities which would fall into categories subject to EPA “categorical user” pretreatment standards or otherwise contribute to the issues observed at the facility. Some of these customers have responded to the letters, others have not. Additionally, immediately after Bluegrass Waters’ acquisition, one restaurant was identified with a grease trap that was leaking into a drain flowing into the system with significant amounts of oil. This has been resolved. Further plans are still in the works pending the responses from the remaining commercial connections.**

(b) **Bluegrass is still evaluating what means will be utilized to ensure customers are not putting anything other than domestic wastewater into the sewer system. These plans will be formalized following receipt of responses from all commercial customers and potential follow-up investigation to identify which customers may be contributing to the issues. It is likely that Bluegrass will tell violating users that they must, consistent with the requirements of the tariff, cease allowing oil, grease, rags, and other materials generated in business activities from entering the sewer system or risk disconnection from the system as the facility is designed to handle domestic wastewater only (showers, sinks, toilets, etc.)**

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-13: Reference: Application, Exhibit 5, Direct Testimony of Jacob Freeman, page 44, lines 7 through 14. Please identify and provide the corresponding estimated cost of the "other items" planned for Delaplain facility.

RESPONSE: **The only items specifically identified at this time in the "other items" category are: (1) the security fencing improvements required at the site with an estimated cost of \$9,200 and (2) the improvements to the all-weather access road with an estimated cost of \$6,000. These are estimated costs, not formal bids or quotes, and are subject to change. Additional items may be identified as the designs are finalized for the bid package which has not yet been issued.**

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-14: Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, page 26, footnote 11. Please fully explain why Bluegrass Water believes that it should be allowed to pursue rate recovery of any alleged "stranded investment."

RESPONSE: Please see Bluegrass Water's Response to SC Request No. 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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-15: Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, pages 28 and 29. In view of the evidence supplied in support of in the instant application concerning the condition of the various facilities, including but not limited to the descriptions provided in the Direct Testimony of Jacob Freeman, please explain why Bluegrass Water paid any amount in excess of the net book value of any system described by Bluegrass Water as having been in poor, distressed, or noncompliant condition at the time of the purchase.

RESPONSE: When evaluating a system for possible acquisition, Bluegrass Water routinely consults publicly available documents (such as Commission annual reports and information available from health and environmental regulators) and conducts site visits to gauge for itself the plant configuration and the condition of equipment. A final purchase price is then determined based on arms-length negotiations between the parties, with Bluegrass Water's objective being to pay the least amount necessary to acquire the system, make necessary improvements and establish rates based on a reasonable cost of service.

A purchase price above the historic value reported in Commission annual reports can have numerous reasons. In some cases, the books and records could have been poorly kept such that expenditures that should have been capitalized were not, leading to a reduced net book value. In other cases, assets that are used and useful in providing sewer services to customers have never been added to the books and records. This includes land value and easements that have been obtained by the utility. Finally, since many owners are paying themselves to operate the facility, these previous owners will also demand a higher purchase price to account for the loss of this personal income stream.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-16: Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, pages 30 and 31. Please, by pertinent docket approving the application for transfer or ownership of each system acquired by Bluegrass Water, provide:

- a. The Commission Order in which a utility plant acquisition adjustment, system-by-system, was identified at the time of the final Order and/or closing of the transaction;
- b. The utility plant acquisition adjustment recorded on the books of Bluegrass Water for each system (including the date of the recordation); and
- c. The amount of the utility plant acquisition adjustment, system-by-system, proposed through the instant application.

RESPONSE: Bluegrass Water objects to this Request to the extent that it contains a legal conclusion. Subject to and without waiver of the foregoing objection,

(a) Bluegrass Water did not request, as part of its acquisition application, to record a specific acquisition adjustment. Instead, it has been Bluegrass Water's intention, throughout its acquisition cases, to seek any acquisition adjustment in a rate proceeding.

(b) Please reference the table included in Direct Testimony of Jacob Freeman, page 7 for the Date of Purchase for each system. Please reference the table included in Direct Testimony of Brent Thies, page 29 for acquisition adjustments.

(c) Please reference the table included in Direct Testimony of Brent Thies, page 29 for acquisition adjustments.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-17: Reference: Application, Exhibit 10, Direct Testimony of Brent Thies, page 32. Please provide a quantification of economies of scale created or realized by Bluegrass Water since January 1, 2020 through the end of the test-year in the instant application.

RESPONSE: Please see the Response to OAG 1-134. Please also see the Response to SC No. 1-10.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-18: Reference: Application, Exhibit 11, Direct Testimony of
Timothy Lyons, Exhibit 1, Direct Schedule TSL-1. Please provide:

- a. From the testimonies summarized on pages 2 through 7, a copy of Timothy Lyons' testimony submitted in each docket in which water and/or wastewater rates were at issue in the proceeding; and
- b. For each of the testimonies identified in sub-part a (above), the date of the final order in the proceeding.

RESPONSE: Bluegrass Water objects to this Request as unduly burdensome in calling for the production of public records readily available to Scott County, Kentucky.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-19: Reference: Application, Exhibit 3, Central States Water Resources Corporate Entity Organization Chart; and Exhibit 11, Direct Testimony of Timothy Lyons, pages 4 and 5. Please provide:

- a. For any other entity appearing on Exhibit 3 operating in another jurisdiction (“CSWR, LLC Entity”), provide the most recent cost of service study for any entity using a “traditional class cost of service study” in support of an application to adjust rates; and
- b. For the commercial/non-residential class and multifamily class equivalencies identified on page 5 at lines 1 through 3, identify any other CSWR, LLC Entity operating in another jurisdiction that uses equivalencies that differ from either or both equivalencies proposed for Kentucky through the instant application and identify and provide the other equivalencies.

