

**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
SUPPLEMENTAL 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 Supplemental Request for Information, issued in the above-captioned case on June 1, 2023.

FILED: June 22, 2023

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BLUEGRASS WATER UTILITY OPERATING COMPANY, LLC'S RESPONSES TO THE
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REQUEST NO. 2-6: Refer to page 36 of Mr. Thies' testimony and provide the following:

- a. Provide the monthly revenue from each of these systems for the period July, 2021 through June 2022.
- b. Specify how the due date is determined. For example, is it 30 days from customer receipt of the bill, 30 days from the date Bluegrass issues the bill, or some other definition?
- c. Provide the active past due 30 days monthly activity for the Herrington Haven, Woodland Estates and Springcrest service areas for the period July 1, 2021 through June 30, 2022.

RESPONSE: (a) Please see Exhibit OAG 2-6(a) Monthly Revenue.

(b) Consistent with the terms of the Bluegrass Water tariff (Sheet No. 16), an invoice is generated on the first business day of the month and mailed to a customer during the first week of the applicable month. The due date is the last business day of the applicable month in which the invoice is rendered.

(c) Please see Exhibit OAG 2-6(c) Past Due Activity.

Witness: Brent Thies

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REQUEST NO. 2-19: Refer to the Trial Balance provided as attachment to PSC request
1-3 as of June 30, 2022, and respond to the following concerning accounts 183.001 and 183.002,
PSI – Engineering and PSI – Legal, respectively.

- a. PSI-Engineering had total credits recorded in the test period of \$121,003. Identify the account(s) that were debited for these amounts. If such debits were recorded as an expense as a component of the revenue requirement sought in this case, provide the underlying support for the costs charged to expense and provide the rationale for why they should be recovered from ratepayers.
- b. PSI-Legal had total credits recorded in the test period of \$339,976. Identify the account(s) that were debited for these amounts. If such debits were recorded as an expense as a component of the revenue requirement sought in this case, provide the underlying support for the costs charged to expense and provide the rationale for why they should be recovered from ratepayers.

RESPONSE: Bluegrass Water objects to the extent that this request seeks
information subject to the attorney-client or attorney work product privileges. Subject to
and without waiving these objections, the Company states as follows.

(a) \$121,003 was moved out of 183.001, PSI Engineering, to Utility Plant accounts
and has been included as part of rate base. Per the 1976 NARUC System of Accounts, the
instructions for preliminary survey and investigation accounts states, "If construction
results, this account shall be credited and the appropriate utility plant account charged."
The costs in these accounts were incurred as part of the examination of plant operations and
potential necessary improvements of newly acquired plants prior to and immediately after
acquisition. They include costs such as those for surveys, service area maps, engineering
evaluations, title examination, and easement research.

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(b) An amount of \$108 was moved to an expense account 923.4, outside services, during the test year out of 183.002, PSI Legal. The remainder (\$339,868) was moved out of 183.002, PSI Legal, to Utility Plant accounts and has been included as part of rate base. Per the 1976 NARUC System of Accounts, the instructions for preliminary survey and investigation accounts states, "If construction results, this account shall be credited and the appropriate utility plant account charged." The costs in these accounts were incurred as part of the legal examination of plant operations and potential necessary improvements of newly acquired plants prior to and immediately after acquisition. They include legal costs such as those pertaining to surveys, service area maps, engineering evaluations, title examination, and easement research.

Witness: Brent Thies

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REQUEST NO. 2-20: Refer to the annualization adjustment identified in the workpapers provided in OAG 1-113 as well as data provided in the attachment to PSC 2-21. The average monthly costs incurred from Midwest Water in the last quarter of the test period, the period used to annualize the Darlington Creek acquisition, was less than the overall test period monthly average cost.

- a. In light of the data contained in the attachment to PSC 2-21, what is the justification for the annualization adjustment applicable to Darlington Creek?
- b. Provide support for the \$8,849.63 value found in the formula within cell Q9.
- c. For each of the Darlington Creek annualization adjustments provide evidence that the costs incurred are truly incremental to Bluegrass and not simply an allocation of existing costs to the Darlington system.
- d. The source for the \$8,583 adjustment identified as "Depreciation Study Adjustment" is not sourced to any other supporting schedule. Provide all documentation supporting this increase to depreciation expense.

RESPONSE: (a) **Darlington Creek was acquired in March 2022, so expenses were incurred and projected back through that period.**

(b) **The monthly contract operations expense for Darlington Creek is \$8,849.63.**

Please see Exhibit OAG 2-20.

(c) **Please see Exhibit OAG 2-20(c).**

(d) **Please see Exhibit OAG 2-20(d).**

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REQUEST NO. 2-22: Please reconcile the pro-forma depreciation expense value found in Schedule BT-2, found within the Exhibit PSC 2-17 file of \$198,215 with the total annual depreciation expense identified in Mr. Spanos' testimony of \$193,680.

RESPONSE: The difference in the two values is attributable to the fact that the Depreciation Study does not include accounts with de minimis balances and that the value referenced in Schedule BT-2 includes depreciation expense associated with the requested acquisition adjustment in this proceeding, which is an asset that has not yet been approved and, consequently, was not included with the Depreciation Study completed as of June 30, 2022.

Witness: Brent Thies

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REQUEST NO. 2-26: With respect to the response to OAG 1-53, identify the title of the employee and the percentage of their labor time devoted to Business Development. Provide a discussion of how those Business Development labor costs were accurately identified.¹

RESPONSE: Please see Exhibit OAG 2-26.

Witness: Brent Thies

¹ While Exhibit OAG 1-53 is subject to a pending confidentiality motion, the highlighted portion of the request do not disclose any specific information referenced in that Exhibit. Consequently, while the Company appreciates the Attorney General's abundance of caution, the Company has removed highlighting from the data request.

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As to Objections,

/s/ Edward T. Depp

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