RESPONSE: Bluegrass Water objects to this Request as overly broad, unduly burdensome, and not likely to lead to the production of any relevant evidence as any utilities operating in another jurisdiction are subject to regulation by a different sovereign, with varying rules, regulations and laws that are inapplicable to this proceeding.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-20: Reference: Exhibit 11, Direct Testimony of Timothy Lyons,
pages 6 through 8. Please provide:

- a. For a scenario in which the Public Service Commission approves an overall revenue requirement less than the revenue requirement proposed through the instant application, is it Bluegrass Water's position that the reduction should be accomplished by a corresponding pro rata decrease in each proposed rate of Bluegrass Water? (Otherwise stated: If the Commission determines a revenue requirement less than the revenue requirement proposed, does Bluegrass Water maintain that it is fair, just, and reasonable to apply the same across-the-board percentage decrease to each of the proposed rates?) Fully explain why or why not.
- b. For a scenario in which the Public Service Commission approves an overall revenue requirement in excess of the revenue requirement proposed through the instant application, is it Bluegrass Water's position that any increase in revenue should be accomplished by a corresponding pro rata increase in each proposed rate of Bluegrass Water? Fully explain why or why not.
- c. Explain what is meant on page 7, line 1 by the phrase "potential bill continuity concerns."
- d. Please explain why the method for determining the proposed fixed charge for commercial sewer service for Persimmon Ridge is appropriate for determining the proposed fixed charge for commercial service in the Delaplain service area.

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

e. Explain how the principles of gradualism, preventing rate shock, economic development, and/or affordability were incorporated into Bluegrass Water's rate design in the instant application.

f. For any other CSWR, LLC Entity operating in another jurisdiction, identify each instance in which an entity has proposed a rate design that incorporates principles of gradualism, preventing rate shock, economic development and/or affordability and provide a copy of the pertinent section of the application and/or docket through which the proposal was made.

g. For any regulatory agency, commission, or board that has jurisdiction over the rates of a CSWR, LLC Entity operating in another jurisdiction, identify each instance in which a regulatory authority has entered a final order in which the principles of gradualism, preventing rate shock, economic development and/or affordability have been incorporated into the rates approved for the entity and, for each instance, provide a copy of the pertinent section(s) of the order discussing the application of the principle(s)

RESPONSE: (a) Yes. Please refer to Bluegrass Water's Response to SC

No. 1-3.

(b) Yes. Please refer to Bluegrass Water's Response to SC No. 1-3.

(c) Please see Bluegrass Water's Response to PSC 2-24 and OAG 1-65.

(d) The approach to establish the proposed fixed charge for commercial sewer service is based on an equivalency factor of 2.5 times that of the residential class. The equivalency factor was approved by the Commission in the Company's most recent rate 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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

(e) Please see Bluegrass Water's Response to SC Request No. 1-3.

(f) Bluegrass Water objects to subsection (f) as overly broad, unduly burdensome, and not likely to lead to the production of any relevant evidence as any utilities operating in another jurisdiction are subject to regulation by a different sovereign, with varying rules, regulations and laws that are inapplicable to this proceeding.

(g) Bluegrass Water objects to subsection (g) as overly broad, unduly burdensome, and not likely to lead to the production of any relevant evidence as any utilities operating in another jurisdiction are subject to regulation by a different sovereign, with varying rules, regulations and laws that are inapplicable to this proceeding.

Witness: Timothy S. Lyons as to subsections (a) – (e)

Counsel as to subsection (f) and (g)

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
SCOTT COUNTY, KENTUCKY'S FIRST REQUESTS FOR INFORMATION

REQUEST NO. 1-21: Reference: Application, Exhibit 13, Auditor Report, page 11, Note 2, Preliminary Survey and Investigation Charges. For any expenditures made for the purpose determining the feasibility of acquiring any of the systems now in Bluegrass Water's service areas that were capitalized, please provide, system-by-system, the corresponding amount of the expenditure that was capitalized

RESPONSE: Please see Exhibit BT-13 (Column G), filed with the Direct Testimony of Brent Thies.

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
SCOTT COUNTY'S FIRST REQUEST FOR INFORMATION

As to Objections,

/s/ Edward T. Depp

John E. Selent

Edward T. Depp

R. Brooks Herrick

Sarah D. Reddick

DINSMORE & SHOHL LLP

101 S. Fifth St., Suite 2500

Louisville, KY 40202

(502) 540-2300

(502) 585-2207 (fax)

john.selent@dinsmore.com

tip.depp@dinsmore.com

brooks.herrick@dinsmore.com

sarah.reddick@dinsmore.com

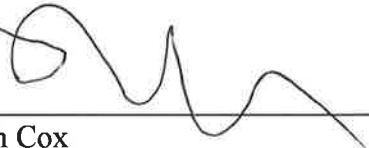
*Counsel to Bluegrass Water Utility
Operating Company, LLC*

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
SCOTT COUNTY'S FIRST REQUEST FOR INFORMATION

VERIFICATION

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

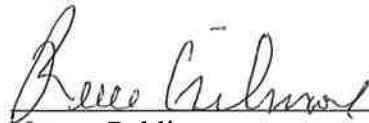


Name: Josiah Cox
Title: President/CEO
Bluegrass Water Utility Operating Company, LLC

STATE OF MISSOURI)
) ss:
COUNTY OF ST. LOUIS)

SUBSCRIBED AND SWORN TO before me on this the 18th day of MAY, 2023.

My commission expires: Oct 16th, 2026



Notary Public

